



**2007 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

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**2007 Comprehensive Report on  
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and  
Implementation of the African Growth and Opportunity Act  
The Seventh of Eight Annual Reports  
May 2007**

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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. The President delegated the reporting requirement to the United States Trade Representative by Executive Order 13346 of July 8, 2004.

This is the seventh 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 Millennium Challenge Corporation, 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**

- Thirty-eight of the 48 sub-Saharan African countries are eligible for AGOA, including Liberia, which was added to the list of eligible sub-Saharan African countries as of January 1, 2007. Twenty-six of these 38 countries are eligible to receive AGOA's apparel benefits.
- Since its inception, AGOA has helped increase U.S. two-way trade with sub-Saharan Africa. In 2006, U.S. total exports to sub-Saharan Africa rose by 17 percent over 2005, to \$12.1 billion. U.S. total imports from Africa increased by 17 percent to \$59.2 billion. In 2006, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.
- U.S. imports from AGOA countries totaled \$44.2 billion in 2006, up 16 percent over 2005, largely due to oil. Non-oil AGOA trade increased by seven percent to \$3.2 billion – rebounding from a decline of 16 percent in 2005 – as several sectors (footwear, fruits, nuts, prepared vegetables, cut flowers) experienced increases.
- The United States devoted \$394 million to trade capacity building activities in sub-Saharan Africa in FY2006, up 95 percent from FY2005. Of this amount, trade-related assistance from the Millennium Challenge Corporation (MCC) accounted for \$276 million. In FY2006 the United States launched implementation of the five-year, \$200 million African Global Competitiveness Initiative (AGCI), which is designed to help improve the competitiveness of sub-Saharan African enterprises.
- The United States was a leading provider of foreign direct investment to Africa. At year-end 2005 (most recent data available), the U.S. direct investment position rose 16 percent from 2004, to \$14.8 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.
- In March 2006, the U.S. Trade Representative (USTR) re-chartered the Trade Advisory Committee on Africa (TACA) in order to facilitate the goals and objectives of AGOA. The TACA is intended to advise the USTR on trade and economic policy matters with respect to the countries of sub-Saharan Africa. Its members are drawn from distinguished representatives of the private sector and civil society who have an interest in trade and development in sub-Saharan Africa. The inaugural meeting of the TACA, chaired by Ambassador Susan Schwab, was convened in March 2007.
- The Administration is using bilateral and regional trade agreements to strengthen trade and investment relationships with key African partners. Over the last year, the Administration signed trade and investment framework agreements (TIFAs) with Rwanda, Mauritius, and Liberia, while simultaneously intensifying cooperative work with existing TIFA partners. In November 2006, the United States and the Southern African Customs Union (SACU) agreed to pursue a new type of trade and investment cooperation agreement (TICA), that could help lead to a free trade agreement (FTA) in the longer term.
- The fifth annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum was held in Washington D.C. in June 2006, with the theme, "Private Sector and Trade: Powering Africa's Growth." Ministers and senior officials from nearly all AGOA beneficiary countries participated. U.S. Cabinet Members, senior

Administration officials and several Members of Congress also participated in the Forum. In addition to the ministerial-level dialogue, the Forum brought together hundreds of U.S. and African representatives of non-governmental entities and the private sector. The sixth AGOA Forum will be held in Accra, Ghana in July 2007.

## II. Executive Summary

The African Growth and Opportunity Act (AGOA) provides duty-free access to the U.S. market for substantially all products exported from 38 eligible sub-Saharan African countries.<sup>1</sup> AGOA amends the U.S. Generalized System of Preferences (GSP) statute with respect to AGOA-eligible beneficiaries by extending duty-free treatment until 2015 and expanding GSP product coverage (about 4,600 products) by more than 1,800 additional tariff lines. AGOA also exempts beneficiary countries from GSP competitive need limitations. In 2006, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.

AGOA is the cornerstone of the Administration's trade and investment policy toward sub-Saharan Africa, aimed at 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 continues to consult closely with Congress on African trade and investment policy, building on the bipartisan Congressional support for AGOA, and the partnership between the Executive Branch and Congress on enhancing U.S.-Africa trade and investment.

On December 20, 2006, President Bush signed the Africa Investment Incentive Act (AGOA IV). AGOA IV enhances AGOA trade benefits for eligible sub-Saharan African countries and strengthens economic engagement between the United States and sub-Saharan Africa. AGOA IV extends the third-country fabric provision, adds an abundant supply provision, designates certain denim articles as being in abundant supply, and provides duty-free treatment for certain textile and textile articles (non-apparel) imported from lesser-developed AGOA beneficiary countries.

AGOA continued to support the efforts of sub-Saharan African countries undertaking difficult economic, political, and social reforms and provided incentives for countries considering such reforms. The United States maintained an ongoing dialogue with sub-Saharan African countries on topics related to the AGOA eligibility criteria and continued to encourage progress in those countries not yet eligible for AGOA. On January 1, 2007, following the annual AGOA-eligibility review, a new beneficiary country – Liberia – was added to the list of AGOA-eligible countries, bringing the total to 38. As of April 2007, 26 countries are eligible to receive AGOA apparel benefits.<sup>2</sup> Seventeen of these countries<sup>3</sup> also qualify for AGOA's provisions for handloomed and

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<sup>1</sup> The 38 AGOA beneficiary countries are Angola; Benin; Botswana; Burkina Faso; Burundi, Cameroon; Cape Verde; Chad; Republic of Congo; Democratic Republic of Congo; Djibouti; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia.

<sup>2</sup> The 26 countries eligible to receive AGOA apparel benefits are Benin; Botswana; Burkina Faso; Cameroon; Cape Verde; Chad; Ethiopia; Ghana; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Senegal; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia.

<sup>3</sup> The seventeen countries are: Kenya, Lesotho, Botswana, Madagascar, Malawi, Mali, Namibia, Ghana, Mozambique, Senegal, Ethiopia, Niger, Nigeria, Sierra Leone, Swaziland, Tanzania and Zambia.

handmade articles (known as Category 9). The AGOA Acceleration Act of 2004 added ethnic printed fabrics to the types of goods that could be exported under Category 9. Ethnic prints must meet a specific set of criteria to qualify for AGOA benefits. Mali, Niger, Nigeria and Tanzania have been approved for ethnic printed fabrics.

In March 2006, USTR re-chartered the Trade Advisory Committee on Africa (TACA) in order to facilitate the goals and objectives of AGOA. The TACA is intended to advise the U.S. Trade Representative on trade and economic policy matters with respect to the countries of sub-Saharan Africa. Its members are drawn from distinguished representatives of the private sector and civil society who have an interest in trade and development in sub-Saharan Africa. Following the nomination and selection of members by USTR, based on input received from a Federal Register notice, the inaugural meeting of the new TACA was convened on March 15, 2007, by U.S. Trade Representative Susan C. Schwab. The charter for the TACA will expire in 2010.

In 2006, AGOA continued to boost U.S. two-way trade with sub-Saharan Africa and to diversify the range of products being traded. Two-way total trade (exports plus imports) between the United States and sub-Saharan Africa increased 17 percent in 2006, reaching almost \$71.3 billion, as both exports and imports grew. U.S. total exports to Africa rose 17 percent to \$12.1 billion, with increases in exports of machinery, aircraft, vehicles and parts, electrical machinery, and non-crude oil. U.S. total imports from Africa rose 17 percent to \$59.2 billion, due to increases in imports of oil, platinum, diamonds, iron and steel. The United States remained sub-Saharan Africa's largest single-country export market, accounting for nearly 30 percent of the region's total exports in 2005.

U.S. imports from sub-Saharan Africa under AGOA, including its GSP provisions, totaled \$44.2 billion in 2006, up 16 percent from 2005, mostly as a result of increased oil imports. AGOA non-oil imports increased by seven percent to \$3.2 billion in 2006 – rebounding from a decline of 16 percent in 2005 – as several sectors (footwear, fruits, nuts, prepared vegetables, cut flowers) experienced increases.

The United States continues to be a leading provider of foreign direct investment to Africa. At year-end 2005, the U.S. direct investment position<sup>4</sup> in sub-Saharan Africa was \$14.8 billion, 16 percent above the position at year-end 2004. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships. Hundreds of U.S. companies are present in sub-Saharan Africa, and these companies, which include small- and medium-sized enterprises and minority-owned businesses, are enhancing their trade and investment with sub-Saharan African businesses as a result of AGOA.

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<sup>4</sup> The U.S. direct investment position is on an historical cost (book value) basis and according to the *Survey of Current Business* is “primarily derived from the books of the foreign affiliate and generally reflect[s] the acquisition cost of the investment, cumulative reinvested earnings, and cumulative depreciation of fixed assets...The position also includes cumulative capital gains and losses of the foreign affiliate.” The *Survey of Current Business* defines a foreign affiliate as “a foreign business enterprise in which a single U.S. investor (a U.S. parent) owns at least 10 percent of the voting securities, or the equivalent.”

By enhancing U.S.-African dialogue on trade and investment issues, 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. Increased and more effective participation of sub-Saharan African countries in the WTO's Doha Development Agenda negotiations is an important step toward Africa's integration into the global economy. Senior Administration officials have met with numerous African Heads of State, Trade Ministers, and other senior African officials over the past year to share perspectives on the Doha negotiations. For example, U.S. Trade Representative Schwab co-chaired, with Kenyan Trade Minister Kituyi, a Ministerial roundtable discussion on Doha at the June 2006 AGOA Forum in Washington and met with WTO Africa Group Ambassadors in Geneva in March 2007. Senior USTR officials also attended the African Union Trade Ministerial meeting in Ethiopia in January 2007 and discussed WTO issues during Trade and Investment Framework Agreement (TIFA) Council meetings with Ghana, Mauritius, Mozambique, Nigeria, Rwanda, the Common Market for Eastern and Southern Africa (COMESA), and the West African Economic and Monetary Union (UEMOA).

The United States and the Southern African Customs Union (SACU) – comprising Botswana, Lesotho, Namibia, Swaziland, and South Africa – launched free trade agreement (FTA) negotiations in June 2003. However, active FTA negotiations were suspended in April 2006, largely due to divergent views on the scope and level of ambition for the FTA. An FTA remains a longer-term objective for both the United States and SACU. In November 2006, the United States and SACU agreed to pursue a trade and investment cooperation agreement (TICA), that could help lead the United States and SACU to an FTA in the longer term. The TICA would 1) establish a forum for consultative discussions on a wide range of trade issues, including but not limited to FTA issues; 2) develop sector-specific work plans that should lead to increased U.S.-SACU trade and investment in the near term; and 3) put in place the “building blocks” for an FTA in the longer term.

The Administration is using a variety of bilateral and regional trade agreements to strengthen U.S. trade and investment relationships with key African partners, including TIFAs, bilateral investment treaties (BITs), and the proposed TICA. The agreements are expanding market access; strengthening the links between trade and economic development strategies; encouraging greater foreign investment; and promoting regional economic integration and growth. Over the last year, the Administration signed new TIFAs with three African partners: Rwanda, Mauritius, and Liberia. At the same time, it intensified its dialogue and cooperative work with existing TIFA partners in Ghana, Nigeria, South Africa, Mozambique, COMESA, and UEMOA. The United States has five BIT partners in sub-Saharan Africa – Cameroon, the Democratic Republic of the Congo, Senegal, the Republic of the Congo, and Mozambique. The Administration expects to launch BIT negotiations with Rwanda in mid-2007.

The Administration views trade capacity building and technical assistance programs as essential components of its trade and investment policy in sub-Saharan Africa. Sub-

Saharan African countries need technical assistance to maximize gains from AGOA, participate more effectively in the WTO negotiations, and increase their benefits from global trade. U.S. trade capacity building assistance for sub-Saharan Africa reached \$394 million in FY2006, an increase of 95 percent over FY2005, and has cumulatively totaled over \$1 billion since 2001. A number of U.S. agencies are involved in trade capacity building programs in sub-Saharan Africa, including USAID, USTR, the Millennium Challenge Corporation (MCC), the U.S. Department of Agriculture, the U.S. Department of Commerce, the U.S. Trade and Development Agency, and the African Development Foundation.

In FY2006 the United States launched implementation of the five-year, \$200 million African Global Competitiveness Initiative (AGCI), which is designed to help expand African trade and investment with the United States, with other international trading partners, and regionally within Africa through improving the competitiveness of sub-Saharan African enterprises. AGCI, implemented by USAID, also funds the activities of USAID's four regional Trade Hubs for Global Competitiveness, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. Each Hub is staffed by a team of experts in trade-related fields and responds to region-specific needs.

The MCC, established by the United States in 2004, pursuant to the President's Millennium Challenge Account (MCA) initiative, provides a significant source of bilateral assistance for trade capacity building efforts to eligible countries. In FY2006, the MCC was the largest source of U.S. Government TCB funding for sub-Saharan Africa, obligating \$276 million to fund trade-related programs proposed by Benin and Cape Verde. Eleven nations in sub-Saharan Africa are currently "eligible countries" under the MCC and have either concluded a Compact or are in the Compact development stage.<sup>5</sup> As of April 2007, the MCC has signed Compacts with five eligible countries in sub-Saharan Africa.<sup>6</sup> The MCC has committed more than \$1.5 billion to economic growth and poverty reduction projects through these five Compacts. In addition, nine sub-Saharan nations have participated in the MCC's Threshold Country Program<sup>7</sup>, designed to assist countries on the "threshold" of MCC eligibility for Compact assistance.

The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum is one of the cornerstones of AGOA. Known informally as "the AGOA Forum," this event institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries, including ministers of trade, foreign affairs and finance. The AGOA Forum is the Administration's premier platform to articulate and advance its trade and economic policy toward Africa and to foster closer economic ties between the United States and the region. The fifth AGOA Forum was held in Washington, D.C. on June 6-7, 2006, with the theme, "Private Sector and Trade: Powering Africa's Growth." In addition to the ministerial-level dialogue, the Forum encourages interaction among

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<sup>5</sup> The eleven nations are Benin, Burkina Faso, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, Namibia, Senegal, and Tanzania.

<sup>6</sup> The five countries are Benin, Cape Verde, Ghana, Madagascar, and Mali.

<sup>7</sup> The nine nations are Burkina Faso, Kenya, Malawi, Niger, Rwanda, São Tomé and Príncipe, Tanzania, Uganda, and Zambia.

representatives of governments, non-governmental entities and the private sector. Hundreds of U.S. and African businesses and organizations participated in private sector and civil society dialogues held during the AGOA Forum.



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

#### **A. AGOA Summary, Country Eligibility, and Product Coverage**

This section provides a summary of AGOA and progress on its implementation. AGOA's trade- and development-centered policy approach offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. Achieving these policy objectives benefits both the United States and sub-Saharan Africa by creating healthier and more stable economies, strengthening democratic governments, and expanding markets.

##### AGOA Summary

AGOA authorized a new U.S. trade and investment policy toward sub-Saharan Africa, transforming U.S.-sub-Saharan Africa trade relations by promoting increased trade, investment and economic cooperation between the United States and eligible countries in sub-Saharan Africa.

##### AGOA

- Offers eligible countries in sub-Saharan Africa duty-free U.S. market access for substantially all products;
- Provides additional security for investors and traders in African countries by extending GSP benefits for AGOA beneficiaries through 2015;
- Eliminates the GSP competitive need limitation for beneficiary countries in sub-Saharan Africa;
- Provides incentives for African countries to achieve political and economic reform and growth;
- Institutionalizes a process for strengthening U.S. trade relations with African countries;
- 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 IV**

On December 20, 2006, President Bush signed the Africa Investment Incentive Act (AGOA IV). The legislation enhances AGOA trade benefits for eligible sub-Saharan African countries and strengthens economic engagement between the United States and sub-Saharan Africa. AGOA IV extends the third-country fabric provision (see below), adds an "abundant supply" provision (explained below), designates certain denim articles as being in abundant supply, and allows lesser developed AGOA beneficiary countries to export certain non-apparel textile articles duty-free under AGOA.

## 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 continual progress toward the establishment of a market-based economy and 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) gross 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 is contained in Annex B.

An interagency AGOA Implementation Subcommittee of the Trade Policy Staff Committee (TPSC), 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 2006, and based on the recommendation of the U.S. Trade Representative, the President signed a Proclamation on December 29, 2006 announcing that 38 sub-Saharan African countries met AGOA's requirements for eligibility, including all 37 countries previously designated as eligible for 2006. Effective January, 1, 2007, Liberia was designated as a new AGOA beneficiary country. The country reports in Chapter IX provide specific information on AGOA beneficiary status and country performance with respect to AGOA eligibility criteria.

AGOA requires that, in order to receive the apparel benefits in the Act, designated beneficiary countries meet certain customs-related requirements, such as the establishment of an effective visa system. As of April 2007, 26 AGOA-eligible countries had instituted acceptable customs measures to prevent illegal transshipment and, accordingly, had been certified for AGOA's textile and apparel benefits. Annex A contains a list of eligible countries for AGOA and those that had met requirements for textiles and apparel benefits as of April 2007. This information can also be found at <http://www.agoa.gov>.

## Product Eligibility

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA, GSP, or under a non-preference (normal-trade-relations) zero rate of duty.

In 2006, over 98 percent of U.S. imports from AGOA beneficiary countries entered duty-free. In the few cases where U.S. tariff rate quotas (TRQs) exist – for sugar, tobacco, peanuts, beef, and some dairy products – goods of AGOA beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

- First, AGOA extends the GSP program (which covers 4,650 products) for beneficiary countries through September 30, 2015. For regional exporters, this

provides 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 application of the GSP's competitive need limitation for beneficiary developing 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. 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.
- Third, separate AGOA provisions grant duty-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, or ethnic printed fabrics. AGOA also makes certain textile articles from lesser developed AGOA beneficiary countries eligible for duty-free treatment.

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment under AGOA. Ineligible items currently include certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products that may enter the U.S. duty-free under AGOA may be found at the following website: [http://www.ustr.gov/assets/Trade\\_Development/Preference\\_Programs/AGOA/AGOA\\_Implementation\\_Guide/asset\\_upload\\_file146\\_6512.pdf](http://www.ustr.gov/assets/Trade_Development/Preference_Programs/AGOA/AGOA_Implementation_Guide/asset_upload_file146_6512.pdf).

#### AGOA Apparel and Textile Benefits

AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. 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 until 2015;
- Apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap until 2012;
- 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; and ethnic printed fabrics.

AGOA IV modified certain textile and apparel provisions under AGOA. The legislation:

- Extended the third country fabric provision for lesser-developed countries until 2012 and increased the cap for AGOA apparel made of third-country fabric to 3.5 percent of total U.S. apparel imports for the year beginning October 1, 2006.
- Provided special rules governing fabrics or yarns that are produced in commercial quantities (or "abundant supply") in designated sub-Saharan African countries for use in qualifying apparel articles.

- Expanded duty-free treatment for textile or textile articles (e.g., towels, sheets, made-ups) originating entirely in one or more lesser-developed AGOA beneficiary countries.

### **Special Rule for Apparel Applying to Lesser-Developed AGOA Countries**

Until September 30, 2012, lesser-developed beneficiary sub-Saharan African countries may use fabric and yarn from any source in apparel wholly assembled in their countries and qualify for duty- and quota-free treatment. Exports under the Special Rule are subject to a cap and other requirements (see below for details on the cap). Lesser-developed beneficiary sub-Saharan African countries are defined as those countries with a per capita gross national product of less than \$1500 a year in 1998 as measured by the World Bank. AGOA also grants lesser-developed beneficiary country status to Botswana and Namibia, qualifying both countries for the Special Rule.

### **Other Textile and Apparel Provisions**

The Committee for the Implementation of Textile Agreements (CITA) has the authority to implement certain provisions of AGOA'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, 2012, the statute permits lesser-developed beneficiary countries to obtain preferential treatment for apparel assembled in beneficiary countries from third-country 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 and ethnic printed fabrics; 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 AGOA; and
- Determination of whether exporters have engaged in illegal transshipment, and to deny benefits to such exporters for a period of five years.

### **Regional and Third Country Caps**

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. For the year beginning October 1, 2006, the aggregate quantity of imports eligible for preferential treatment under these provisions is an amount

not to exceed 6.43675 percent of all apparel articles imported into the United States. Of this overall amount, apparel imported under the Special Rule for lesser-developed countries is limited to an amount not to exceed 3.5 percent of apparel imported into the United States in the preceding 12-month period. 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.”

### **Abundant Supply**

AGOA IV provides special rules on determining whether fabrics or yarns are produced in commercial quantities (or, “abundant supply”) in designated sub-Saharan African countries for use in qualifying apparel articles. AGOA IV provides that the U.S. International Trade Commission will make such determinations, and also provides that 30 million square meter equivalents (SMEs) of denim are determined to be in abundant supply beginning October 1, 2006. Subject to these rules, certain apparel goods may be excluded from AGOA third-country benefits.

### **Commercial Availability**

CITA may grant duty-free benefits for apparel made of fabric or yarns that cannot be supplied by the domestic industry in commercial quantities in a timely manner.

As of April 2007, 11 commercial availability petitions have been approved and eight were denied. For details on products that receive duty-free treatment under the AGOA, please visit <http://otexa.ita.doc.gov> and click on “Commercial Availability”.

### **Handloomed/Handmade/Folklore Articles/Ethnic Printed Fabrics**

AGOA provides duty- and quota-free benefits for handloomed, handmade, folklore articles, or ethnic printed fabrics 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 and Border Protection, 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, or ethnic printed fabrics. As of March 2007, Botswana, Ghana, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, Swaziland, Tanzania and Zambia have been approved for the hand-loomed and handmade provisions of Category 9. Mali, Niger, Nigeria and Tanzania have been approved for ethnic printed fabrics.

Instructions for beneficiary country governments to apply for approval of Category 9 can be found at [http://otexa.ita.doc.gov/AGOA-CBTPA/Cat\\_9\\_info.pdf](http://otexa.ita.doc.gov/AGOA-CBTPA/Cat_9_info.pdf)

## **B. Trade Advisory Committee on Africa**

The AGOA Acceleration Act of 2004 contains a provision calling for the Trade Advisory Committee on Africa (TACA) to reconvene in order to facilitate the goals and objectives of AGOA. The TACA is intended to advise the U.S. Trade Representative on trade and economic policy matters with respect to the countries of sub-Saharan Africa. Its members are drawn from distinguished representatives of the private sector and civil society who have an interest in trade and development in sub-Saharan Africa. The previous TACA charter expired in 2001.

In March 2006, then-USTR Robert Portman re-chartered the TACA for a four-year term to expire on March 27, 2010. Following the nomination and selection of members by USTR, based on input received via a Federal Register notice, U.S. Trade Representative Susan C. Schwab convened the inaugural meeting of the new TACA on March 15, 2007.

## **C. AGOA Implementation and Outreach**

USTR and other U.S. government agencies are implementing AGOA through the annual AGOA eligibility review process, the AGOA Forum, the TACA, bilateral trade agreements, and trade-related U.S. government technical assistance provided to eligible sub-Saharan African countries. As a result of these implementation efforts, AGOA is helping to transform the economic landscape of sub-Saharan Africa, stimulating new trading opportunities for U.S. and African businesses, creating new jobs, and attracting millions of dollars in new investments to the region.

In speeches and press conferences in 2006, Ambassador Schwab and other senior USTR officials 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, USTR and other senior U.S. Government officials discussed AGOA implementation and ways in which countries can maximize AGOA benefits. Administration officials also participated in numerous seminars, conferences, and other events in the United States and in Africa related to AGOA. From October 2005 to February 2007, USTR, in close collaboration with USAID, convened a series of four AGOA regional export diversification workshops in Cameroon, Ethiopia, Ghana and South Africa that focused on several sectors with particular potential to increase exports under AGOA (see Chapter VI Section B for more information on the AGOA regional workshops.)

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 2006:

- In May 2006, the U.S. Embassy in Tanzania hosted an AGOA workshop on “Enhancing Trade Capacity and Competitiveness” in Dar es Salaam in collaboration with USAID’s East and Central Africa (ECA) Global Competitiveness Hub. The event introduced the African Global Competitiveness Initiative (AGCI) to Tanzania, raised awareness of AGOA, and brought together

Tanzania's public and private sectors to address factors constraining Tanzania's trade competitiveness. Representatives of nearly 80 Tanzanian exporters and businesses attended the focus sessions on buyer-seller linkages, phyto-sanitary standards and shipping, logistics and customs.

- In April 2006, the U.S. Embassy in The Gambia hosted a two-day AGOA trade seminar on textile and apparel opportunities, featuring visiting trade experts from the West Africa Global Competitiveness Hub offices in Accra, Ghana and Dakar, Senegal. The trade team also visited several Gambian businesses and met with leaders of the Gambian fishing community.
- In April 2006, the U.S. Embassy in Angola held a digital video conference (DVC) with USDA for Angolan public officials and private business representatives on how to take advantage of AGOA. The DVC focused on the importance of developing a business plan and conducting market research to assess export potential, creating a favorable business and investment climate, developing regional and international trade capacity, and meeting U.S. regulatory requirements. The DVC highlighted three specific agricultural commodities – coffee, seafood, and forest products – that Angola produces and might export.
- The U.S. Embassy in Mozambique conducted two separate AGOA-focused commercial outreach trips to the northern provinces in fall 2006. Over a combined two-week period, Embassy officers held six round-table discussions on AGOA attended by over 100 Mozambican business representatives.
- The U.S. Embassy in Madagascar, in collaboration with USAID/Madagascar, assisted the Malagasy government, EPZ companies, and other businesses on AGOA issues. In February, an advisor from the ECA Global Competitiveness Hub helped three Malagasy-owned factories prepare for the Magic Trade Show in Las Vegas. The advisor traveled to the show with producers to assist in their contacts with prospective buyers. The February visit of Assistant U.S. Trade Representative for Africa Florie Liser brought into sharp focus the apparel-related opportunities after the December 2006 extension of third country fabric provision, and also highlighted trading opportunities in other AGOA product categories.
- The U.S. Embassy in Gabon worked with the West Africa Global Competitiveness Hub and local Chambers of Commerce to establish AGOA Resource Centers in Gabon (February 2007) and São Tomé and Príncipe (March 2006).
- In January 2007, the U.S. Embassy in Benin, working with the West Africa Global Competitiveness Hubs hosted a US-Benin Business Forum and AGOA Day to discuss key challenges to Beninese exporters.
- In July 2006, the U.S. Embassy in Burundi hosted the first AGOA conference there, following Burundi's becoming eligible for AGOA in January 2006.

Experts from the ECA Competitiveness Hub and the U.S. Department of Commerce introduced AGOA to the Burundian Ministers of Commerce and Finance and more than 100 participants from the private sector. They explained AGOA's potential impact on trade between Burundi and the U.S. and presented case studies of successful AGOA-related projects in Kenya and Rwanda. Following the conference, the ECA Hub and the Embassy arranged a January 2007 visit to Burundi of an American flower consultant to help Burundi explore possible exports of cut flowers under AGOA.

- The U.S. Embassy in Ethiopia, together with USAID/Ethiopia is undertaking a wide array of activities in support of AGOA. USAID's "AGOA Plus" program provides technical assistance on export development and promotion in key sectors, such as apparel, handcrafts, cut flowers, and specialty foods. It facilitated the attendance in U.S. trade shows by 23 Ethiopian companies in 2006. USAID also provided. The U.S. Embassy worked closely with the public-private sector AGOA Technical Committee and hosted a June 2006 discussion on "Enhancing Ethiopia's Participation in AGOA." Long-term USAID trade advisors have co-located offices with the Ethiopian Chamber of Commerce.
- The U.S. Embassy in Namibia developed outreach materials instructing interested exporters on how to use the AGOA website and search for product eligibility. Embassy staff conducted a series of workshops for women and SMEs on doing business with the U.S., with a special emphasis on AGOA. The Embassy also worked with USDA and APHIS to provide assistance to Namibian farmers and government officials in meeting U.S. sanitary and phytosanitary (SPS) requirements for grape exports.
- The U.S. Embassy in Mauritius worked closely with USTR during the February 2007 TIFA Council Meeting and also with USAID's Southern African Global Competitiveness Hub to emphasize Mauritius' need to look beyond textiles for AGOA benefits.

## IV. Economic and Trade Overview

### A. Economic Growth

In 2006, sub-Saharan African economies grew by an estimated 5.3 percent, which was lower than average developing country growth, but above average world growth. According to the World Bank, sub-Saharan Africa has experienced growth in excess of five percent for three consecutive years.<sup>8</sup> Growth in per capita income in 2006 exceeded three percent for a third year in a row. Since the beginning of this decade, real GDP growth in sub-Saharan Africa has averaged over 4.5 percent.

Growth within sub-Saharan Africa was broad-based with a third of the countries experiencing growth over five percent in 2006. Policies to enhance macroeconomic stability, debt relief, increased capital inflows, and higher commodity prices supported growth in sub-Saharan Africa.

Growth in oil exporting countries remained strong, falling slightly from seven percent in 2005 to 6.9 percent in 2006. Disruption of oil production in Chad and Nigeria limited growth acceleration among oil exporting countries.<sup>9</sup> Due to the large relative size of the South African economy, economic growth in South Africa drove growth among oil importing countries and sub-Saharan Africa as a whole. According to the International Monetary Fund (IMF), South Africa has accounted for over a third of the expansion of sub-Saharan African GDP since 1980.<sup>10</sup> While the World Bank found a slight slow-down in economic growth in sub-Saharan Africa for 2006, this estimate might need to be revised upwards. Economic reporting from South Africa in February 2007, three months after the release of the World Bank data, show a higher than expected increase in economic growth in South Africa<sup>11</sup> in 2006 which may have driven a higher than expected increase in economic growth in sub-Saharan Africa as a whole in 2006.

Excluding South Africa, growth among oil importers in sub-Saharan Africa remained steady at 4.7 percent in 2006. Growth among West African countries was relatively strong due to an agricultural recovery, a positive performance in the industrial sector, and strong export growth. Growth in East Africa was weaker due to “drought related crop failures and a decline in hydro-based electrical production.”<sup>12</sup> High world mineral and metal prices helped growth in a few countries, including Guinea (aluminum), Namibia (diamonds), and Zambia (copper).<sup>13</sup> The IMF estimates that, excluding Zimbabwe, inflation in sub-Saharan Africa declined from 8.2 percent in 2005 to 6.9 percent in 2006. The IMF notes that “the inflationary impact of higher oil prices was contained by prudent macroeconomic policy.”<sup>14</sup>

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<sup>8</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 56.

<sup>9</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58.

<sup>10</sup> *Regional Economic Outlook: Sub-Saharan Africa*, 15 (Washington, DC: International Monetary Fund, September 2006).

<sup>11</sup> Statistics South Africa Press Release, February 27, 2007; and *A Starry-eyed Surprise!*, Standard Bank Group Economics e-newsletter, February 27, 2007.

<sup>12</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58.

<sup>13</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58; and *Regional*

Both the World Bank and IMF emphasize that the removal of textile and apparel quotas by WTO members at the beginning of 2005 continued to cause a decline in value of African exports of these products to the United States and European Union due to increased competition from China.<sup>15</sup> The World Bank notes, however, that China also represents a growing source of demand for African exports and this demand has also helped to increase world commodity prices, further benefiting some African economies.<sup>16</sup>

The World Bank's outlook for the short-term is positive, with projected economic growth in sub-Saharan Africa of 5.3 percent in 2007 and 5.4 percent in 2008. Over the longer term, continued economic growth will depend on several factors including the possibility of drought, commodity prices (higher oil prices and/or lower non-oil commodity prices), macro- and micro-economic management, and political and social stability.<sup>17</sup> A successful conclusion to the WTO's Doha round negotiations could also have a positive impact on economic growth in sub-Saharan Africa over the medium to longer term.

## **B. Africa's Global Trade<sup>18</sup>**

Sub-Saharan Africa's total merchandise imports continued to increase in 2005 (the latest year available), growing 20.0 percent to \$173.4 billion, compared to somewhat higher growth of 32.6 percent in 2004. South Africa and Nigeria accounted for almost half of sub-Saharan Africa's total imports with a 45.4 percent share. In 2005, South Africa's imports increased by 15.0 percent to \$54.2 billion, and Nigeria's imports increased by 19.7 percent to \$24.4 billion. Based on a review of some of the major suppliers to sub-Saharan Africa, no single sector appears to account for the majority of the growth in sub-Saharan African imports. Instead, the imports appear to be spread over a range of sectors, including a variety of electrical and other machinery, refined oil, telecommunications equipment, vehicles, aircraft, iron and steel products, pharmaceutical products, medical equipment, apparel and footwear, ocean tankers, and wheat.<sup>19</sup>

Sub-Saharan Africa's total merchandise exports were \$177.3 billion in 2005, a 27.0 percent increase, almost identical to the 27.2 percent increase in 2004. In 2005, South Africa and Nigeria accounted for 53.6 percent of sub-Saharan Africa's total exports. South Africa's exports grew by 13.2 percent to \$51.6 billion and Nigeria's exports grew by 30.5 percent to \$43.5 billion.

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*Economic Outlook: Sub-Saharan Africa*, 14.

<sup>14</sup> *Regional Economic Outlook: Sub-Saharan Africa*, 5.

<sup>15</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 57; and *Regional Economic Outlook: Sub-Saharan Africa*, 6.

<sup>16</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 57.

<sup>17</sup> *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 63-64; and *Regional Economic Outlook: Sub-Saharan Africa*, 22.

<sup>18</sup> Unless otherwise noted, the data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2006).

<sup>19</sup> Based on a review of European Union, United States, China, Japan, and South Africa trade data in the World Trade Atlas.

Sub-Saharan Africa's 27.0 percent increase in exports outpaced that of total world exports, which grew at 13.4 percent, and developing country exports, which grew at 21.1 percent. Sub-Saharan Africa, however, accounted for only 1.7 percent of world trade in 2005, only slightly higher than its 1.5 percent share in 2004.

### **Shares of Africa's Import and Export Markets**

Sub-Saharan Africa accounts for slightly more than one percent of U.S. merchandise exports, and slightly more than three percent of U.S. merchandise imports, of which about 80 percent are petroleum products. Similarly, sub-Saharan Africa accounts for a little more than one percent of both EU merchandise exports and imports. The United States is Africa's largest single-country market, purchasing 29.6 percent of the region's exports in 2005. China came in a distant second at 10.9 percent, and the United Kingdom was third at 7.1 percent. The EU purchased 34.4 percent of sub-Saharan Africa's exports, down from 36.2 percent in 2004.

- The U.S. market share in sub-Saharan Africa remained constant in 2005 at 5.9 percent, with \$10.3 billion in exports to the region.
- In 2005, for the first time, China became the largest individual country exporter to sub-Saharan Africa with a market share of 7.7 percent and \$13.4 billion in exports to the region. China's exports to the region grew by 35.2 percent from 2004. Increased shipments of electrical and other machinery, motorcycles, woven fabrics, iron and steel products, woven and knit apparel, and low-end footwear comprised the largest share of China's growth in shipments to sub-Saharan Africa.
- The market share of all major industrial countries either declined or remained constant from 2004 to 2005.
- The market share of the EU as a whole also decreased to 31.3 percent.
- South Africa maintained its share of the African market with a 4.0 percent share. South Africa exported more than Japan, Italy and Spain to sub-Saharan Africa, with exports to the region of \$6.9 billion in 2005, growing by 19.8 percent from 2004.

<i>Sub-Saharan Africa's Principal Trading Partners</i> ( <i>\$ Billions and Market Share</i> )				
	<u>2004</u>	<u>% Share</u>	<u>2005</u>	<u>% Share</u>
<u><i>Sub-Saharan Africa's Imports</i></u>				
<i>China</i>	9.9	6.9%	13.4	7.7%
<i>Germany</i>	10.7	7.4%	11.7	6.7%
<i>France</i>	9.8	6.8%	10.8	6.2%
<i>United States</i>	8.5	5.9%	10.3	5.9%
<i>United Kingdom</i>	7.4	5.1%	8.1	4.7%
<i>Japan</i>	5.7	4.0%	6.3	3.6%
<i>Italy</i>	4.0	2.8%	4.8	2.8%
<i>Spain</i>	2.0	1.4%	2.4	1.4%
<i>Total EU</i>	47.7	33.0%	54.3	31.3%
<u><i>Sub-Saharan Africa's Exports</i></u>				
<i>United States</i>	37.8	27.1%	52.4	29.6%
<i>China</i>	14.5	10.4%	19.3	10.9%
<i>United Kingdom</i>	11.3	8.1%	12.6	7.1%
<i>Japan</i>	8.3	5.9%	9.4	5.3%
<i>Spain</i>	7.0	5.0%	9.1	5.2%
<i>France</i>	7.0	5.0%	8.6	4.8%
<i>Germany</i>	6.3	4.5%	7.1	4.0%
<i>Italy</i>	5.4	3.9%	6.3	3.6%
<i>Total EU</i>	50.6	36.2%	61.0	34.4%
<i>Source: Derived from IMF <u>Direction of Trade Statistics Yearbook</u>, 2006</i>				

### **C. Trade with the United States**

<i>U.S. Trade with Sub-Saharan Africa</i> ( <i>\$ Millions</i> )				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<i>U.S. Exports</i>	6,870.9	8,438.5	10,342.6	12,116.8
<i>U.S. Imports</i>	25,633.3	35,879.5	50,364.6	59,175.2
<i>Source: U.S. Dept. of Commerce, Bureau of Census</i>				

U.S. total trade with sub-Saharan Africa (exports plus imports) increased 17 percent in 2006, as both exports and imports grew. U.S. exports increased by 17 percent to \$12.1 billion, driven mainly by increases in machinery (including parts for oil field equipment and gas turbines), aircraft, vehicles and parts, electrical machinery (including telecommunications equipment), and non-crude oil. U.S. imports rose 17 percent from 2005 to \$59.2 billion. A 20 percent increase in the value of crude oil imports caused most of the overall growth, as well as smaller increases in imports of platinum, diamonds, and iron and steel. 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.

- Of the top five African destinations for U.S. products, exports to South Africa rose by 14 percent, to Nigeria by 38 percent, to Angola by 67 percent (partly due to a large increase in aircraft sales to the country), and to Equatorial Guinea by 96 percent (mainly due to an increase in the export of oil field equipment and parts to the country). Exports to Kenya declined by 17 percent, mainly due to a decline in aircraft sales to the country from the previous year's big export deal.
- U.S. imports from oil producing countries continued to increase with imports from Nigeria growing by 15 percent, from Angola by 38 percent, from the Republic of Congo by 91 percent, from Chad by 28 percent, and from Equatorial Guinea by 11 percent. Imports from South Africa rose by 28 percent, driven by increases across several product groups including platinum, diamonds, iron and steel, passenger vehicles and parts, and aluminum.
- In 2006, U.S. imports under AGOA were \$44.2 billion, 16 percent more than in 2005.<sup>20</sup> This figure includes duty-free imports from AGOA-eligible countries under AGOA and its GSP provisions.
- Petroleum products continued to account for the largest portion of AGOA imports with a 93 percent share of overall AGOA imports. With these fuel products excluded, AGOA imports were \$3.2 billion, increasing by seven percent – rebounding from a decline of 16 percent in 2005 – as several sectors (footwear, fruits, nuts, prepared vegetables, cut flowers) experienced increases. AGOA imports of transportation equipment grew by 81 percent to \$495.3 million, entirely due to an increase in the import of passenger vehicles and parts from South Africa. Other sectors experiencing growth included AGOA imports of minerals and metals with an increase of 21 percent to \$596.3 million and AGOA imports of agricultural products imports with an increase of 33 percent to \$360.8 million. AGOA textile and apparel imports fell by 11 percent to \$1.3 billion, and AGOA chemicals and related product imports declined by 14 percent to \$284.7 million.

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<sup>20</sup> Note that AGOA imports are imports for consumption, while all other import figures are general imports. Imports for consumption include only those goods as they enter the U.S. economy for consumption. General imports include all goods as they cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

- The U.S. merchandise trade deficit with sub-Saharan Africa continued to widen in 2006 to \$47.1 billion, from \$40.0 billion in 2005. Nigeria, Angola, South Africa, and the Republic of Congo accounted for 89 percent of the U.S. trade deficit with sub-Saharan Africa in 2006.

#### **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 continue to make progress establishing these conditions.

##### Investment

FDI flows to sub-Saharan Africa increased 58.1 percent to \$20.2 billion in 2005 from \$12.8 billion in 2004.<sup>21</sup> As a result, sub-Saharan Africa's share of developing-country FDI inflows increased to 6.1 percent in 2005 from 4.7 percent in 2004. High commodity prices and strong demand for petroleum were primarily responsible, driving increased exploration for natural resources in sub-Saharan Africa and the growth in FDI inflows.

In 2005, the top five FDI recipient countries in sub-Saharan Africa were South Africa (\$6.4 billion), Nigeria (\$3.4 billion), Sudan (\$2.3 billion), Equatorial Guinea (\$1.9 billion), and the Democratic Republic of the Congo (\$1.3 billion).<sup>22</sup> With the exception of South Africa, petroleum was a driving factor for FDI flows into these countries. FDI flows to South Africa were primarily due to the purchase of the South African bank ABSA by an international banking group and higher commodity prices attracting investment into South Africa's minerals and mining sector.<sup>23</sup> The services sector, including banking and telecommunications, also attracted FDI flows into sub-Saharan Africa. Examples include banking-related FDI into South Africa and Angola, and telecommunications-related investment into Kenya, Madagascar, and Sierra Leone.<sup>24</sup>

The leading source of FDI into sub-Saharan Africa remained the United States, the United Kingdom, France, and Germany.<sup>25</sup> The Asia region, particularly China, has increased FDI flows to sub-Saharan Africa in recent years. In 2003, China's investment position in sub-Saharan Africa rose to \$588 million from \$49.2 million in 1990.<sup>26</sup> Chinese FDI, like that from other countries, is directed primarily into the minerals and mining sectors.<sup>27</sup>

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<sup>21</sup> UNCTAD, *Foreign Direct Investment database*.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

AGOA is continuing to encourage new investments, new jobs, 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.

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

Lesotho	A new clothing factory opened in early April 2006, with financing of \$6 million from Taiwanese investors. The factory is expecting to employ 3,000 workers in the manufacture of t-shirts and jeans for export to the U.S. market under AGOA.
Malawi	A group of investors from Malawi, Taiwan, and India are planning to build a textile factory, which is expected to begin production in 2009. The new plant will cost about \$30 million and will have facilities for spinning, weaving, knitting, and dyeing.
Mali	The textile sector is experiencing increased growth, following Mali's qualification for AGOA apparel benefits in December 2003. Existing plants are being rehabilitated and new factories are being built.
Swaziland	A group of investors are planning to build a new \$53.3 million knitting and dye-house factory at the Matsapha industrial estate. This major investment is an important step in sub-Saharan Africa's effort to increase regional fabric production and vertically integrate its textile and apparel sector.
Uganda	A local Ugandan manufacturer of high-quality organic textiles will invest \$5.5 million in its industry modernization project and is expected to earn another \$4 million by the end of 2007 from apparel exports.  A flower producer in Uganda plans to provide technical training to students and other flower growers in the region to take advantage of the increased demand for Ugandan flowers in the United States. Another flower producer is establishing a new farm in Ntungamo District. The business plan calls for employing approximately 800 workers.

Efforts to improve business climates should further reduce barriers to doing business and increase efficiency, attracting more foreign investment. Improving fiscal policy performance and further debt-relief awarded to Heavily Indebted Poor Countries (HIPC) under the Multilateral Debt Relief Initiative (MDRI) have led to increased investment in government bonds in some countries on the part of private investors. These trends help reduce the cost of borrowing, attracting further investment.

#### External Debt Relief

Sub-Saharan Africa's external debt continued to decline in 2006 as a result of comprehensive debt relief from the HIPC Initiative, the MDRI, and the Paris Club agreement with Nigeria. Reflecting these factors and strong GDP growth, sub-Saharan Africa external debt, excluding South Africa, declined to 25 percent of GDP.<sup>28</sup>

<sup>28</sup> IMF's *Sub-Saharan Africa Regional Economic Outlook, Spring 2007, page 14*

To date, 25 sub-Saharan African countries (Benin, Burkina Faso, Burundi, Cameroon, Chad, Republic of Congo, 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. Eighteen of these countries have reached the HIPC Completion Point, qualifying for a reduction in their stock of debt. Of the 18, one was added in 2007 (São Tomé and Príncipe) and three were added in 2006 (Cameroon, Malawi, and Sierra Leone) while the other 14 countries (Benin, Burkina Faso, Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia) had qualified in previous years.

Overall debt reduction 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 thus far contributed a total of \$675 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.

For countries that complete the HIPC process, based on performance on economic policies and poverty reduction efforts, the landmark MDRI aims to more conclusively achieve debt sustainability and end the lend-and-forgive cycle, by providing 100 percent debt cancellation on eligible obligations to the IMF, the International Development Association (IDA), and the African Development Fund (AfDF). Under the MDRI, the 18 sub-Saharan African countries that have reached their HIPC Completion Points have received 100 percent debt cancellation from these three institutions. The remaining seven Decision Point countries will be eligible for MDRI debt relief when they reach Completion Point.

## **E. Economic Reforms**

### Reforms in the business environment

While macroeconomic policies have been improving, much work is still needed to improve the ease of doing business. Entrepreneurs face more regulatory obstacles in Africa than in any other region. However, there are signs of recent progress. According to the World Bank's "Doing Business in 2007" report, Africa is the third fastest region in pace of reform, up from last. The African countries at the top of the "Doing Business Indicators" list (that is, those with the most business-friendly environments) were Mauritius, South Africa and Namibia. In 2006, Tanzania and Ghana were ranked among the top 10 reformers in the world.

## Financial Sector reforms

While there are significant variations across countries, African countries continue to have some of the least developed financial sectors in the world. Greater financial sector development could increase growth and provide greater credit to individuals and firms which need it. Reform is needed to remove interest rate caps, improve land registry systems, introduce credit bureaus, reduce government involvement in lending decisions, increase the independence of banking supervisors, and improve the efficiency of domestic bond markets so that accurate yield curves can be developed.

## Donor inflows

Many African countries remain dependent on donor resources – the size of Official Development Assistance relative to recipients' GDP averages 6.2 percent, almost six times larger than the next largest region (16 percent of the sub-Saharan African countries have a dependency ratio above 10 percent). Much of these increased resources have been made available through debt relief as African countries comprise 18 out of the 22 MDRI-eligible countries. Absorbing donor flows effectively is a challenge for many African countries, which need to accompany higher aid flows or debt relief with a policy framework which facilitates effective absorption of those flows. The macroeconomic impact of new inflows depends significantly on how the recipient country uses the resources and, in particular, how fiscal policy interacts with monetary and exchange rate management.

## **F. Regional Economic Integration**

The United States continued to support regional integration efforts in sub-Saharan Africa as a means of boosting regional trade and economic growth by improving economies of scale, reducing transaction costs, and increasing productivity. The United States supported integration in sub-Saharan Africa through a number of trade-related initiatives to build capacity and strengthen trade and investment relations in the region (see Chapter VI, Section C for more information).

AGOA promotes regional cooperation and trade in sub-Saharan Africa by encouraging intra-regional trade among AGOA beneficiary countries; that is, AGOA beneficiaries may include inputs from other AGOA beneficiary countries 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.

Major regional economic organizations in sub-Saharan Africa include: (i) the African Union (AU), with 53 member states; (ii) the Central African Economic and Monetary Community (known by its French acronym, CEMAC), with six members, all also members of ECCAS; (iii) the Common Market for Eastern and Southern Africa (COMESA), with 20 members; (iv) the East African Community (EAC), with three members, all also members of SADC or COMESA; (v) the Economic Community of Central African States (ECCAS, also known by its French acronym CEEAC), with 11 members; (vi) the Economic Community of West African States (ECOWAS), with 15

members; (vii) the West African Economic and Monetary Union (known by its French acronym, UEMOA) with eight members, all also members of ECOWAS; (viii) the Southern African Development Community (SADC), with 14 members; and (ix) the Southern African Customs Union (SACU), with five members, all also members of SADC. (See Annex C for a list of member countries in each regional organization).

**AU:** The AU continued to play a coordinating role on trade issues in the past year. It organized a Trade Ministerial in Addis Ababa in January 2007 to discuss African positions in the WTO's Doha negotiations and in the Economic Partnership Agreement (EPA) negotiations between the EU and African sub-regional organizations.

The African Peer Review Mechanism (APRM) is a voluntary program under the New Economic Partnership for Economic Development (NEPAD) through which a country's economic, political, corporate and social governance is reviewed by the country itself and peers, and a national action plan to address shortcomings is developed. As of January, 2007, 25 countries had signed on to the APRM. As of March 2007, three countries – Kenya, Rwanda and Ghana – had completed their APRM reviews. Six countries were in the final stages of their reviews. In all, 26 countries, accounting for about half the members of the AU and approximately 75 percent of the continent's population have voluntarily acceded to the mechanism.

**CEMAC:** CEMAC continued to focus on regional infrastructure and security, continuing its work to improve infrastructure in the region. As of March 2007, roads linking Gabon, Cameroon, Chad, and Equatorial Guinea were completed. CEMAC tourism ministers met in October 2006 to develop strategies to promote tourism in the region, including a joint hotel management school that CEMAC will take over in 2007. Member states made progress on issuing a common passport and moved further on development of a regional airline.

**COMESA:** As of April 2007, thirteen COMESA countries had joined the COMESA Free Trade Area and eliminated tariffs on items produced in member countries. A committee was established to finalize guidelines on enhancing regional trade and cooperation and to address differences in the regulatory and procedural requirements of member states. COMESA aims to create a customs union by 2008. COMESA is making efforts to harmonize this customs union with one that is being developed by SADC. The United States provided technical assistance to support COMESA's integration efforts, including assistance on trade and the WTO; capacity building for institutional strengthening of key management systems within the COMESA Secretariat; identification of barriers to investment and development of regional solutions; private sector capacity building; telecommunications harmonization; and study of rules of origin as related to the WTO, World Customs Organization, SADC, and other organizations. The U.S. signed a TIFA with COMESA in 2001 to promote regional integration. The most recent U.S.-COMESA TIFA Council meeting was held in February 2007 and focused on U.S.-COMESA trade and investment, AGOA implementation, trade capacity building, investment, trade-related infrastructure, and the WTO's Doha round negotiations. The EU continued negotiations on an Economic Partnership Agreement (EPA) with countries in eastern and southern Africa, including member countries in

COMESA, the EAC, and SADC. In 2006, EPA discussions focused on regional issues, market access, trade-related areas, development cooperation aspects, agriculture, and fisheries. According to the EU, a main challenge for the EPA negotiations is the overlapping membership of various regional integration organizations with diverging integration agendas.

**EAC:** In January 2005, the EAC established a new Customs Union that simplified and harmonized the tariff structure of the then-three EAC member countries. While the new Customs Union appears to have generally lowered EAC member tariffs vis-à-vis other countries, it increased tariffs on some products deemed “sensitive,” including products of special export interest to the United States, such as used clothing, almonds, and certain wheat and corn products. Rwanda and Burundi are expected to join the EAC officially in the second half of 2007..

**ECCAS:** ECCAS maintained its focus on regional security, election monitoring, human rights, health, and transnational crime during 2006. ECCAS members also traveled to India to explore opportunities for trade and to promote investment.

**ECOWAS:** ECOWAS plans to create a customs union with a common external tariff by 2008 and a West African Monetary Zone with a common currency by 2009. At the January 2006 ECOWAS Summit, member countries approved a proposed four-band tariff regime that would conform ECOWAS’ common external tariff with the UEMOA tariff regime. A joint ECOWAS/UEMOA management committee met in July 2006 to develop a roadmap for the planned harmonization. The new regime is expected to be operational in January 2008. In March 2007, regional stakeholders agreed on harmonized draft supplementary acts adopting the ECOWAS Community rules on competition and investment. The United States continued to support 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 VII. Section E). In support of ECOWAS’ regional integration efforts, USAID/West Africa has sponsored programs focused primarily on harmonizing customs and trade regulations within West Africa and removing barriers to intra-regional trade. USAID is also supporting the adoption of a common external tariff throughout West Africa. In 2006, ECOWAS continued negotiations with the EU on an EPA.

**SACU:** In July 2006, SACU signed a Free Trade Agreement (FTA) with the European Free Trade Association which should enter into force in 2007. SACU is also reportedly engaged in discussions about a possible trilateral FTA with India and Mercosur, and has discussed a possible FTA with China. In June 2003, the United States began negotiations for an FTA with SACU, the first FTA initiative between the United States and countries in sub-Saharan Africa (see Chapter V for additional information on the U.S.-SACU FTA). Active U.S.-SACU FTA negotiations were suspended in April 2006, largely due to divergent views on the scope and level of ambition for the FTA. An FTA remains a longer-term objective for both the United States and SACU. In November 2006, the United States and SACU agreed to pursue a trade and investment cooperation agreement (TICA), that could help lead the United States and SACU to an FTA in the

longer term.

**SADC:** SADC aims to create an FTA by 2008 as a step towards achieving a customs union and a common market. EU discussions with SADC on an EPA focused on regional integration issues, technical barriers to trade, and sanitary and phytosanitary standards. Some SADC members are negotiating an EPA with the EU under the SADC framework, and other SADC members are negotiating with the EU under the COMESA framework. Therefore, overlapping membership in the various regional organizations has become a major challenge in the SADC EPA negotiations.

**UEMOA:** The eight members of UEMOA are working toward greater regional integration with unified external tariffs. 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. A joint ECOWAS/UEMOA management committee met in July 2006 to develop a roadmap for the planned harmonization of their common external tariff. The new regime is expected to be operational in January 2008. In 2006, UEMOA continued negotiations with Morocco on a free trade agreement.<sup>71</sup> The U.S. signed a TIFA with UEMOA in 2002. The last TIFA Council meeting was held in June 2006 and focused on U.S.-UEMOA trade and investment, AGOA implementation, trade-related infrastructure, trade capacity building, and the WTO's Doha negotiations. In November 2006, UEMOA held a ministerial session, at which the ministers adopted a declaration advocating the immediate resumption of WTO negotiations and agreed on a number of specific decisions on EPAs, aid for trade, and various aspects of the Doha negotiations including agriculture and services.

## **G. Africa and the WTO**

Supporting African countries' integration into the global economy is one of the main elements of the Administration's Africa trade policy. An important step toward this end is encouraging fuller participation in the WTO by African Members, including the undertaking of greater commitments under WTO agreements and in the ongoing multilateral negotiations under the WTO's Doha Development Agenda (DDA). Accordingly, the United States consults closely with the 38 sub-Saharan African Members of the WTO and provides technical assistance to facilitate African participation in WTO negotiations and agreements.

Issues arising out of the DDA negotiations continued to be a major topic of USTR's engagement with African countries in the past year. U.S. Trade Representative Schwab met with numerous African Trade Ministers and senior officials in the past year to share

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<sup>71</sup>“Country discusses trade with West Africa Bloc,” *Business in Africa (Johannesburg)*, July 18, 2006, [www.allafrica.com](http://www.allafrica.com) (accessed March 26, 2007).

perspectives on the Doha negotiations. For example, she co-chaired, with Kenyan Trade Minister Kituyi, a roundtable discussion on Doha at the June 2006 AGOA Forum in Washington and met with WTO Africa Group Ambassadors in Geneva in March 2007. Deputy USTR Allgeier attended the African Union Trade Ministerial in Addis Ababa, Ethiopia in January 2007. Deputy USTR Bhatia also engaged extensively with African Trade Ministers and senior officials on DDA issues, including at TIFA meetings with Nigeria, Rwanda, Mauritius, and COMESA.

Among the Doha issues that figured prominently in U.S.-African discussions in the past year were agriculture (including cotton), non-agricultural market access, and development-related issues, including Aid for Trade and duty-free, quota-free market access for LDC products in developed country markets. The handling of cotton involved particularly high-level engagement. Ambassador Schwab and Agriculture Secretary Johanns discussed the issue with the trade ministers of the “Cotton-4” countries (Benin, Burkina Faso, Mali, and Chad) during their October 2006 visit to Washington. Deputy USTR Allgeier led U.S. participation at the WTO’s High-Level Session on Cotton in March 2007. Assistant USTR for Africa Liser represented the United States at a June 2006 World Bank conference in Burkina Faso on the development aspects of cotton.

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 AGOA Forum (see Section VIII) provides an opportunity for senior U.S. officials to discuss WTO and other trade issues with their African counterparts.

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. The United States has also provided technical assistance to support the WTO accession of Cape Verde and Ethiopia. (See Chapter VI for more information on U.S. training and trade capacity building programs that support WTO agreements and activities.)

In March 2005, the United States formally submitted a waiver request for AGOA to the WTO. The request asks WTO Members to waive certain U.S. obligations under the 1994 General Agreement on Tariffs and Trade in order to permit the United States to provide duty-free treatment for certain eligible products from AGOA beneficiary countries. In March 2007, the United States submitted a revised waiver request taking into account changes to AGOA introduced by AGOA IV. As of April 2007, WTO Members were still consulting with the United States on the AGOA waiver request.



## **V. Trade Agreements with Sub-Saharan African Countries**

### **A. Overview**

Section 116 of AGOA calls for the negotiation of FTAs with countries in sub-Saharan Africa. An FTA with a sub-Saharan African trading partner would provide guaranteed access to the U.S. market and support sub-Saharan Africa's long-term investment, economic growth, and development. An FTA would also help to support sub-Saharan African countries' economic reform efforts, further Africa's integration into the global economy, and lower the perceived risk of investing in Africa.

The United States currently has no FTAs with countries in sub-Saharan Africa. Given sub-Saharan Africa's specific circumstances, including its generally low levels of economic, administrative, and regulatory development, many countries in the region are not currently in a position to enact the types of policies and reforms that would be required for a comprehensive FTA with the United States. In view of the near-term challenges of completing an FTA with a sub-Saharan African partner, the Administration is pursuing alternative means of strengthening our trade and investment relationships with key African partners, including trade and investment framework agreements (TIFAs), bilateral investment treaties (BITs), and a proposed trade and investment cooperation agreement (TICA).

The Administration is using TIFAs, BITs, and the proposed TICA to expand market access; strengthen the links between trade and economic development strategies; encourage greater foreign investment; and promote regional economic integration and growth. The objective is to use these mechanisms to transition from U.S.-Africa trade and investment relationships based on one-way trade preferences to deeper, more reciprocal partnerships, such as that established by an FTA.

The Administration will continue to explore the potential for FTAs with sub-Saharan African countries, particularly if Congress extends Trade Promotion Authority. In further exploring FTAs and other agreements with sub-Saharan African countries, the Administration will consult closely with Congress and with other constituencies, including the business community.

### **B. U.S.-SACU FTA/U.S.-SACU TICA**

The United States and the Southern African Customs Union (SACU) – comprising Botswana, Lesotho, Namibia, Swaziland, and South Africa – launched FTA negotiations in June 2003. SACU countries are key AGOA beneficiaries, with U.S. imports from these countries under AGOA valued at \$2.4 billion in 2006. They also comprise the largest U.S. export market in sub-Saharan Africa, with \$4.6 billion in U.S. exports in 2006, and have a strong record on economic reforms. Concluding an FTA with the United States requires critical, yet fundamental, reforms and disciplines that are inherent to the obligations contained in U.S. FTAs. Active FTA negotiations with SACU were suspended in April 2006, largely due to divergent views on the scope and level of

ambition for the FTA. SACU is not yet ready to undertake many of the comprehensive commitments inherent to a U.S. FTA. However, an FTA remains a longer-term objective for both the United States and SACU. In November 2006, the United States and SACU agreed to pursue a trade and investment cooperation agreement (TICA), that could help lead the United States and SACU to negotiation of an FTA in the longer term. The TICA would 1) establish a forum for consultative discussions on a wide range of trade issues, including but not limited to FTA issues; 2) develop sector-specific work plans that should lead to increased U.S.-SACU trade and investment in the near term; and 3) put in place the “building blocks” for an FTA in the longer term.

### **C. Trade and Investment Framework Agreements**

TIFAs are important tools for strengthening economic relations with key countries and regional organizations. They provide a formal mechanism to address bilateral trade issues and to help enhance trade and investment relations between the United States and key sub-Saharan African trade and investment partners. The Administration is using its TIFAs with sub-Saharan Africa countries to encourage new trade and investment by implementing country- and region-specific strategies that promote trade and investment. Over the last year, the Administration signed new TIFAs with three African partners: Rwanda, Mauritius, and Liberia. At the same time, it intensified its dialogue and cooperative work with existing TIFA partners in Ghana, Nigeria, South Africa, Mozambique, COMESA, and UEMOA.

### **D. Bilateral Investment Treaties**

U.S. Bilateral Investment Treaties (BITs) help protect U.S. investment and promote market-oriented policies overseas. BITs establish rules that reduce or eliminate investment barriers, provide greater transparency, and increase investor confidence. Investment is critical for Africa’s development, and BITs help promote economic growth by advancing important reforms and encouraging the adoption of liberal policies that facilitate and support foreign investment. The United States has five BIT partners in sub-Saharan Africa – Cameroon, the Democratic Republic of the Congo, Senegal, the Republic of the Congo, and Mozambique. The Administration expects to launch BIT negotiations with Rwanda in mid-2007. It is exploring the possibility of launching BIT negotiations with Gabon.

## **VI. Trade Capacity Building**

### **A. Overview**

Trade Capacity Building (TCB) assistance is a cornerstone of the U.S. Government's strategy to promote economic growth through trade and to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. TCB helps to improve the linkage between trade and development by assisting developing countries to build the physical, human, and institutional capacity necessary to take full advantage of trade opportunities and to increase growth and reduce poverty.

Helping AGOA beneficiary countries to improve their capacity to trade and to make the most of the opportunities afforded under AGOA has been a major focus of U.S. TCB programs. U.S. TCB funding for sub-Saharan Africa reached \$394 million in FY2006, an increase of 95 percent over FY2005, and has cumulatively totaled over \$1 billion since 2001. In FY2006, the Millennium Challenge Corporation (MCC) was the largest source of U.S. Government TCB funding for sub-Saharan Africa, obligating \$276 million to fund trade-related programs proposed by Benin and Cape Verde in their Compacts. (See Chapter VII, Section A for more on the MCC.) USTR works closely with all the U.S. agencies involved in TCB to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives.

The United States is the largest single-country contributor to the World Bank and other multilateral development banks and is a major contributor to other international organizations, which together provide an increasingly broad range of TCB assistance to sub-Saharan African countries and to other developing countries worldwide.

In July 2005, the United States announced the African Global Competitiveness Initiative (AGCI) to build sub-Saharan Africa's capacity for trade and competitiveness. The AGCI will provide \$200 million in funding over five years to support expanded African trade and improved African export competitiveness. (See the USAID section below for more information on the AGCI.)

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. Twenty-six sub-Saharan African countries have benefited to date from the IF or are targeted for assistance under it: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Eritrea, Ethiopia, The Gambia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Sudan, Tanzania, Uganda, and Zambia. Eritrea has "taken a pause" from the IF processes at this time.

TCB is an important element of U.S. engagement with West African countries to address their concerns related to the international cotton trade. The United States actively participates in the WTO Secretariat's periodic meetings with donors and recipient

countries to discuss the development aspects of cotton (i.e. issues such as productivity, means to improve marketing of and value-addition to African cotton, and the impact of African domestic policies affecting cotton) and continues to mobilize its development agencies to support cotton-related initiatives and to address the obstacles faced by West African countries in the cotton sector, particularly in Benin, Burkina Faso, Chad, and Mali (often referred to as the “Cotton-4”). The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others on the multilateral effort to address the development aspects of cotton. On a bilateral level, the MCC, USAID, USTR, USDA, and the U.S. Trade and Development Agency are working together to devise a coherent long-term development program for cotton based on West African needs.

In November 2005, the United States announced the West Africa Cotton Improvement Program (WACIP) that provided an initial \$7 million to improve production, transformation, and marketing of cotton in West Africa, based on U.S.-funded assessments of the sector. In June 2006, the United States announced an additional \$20 million in funding for the WACIP over the three-year life of the program. Implementation of WACIP focuses on the themes of (a) reform of cotton sector policies and institutions; (b) increased value-addition in cotton processing and transformation; and (c) increased yields in cotton production. In late 2006, USAID/West Africa awarded a contract to implement the largest component of the WACIP. The activities under this agreement will be implemented through a partnership with U.S. agriculture universities, numerous regional organizations, government agencies, farmer organizations, and private businesses. The headquarters for this program will be in Bamako, Mali, with satellite offices in the other Cotton-4 countries.

In addition to the WACIP, U.S. agencies are also providing other assistance to the Cotton-4 and other West African cotton producing countries. Most notably, in 2006 the MCC signed Compacts with Benin and Mali representing over \$760 million in development assistance to be distributed in the coming years. As requested by Benin and Mali, much of this assistance will support investments in agriculture and infrastructure. Burkina Faso and Senegal are also eligible to enter into MCC Compacts and both are in the process of proposing programs to the MCC.

Other cotton-related developments and assistance in the past year include the following:

- On August 1, 2006, the provision of the U.S. Deficit Reduction Omnibus Reconciliation Act of 2005 that repealed the “Step 2” cotton program went into effect, thereby terminating U.S. export subsidies and import substitution subsidies on cotton.
- The U.S. provided critical leadership on a landmark debt relief package of \$6 billion for Benin, Burkina Faso, Mali, and Senegal. Effective July 2006, as part of the Multilateral Debt Relief Initiative, these countries (along with 17 other Heavily Indebted Poor Countries, 14 of which are in Africa) received 100 percent cancellation of their pre-2005 eligible debt to the World Bank’s International

Development Association, the International Monetary Fund, and the African Development Bank.

## **B. USTR Activities**

USTR coordinates closely with a wide range of federal agencies on the trade capacity building activities described above. In addition, USTR was actively involved in 2006 in the planning and implementation of many U.S. TCB programs in sub-Saharan Africa, especially those related to AGOA and the WTO's Doha Development Agenda.

USTR worked closely with USAID and the four USAID-funded Global Competitiveness Hubs in sub-Saharan Africa to hold three regional AGOA Export Diversification Workshops in 2006-2007: for West Africa in August 2006 in Accra, Ghana; for Southern Africa in October 2006 in Cape Town, South Africa; and for Central Africa in February 2007 in Douala, Cameroon. (The workshop for East Africa, the first in the series, was held in Addis Ababa, Ethiopia in October 2005.) The objective of the workshop series was to provide African firms that are export-ready, or near export-ready, with the market information, contacts, and guidance – on topics such as standards, packaging, labeling, and market preferences – that they need to begin or to expand their exports to the United States under AGOA. Each of the workshops focused on one or more export sectors of special interest to the respective sub-region (e.g., specialty foods, furniture, and home décor at the Central Africa Workshop), with U.S. and African experts and buyers in those sectors making presentations and providing one-on-one guidance to the African participants. In all, approximately 600 African exporters and entrepreneurs participated in the workshop series. Many of the participants used the experience and contacts they made at the workshops to advance or conclude contracts for export of their products to the United States. The Competitiveness Hubs will continue to work with workshop participants who need further assistance.

The United States continues to provide strong leadership to achieve the goals of the WTO's Doha Development Agenda that focus on integrating developing countries into the international trading system and enabling them to benefit further from global trade. Through the USTR, the United States contributes to the Aid for Trade Task Force and the Integrated Framework Task Force, which seek to operationalize the efforts to help the least trade-active countries participate in the global trading system.

In December 2005, then-U.S. Trade Representative Portman announced during the WTO Ministerial in Hong Kong that the United States will more than double its total, worldwide grant contributions to Aid for Trade, from \$1.3 billion in 2005 to \$2.7 billion annually by 2010, subject to developing countries prioritizing trade in their development plans and the President's budget request being approved. A significant portion of this assistance will be allocated for sub-Saharan Africa.

## **C. USAID Activities**

USAID is the primary implementer of TCB activities in sub-Saharan Africa, with Missions in 24 countries and another 20 countries being assisted from three Regional

Missions. USAID's TCB programs build on the opportunities provided in AGOA and complement other multilateral efforts, such as the Integrated Framework. In carrying out its TCB work, USAID seeks to cultivate local partnerships with Africans and to integrate trade into broader economic development programs.

In FY2006, USAID provided \$91.9 million in TCB assistance for sub-Saharan Africa (roughly a quarter of total U.S. TCB for the region), including assistance for regional and bilateral trade assistance programs and for President Bush's African Global Competitiveness Initiative (AGCI). The five-year, \$200 million AGCI was designed to help expand African trade and investment with the United States, with other international trading partners, and regionally within Africa through improving the competitiveness of sub-Saharan African enterprises. AGCI's objectives are: 1) improving the business climate for private sector-led trade and investment; 2) strengthening the knowledge and skills of sub-Saharan African private sector enterprises to take advantage of market opportunities; 3) increasing access to financial services for trade and investment; and 4) facilitating investments in infrastructure.

The AGCI works with host-country governments and private sector partners through four USAID-funded and -managed regional Trade Hubs for Global Competitiveness, located in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. Each Hub is staffed by a team of experts in trade-related fields and responds to region-specific needs. The Hubs serve as a central point where African government agencies, donor and civil society organizations, and the private sector can find information on investment, trade, and business activities in the region, including technical assistance and training opportunities. The Hubs work with regional organizations to increase regional economic integration and reduce barriers to regional trade. The Hubs also partner with USAID's bilateral missions on many country-specific TCB activities. Brief descriptions of recent work by each of the Hubs follow below. Further information about the Hubs can be found on the Internet at [www.watradehub.com](http://www.watradehub.com) (for the two hubs in West Africa), [www.satradehub.org](http://www.satradehub.org) (for Southern Africa), and [www.ecatradehub.com](http://www.ecatradehub.com) (for Eastern and Central Africa).

In addition to implementing its own development programs, USAID funds and coordinates TCB work by other U.S. Government agencies in Africa. For example, in support of AGOA, USAID funds agricultural standards advisors from USDA's Animal and Plant Health Inspection Service. These advisors work with USAID missions to facilitate pest risk assessments and to build local capacity to maintain agricultural health and safety standards within the region. (See the USDA section below for more information on this program.)

*East and Central Africa: Competitiveness Hub and Regional USAID Mission*

The East and Central Africa (ECA) Competitiveness Hub is based in Nairobi, Kenya and is funded and managed by the USAID Regional Mission for East Africa (USAID/EA), also in Nairobi. In 2006, the ECA Hub advanced the objectives of AGOA through training; strategic analysis – including the development of national AGOA export

strategies; firm-level technical assistance; and support for developing trade linkages between African producers and international buyers.

In 2006, the ECA Hub provided AGOA-related training to 250 individuals and organized five trade missions to the United States. It facilitated the participation in U.S. trade shows of 26 companies from the ECA region, resulting in deals worth over \$1.6 million to date. Exports to the United States from firms trained by the ECA Hub, many of them first-time entrants in the U.S. market, totaled nearly \$13 million over the past three years. USAID/EA supported a “Meet the Buyer” event to connect U.S. buyers with East African producers of high-quality coffee beans. Exports to specialty coffee markets from East Africa have increased by 25 percent per year since USAID assistance began in 2002, reaching \$162 million in 2006.

The ECA Hub assisted Burundi, which achieved AGOA eligibility in 2006, to formulate a National AGOA Export Strategy. The strategy, which analyzes Burundi’s competitive and comparative advantages in the U.S. market, was launched at a workshop sponsored by the ECA Hub in Burundi in June 2006. The Hub also partnered with USAID/Rwanda and the U.S. Embassy in Rwanda in holding an AGOA National Workshop in Kigali, Rwanda in March 2007, in which nearly 100 Rwandan businesspersons participated. In addition to their work in support of AGOA, USAID/EA and the ECA Hub work with local governments and stakeholders to facilitate transportation and customs reforms that reduce the costs of trading in the region. USAID/EA and the ECA Hub work closely with the Common Market for Eastern and Southern Africa (COMESA) and have focused particular attention on improving the flow of trade along the Northern Corridor from Mombasa, Kenya through Kigali, Rwanda.

In 2006, the ECA Hub continued work on a COMESA Regional Customs Transit Guarantee Scheme that will free up an estimated \$300-500 million dollars of investment capital. The Hub continues to assist in the development of an information technology corridor along the Northern Corridor, including creating the first-ever electronic customs interface between Kenya and Ugandan revenue authorities. This effort has already greatly facilitated the exchange of trade and customs information among officials in the sub-region.

The Hub’s efforts to streamline trade by developing “one-stop” border posts culminated in 2006 in the official opening of a joint railway station at Malaba on the Kenya-Uganda border. Customs officials working side-by-side at the “one-stop” border post have helped to decrease customs clearance time from 3-5 days to three hours or less.

#### *Southern Africa: Competitiveness Hub and Regional USAID Mission*

The Southern Africa Competitiveness Hub in Gaborone, Botswana, funded through and managed by the USAID Regional Mission for Southern Africa (USAID/SA), works with the public and private sectors in Southern Africa to increase export volumes, reduce transaction costs, enhance private sector advocacy, and promote pro-competitive policies. The Southern Africa Hub provided training or information on AGOA to more than 3,200

stakeholders in Southern Africa in 2006. It has focused particular attention on developing and expanding AGOA trade in specialty foods and apparel. In collaboration with USTR, in October 2006 the Hub conducted a regional workshop on processed food exports to the United States, in which nearly 200 firms from the region participated. The workshop helped to facilitate four new export contracts for specialty food producers as well as several pending export deals involving processed foods from firms in Mauritius, Swaziland, South Africa, and Zambia. In the apparel sector, the Hub undertook a U.S. buyers' survey, supported participation by southern African firms in trade shows, and provided guidance in understanding U.S. legal changes and their impact. The Hub provided assistance directly leading to \$3 million in new export deals in the apparel sector, creating additional jobs in Lesotho and a new apparel business in Botswana supporting several hundred employees.

In early 2007, USAID/SA and the U.S. Embassy in Gaborone signed a Memorandum of Understanding with the Southern Africa Development Community (SADC) to support SADC's goals of increased trade and open borders within Southern Africa. USAID/SA will provide assistance to implement the SADC Protocol on Trade by assessing the preparedness of Member States to attain a Free Trade Area by January 2008 and by helping to improve the Secretariat's capacity to monitor the implementation of the trade agreement and to consult with stakeholders.

The Southern Africa Hub has also helped to facilitate trade along regional transport corridors by working with governments in the region to develop and implement the SAD 500, a multi-purpose goods declaration covering imports, exports, cross-border and transit movements, and all the information necessary for advanced customs clearance and risk management. The SAD 500 reduces paperwork and allows for quicker turnaround times with fewer errors, less confusion, lower costs, and improved trade efficiencies. Since the Hub's successful pilot of the SAD 500 along the Trans Kalahari Corridor over two years ago, South Africa has introduced the SAD 500 at all South African ports and borders. The Hub is also assisting in the roll-out of the SAD 500 in other countries in the region.

#### *West Africa: Competitiveness Hubs and Regional USAID Mission*

The two Competitiveness Hubs in West Africa – in Accra, Ghana and Dakar, Senegal – work in conjunction with each other and are funded through and managed by the USAID Regional Mission for West Africa (USAID/WA). In nearly every West African country eligible under AGOA, the Hubs have established partnerships with local organizations (such as chambers of commerce) to operate AGOA Resource Centers (ARCs), which serve as information centers for a wide array of information on AGOA. In 2006/2007, the Hubs opened ARCs in São Tomé and Príncipe, Guinea-Bissau, and Gabon. The Hubs have also responded to requests from national governments to train customs and other officials on procedures to comply with AGOA textile visa and certification requirements.

The Accra and Dakar Hubs have assisted firms in 21 West and Central African countries to exhibit at international trade shows, providing firm-specific training on strategies to

access the U.S. and other international markets, including information related to quality certifications, packaging, pricing, marketing, and financial management. In 2006, the West Africa Hubs facilitated \$5.2 million in AGOA exports, sponsored 84 businesses to exhibit at 12 international tradeshows, and provided market training and targeted technical assistance to 1,500 individuals.

USAID/WA and the Hubs also work with the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU) to increase regional trade. Key assistance efforts include harmonizing sanitary and phytosanitary measures and customs data, improving road transportation, and supporting effective participation in the WTO.

USAID/WA and Hubs also target barriers to trade that individual companies cannot overcome on their own, such as bribes and delays in road transport, and irregular application of sanitary and phytosanitary procedures. In 2006, they completed a pilot program to collect data on corruption along priority trucking routes between West African capitals. This system is designed to provide quarterly reports on bribes and delays by route, country, branch of the uniformed services, citizenship of driver, and over time. This information will be disseminated to local governments and the private sector and be used to promote advocacy by civil society organizations.

USAID/WA programs address some of the key costs of doing business, which have a direct impact on competitiveness, including irregular and costly supplies of electricity and high telecommunications charges, mostly arising because of a poor investment environment in the sub region. In 2006, technical assistance from USAID/WA helped Nigeria and Benin to successfully connect their national electricity grids, a critical early step toward a fully integrated regional market for electricity. Work is now in progress to link Ghana, Burkina Faso, Mali, and Côte d'Ivoire. Once completed, investors will be invited to take advantage of the significant new economies of scale for new generating capacity.

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

The U.S. Department of Commerce administers the Commercial Law Development Program (CLDP). For over six years, CLDP has been assisting the government of Angola to improve the efficiency and credibility of the Angolan judicial system as a means of improving investor confidence in the Angolan rule of law and reducing the cost of doing business in Angola.

In 2006, CLDP continued to provide technical assistance to the Angolan judiciary, with a focus on automation of the courts. CLDP worked with the government of Portugal in 2006 to customize for Angolan use court management software developed by the Portuguese Ministry of Justice. CLDP installed the automated network at the Luanda court and provided the necessary IT training for the Angolan judges and clerks to ensure the successful implementation of the software. The automated network was successfully launched in October 2006, helping to improve the efficiency and transparency of the Angolan court system.

CLDP continued to provide assistance related to case management techniques in the Angolan Criminal and Civil Courts. It also evaluated the performance of courts that have already benefited from CLDP's technical assistance programs. The evaluation revealed that such courts are now more efficient and display significantly greater transparency in their day-to-day operations.

In September 2006, CLDP collaborated with the Nigerian government and private sector on a workshop on Reform in the Legislation and Adjudication of Nigeria's intellectual property. The workshop exposed Nigerian federal judges and legislators, as well as stakeholders in the music and film industries, to the importance of intellectual property protection and its impact on Nigerian stakeholders. The workshop helped to improve the skill and knowledge level of Nigerian judges in the implementation, enforcement, and adjudication of intellectual property issues. The collaboration also revived and updated the substantive draft industrial property legislation, which would bring Nigeria's legislation current with prevailing international standards.

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

The U.S. Department of Agriculture (USDA) conducts a wide variety of technical assistance and training programs in sub-Saharan Africa. In 2006, USDA supported the AGOA agenda through the following initiatives and program activities.

*Sanitary and Phytosanitary (SPS) Technical Assistance:* USDA has carried out numerous SPS technical assistance activities in AGOA-eligible countries. In collaboration with USAID, USDA continued to provide pest risk assessment advisors from the Animal and Plant Health Inspection Service (APHIS) to USAID's three regional missions in sub-Saharan Africa. The advisors work directly with national plant health and protection authorities to draft pest risk assessments (PRAs) for fruit and vegetable crops, facilitate communications with APHIS risk assessment review teams, and help PRAs progress through the mitigation review and rulemaking processes. In 2006, final rules were published for several African commodities, including Zambian baby corn and baby carrots, Kenyan peas, and Namibian table grapes – all of which are now able to enter the United States. In late 2006, the PRA program was expanded under the new USAID/USDA AGOA SPS technical assistance program, to include all facets of SPS capacity building (food safety, animal health and plant health systems) as a component of the Africa Global Competitiveness Initiative. In addition to work with USAID, USDA in collaboration with the U.S. Codex Office conducted two African regional outreach activities on effective participation and involvement in the UN Food and Agriculture Organization's (FAO's) Codex Alimentarius, which develops international food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Program. Continuing technical assistance with Foreign Agriculture Service (FAS) funds is planned for 2007. In addition, FAS and the Food Safety Inspection Service (FSIS) worked with the government of Namibia on steps to approve Namibian meat for export to the United States.

The Cochran Fellowship Program provides short-term technical training in the United

States for middle- and senior-level public and private professionals. Training programs cover a wide range of topics, including agricultural trade, marketing, management, policy and technology transfer. In 2006, there were 61 training participants from ten AGOA-member countries. Since the Cochran Program began activities in 1984 it has trained over 1000 participants from 25 sub-Saharan African countries. Examples of recent programs include training in pest risk assessments, food safety, food quality standards, animal disease surveillance, plant health systems analysis, pesticide residue levels, agricultural and insect pest database maintenance, agricultural and trade policy development, disease control for cocoa, and laboratory processing techniques and post-harvest handling for vanilla.

The Borlaug Program, established in March 2004, provides short-term scientific collaborative research fellowships for agricultural scientists and policymakers in order to promote food security and economic growth by increasing scientific knowledge and collaborative research. This program provides opportunities to work in one-on-one settings with U.S. and international experts at various institutions, such as U.S. universities, private sector foundations and research centers. In 2006, the Borlaug Program provided fellowships for a total of 19 participants from seven AGOA-member countries. For example, under the Borlaug Africa-Women in Science Program funded by USAID, eight female agricultural scientists from Kenya, Zambia, Uganda, Niger, Mali, and Ghana conducted research related to socio-economic evaluations of small-holder agriculture and research on food security and safety systems for the fish industry.

The Scientific Cooperation Research Program currently supports 18 long-term research projects with partners in 11 AGOA countries. Examples of joint research activities are in the areas of integrated pest management for high-value, horticultural greenhouse crops for export; the use of plants for phytoremediation (using plants to address environmental problems) and as a biofuel source; and water quality improvement.

In February 2007, USDA Foreign Agricultural Service Administrator Michael Yost led a trade and investment mission to the East Africa region. Thirteen U.S. agribusinesses participated in the trade mission, representing importers and exporters of seafood, horticulture, livestock genetics, agriculture processing, poultry, agriculture equipment, seed industry and general food. A total of 40 African companies from Ethiopia, Kenya, Rwanda, Tanzania, Uganda, and Zambia attended events during the mission. The purpose of the trade and investment mission was to promote U.S.–Africa agribusiness cooperation and two-way trade and investment. Initial reports of sales to the United States from participating countries include fruit juice, processed nuts and seafood (lobster, shrimp and frozen fish) valued at over \$750,000.

The Food for Progress (FFP) Program provides U.S. agriculture commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Commodities are donated to foreign governments, private voluntary organizations, non-profit organizations, cooperatives, or intergovernmental organizations. The commodities are normally sold, with the proceeds used to fund agricultural development activities. In FY2006, USDA programmed \$86.9

million in 12 AGOA-member countries under FFP, and activities included farmer training, public works, small business development, capacity building for farmer organizations, and micro-credit.

The McGovern–Dole International Food for Education and Child Nutrition Program helps support education, child development, and food security. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education. In FY2006, USDA programmed \$46.9 million in six AGOA-members countries under this program.

With funding from the MCC, USDA has conducted a range of activities to support MCC activities in five AGOA-eligible countries. These activities include assisting with the review of Ghana’s land tenure activity, evaluating the government of Benin’s proposal for a fish inspection facility, conducting several watershed management activities in Cape Verde, assessing the wetlands component of the government of Lesotho’s Compact proposal, and evaluating aspects of establishing zones that are free of foot-and-mouth disease in Namibia.

#### **F. 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 activities directly support AGOA implementation by helping to create an enabling environment for increased U.S.-Africa trade and investment.

Recognizing the importance of trade to the region’s growth, USTDA worked closely in FY2006 with USTR, other U.S. government agencies, and the regional economic communities in Africa to develop trade capacity in sub-Saharan Africa. The following is a sampling of recent USTDA trade capacity building activities:

- Nigeria Ministry of Transport, Port Computerization: USTDA is funding a grant of \$429,746 to provide technical assistance to develop an integrated computerization plan for the operations and management of the Nigerian Ports Authority. Through evaluation of current systems, technical training, and recommendations this project will help increase the productivity of the Nigerian Ports Authority, and build its capacity to analyze, design, and manage IT systems.
- South Africa Khanya Consortium Bid Submission: USTDA is providing a \$550,900 technical assistance grant to the black economic empowerment (BEE) company, Tiso Energy, in support of a bid submission for the construction and operation of two oil-fired, open-cycle gas turbine peaking power plants to be located in the Eastern Cape and KwaZulu Natal Provinces of South Africa.

- Capital Markets Integration, Nigerian Stock Exchange & Ghana Stock Exchange: This grant of \$191,980 provides technical assistance to the West African Monetary Institute for a study on capital market integration and cross-border securities listing between the Nigerian Stock Exchange and the Ghana Stock Exchange. The study will analyze differences in the legal; regulatory; accounting and reporting policies; and IT systems of the two stock exchanges and provide recommendations and an implementation plan to connect the two exchanges.
- South Africa Transnet New Multi Products Pipeline Project: This USTDA-sponsored orientation visit (\$108,000) introduced officials from Transnet, the Department of Public Enterprises, the Department of Minerals and Energy, and the National Energy Regulator to U.S. operational models and the U.S. regulatory framework for refined fuels pipelines.
- Nigerian Stock Exchange Disaster Recovery Plan and Systems Backup: This grant of \$236,410 provides technical assistance to the Nigerian Stock Exchange (NSE) for the development of an emergency response system that will involve the procurement of back-up software and hardware and include plans for the establishment of a secure, secondary location in case of an emergency. The objective of the project is to provide a mechanism for continuous trading and support of the NSE in case of failure of the main building or main equipment.
- Lesotho IFC FIAS Apparel Industry: USTDA provided \$85,600 for a grant to develop a strategy on the implementation of vertical integration of the garment industry in Lesotho. The grant was designed to help Lesotho's garment producers identify other domestic sourcing for textiles especially from AGOA-compliant suppliers. The grant also funded technical assistance to the government of Lesotho to help it determine the policies it should follow in order to support the development of a vertically integrated garment industry. The International Finance Corporation (IFC) managed the technical assistance and the funding was provided through USTDA's Evergreen Trust Fund with the IFC.

USTDA is 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. See Chapter VII, Sections C and D for information on some of these projects, many of which are directly related to trade capacity building.

## **G. African Development Foundation**

The United States African Development Foundation (USADF or “the Foundation”) is a U.S. Government corporation that supports the development of micro-, small-, and medium-sized businesses in Africa. USADF’s Trade and Investment (T&I) program advances the goals of AGOA by increasing the integration of African farmers, processors, and manufacturers into the global economy. USADF provides financing directly to African businesses and helps build their capacity. The Foundation’s business model – which involves African-led, on-the-ground operations; country- and industry-specific investment strategies; host government co-investment; and private sector partnership – allows the agency to serve as a catalyst for enterprise development in Africa and for advancing the goals of AGOA.

USADF responds to unsolicited funding proposals from African small- and medium-sized companies, agricultural producer groups, cooperatives, and community-based organizations. The Foundation helps its grantees diagnose their constraints, assess market opportunities, conduct rigorous financial analyses on investment options, and develop business plans to support commercially viable activities that generate income for owners, employees, and agricultural suppliers. USADF provides businesses with a comprehensive, integrated package of investment capital, technology, training, and technical, managerial and marketing assistance. ADF-supported enterprises receive up to \$250,000 in financing. They commit to contribute over time an amount equivalent to up to 100 percent of the ADF financing – based on business projections and actual profitability – to a local development trust.

USADF operated in 16 sub-Saharan African nations during FY2006 -- Benin, Botswana, Cape Verde, Ghana, Guinea, Liberia, Mali, Namibia, Niger, Nigeria, Rwanda, Senegal, Swaziland, Tanzania, Uganda, and Zambia. The Liberia program began in 2006. During the year, USADF disbursed \$11.25 million in T&I program funds in 16 countries, 68 percent for investments and 32 percent for business planning for potential follow-on enterprise expansion investments and support and monitoring for existing investments by non-governmental, African partner organizations. Although many of the businesses supported in USADF’s Small- and Medium-sized Enterprise (SME) program also export some products, the T&I program mainly supports small and medium-sized businesses with existing or potential exports.

The active projects in FY2006 produced a diverse range of export products and services: clothing and textiles (especially African fabrics and home decor items), coffee, rock lobster, hardwood furniture, fresh pineapples and mangos, processed grains and African ethnic foods, baskets, wood carvings, solar-powered hearing aids and chargers, cattle hides and ostrich skins, dried legumes, meat, paints and coatings, rice, ginger, cured vanilla, sugar, tea and citronella tea, dried paprika peppers, chilies, and edible oil. New financing in FY2006 will stimulate exports of additional products and services including canned tuna and mackerel, dried fish, sea transport services, tiger nuts, sesame, cacao, semi-precious stones, and juices.

The active T&I projects and those completed within the past 3 years have increased total sales revenues of supported firms by over \$32 million over their baseline levels. On average, more than three dollars in additional income for business owners, workers, and raw material suppliers were generated for every one dollar disbursed by USADF in these investments. Since the bulk of the USADF disbursements are provided in the first one to two years of support and the revenue growth increases over time, this ratio continues to increase after the intensive period of USADF support has ended.

USADF's T&I program also has strong backward linkages to low-income, rural producers, demonstrating that relatively small investments can generate large benefits. Among the active projects, cumulative revenue growth has reached \$4 million for Tanzania Kilombero Sugarcane Outgrowers and more than \$3 million for Tanzania Ruembe Sugarcane Outgrowers. These benefits can continue to expand over time especially if businesses can then qualify for additional financing from commercial banks, as was the case with two T&I investments that have completed their USADF support within the past 3 years: Uganda Marine Products Ltd., a processor of fresh and frozen Nile Perch filets, has achieved revenue growth of nearly \$23 million; and Tanzania Mtibwa Sugarcane Outgrowers has increased its revenues by \$9.3 million.

In FY2005, USADF obligated \$274,294 for the Central Growers Association (CGA), an association of 612 paprika pepper farmers in Kabwe, Zambia. CGA used USADF support to establish a revolving fund for farm inputs and to acquire technical assistance to improve the quality and quantity of output. In 2006, CGA produced 55 tons of fresh paprika peppers, up from 12 tons in 2005. Of this, 78 percent was Grade A export quality. A Zambian company purchased CGA's peppers and processed them into dried paprika for export. CGA is sharing a portion of its profits with the local community to cover skills training and essential community services.

Kwanza Collection Company, Ltd., Tanzania, is an exporter of handmade decorative home accessories and traditional arts and crafts that are sourced from 20 regional producer groups. In FY2006, USADF obligated \$191,580 to build their production capacity and expand marketing activities. USADF helped Kwanza secure and successfully fulfill an order for hand-woven baskets from the American retail giant Target. This order generated income for over 400 rural women in the Iringa District and increased Kwanza's average annual sales revenues by nearly 40 percent. USADF funding will also be used to improve quality standards and production methods at other producer groups that Kwanza works with throughout Tanzania. USADF's Buyer Linkage Program also supported the expansion of another women's group, the Ghana Bolgatanga Baskets Cooperative, and similarly helped it market products to Target.

The Rwanda Smallholder Specialty Coffee Cooperative (Rwashoscco) is a limited liability company created in 2005 as an outgrowth of a USAID project. Rwashoscco is owned by 11 primary co-operatives representing over 20,000 coffee farms. USADF awarded it an enterprise development grant in September of 2005 for \$105,900. The primary co-operatives processed coffee cherries into parchment coffee that Rwashoscco transformed into green coffee for export to the United States and European specialty coffee markets at premium prices. In 2006, Rwashoscco exported 22 containers of high-quality coffee valued at \$1.6 million, which was more than double its revenues from the previous year.

#### **H. Other TCB Activities**

For more information about TCB activities by U.S. agencies, including some not described in this report, see the TCB Database maintained by USAID at the following web site: <http://qesdb.cdie.org/tcb/index.html>. Some of the activities described in Chapter VII have TCB aspects.

## **VII. Other Assistance Supportive of AGOA Objectives**

### **A. Millennium Challenge Corporation**

The Millennium Challenge Corporation (MCC) was established by the United States in 2004 “to provide greater resources for developing countries taking greater responsibility for their own development.”

The MCC Board of Directors is chaired by the U.S. Secretary of State, and includes the U.S. Secretary of the Treasury, the U.S. Trade Representative (Vice-Chair), the USAID Administrator, the CEO of the MCC, and four non-governmental members. By selecting countries based on independent policy indicators, the MCC rewards low and lower middle income countries that demonstrate a strong commitment to investing in their people, ruling justly, encouraging economic freedom, and promoting sustainable natural resource management policies. By giving eligible countries the opportunity to identify their own priorities and develop their own proposals for reducing poverty and spurring economic growth, the MCC enables countries to address long-term development obstacles, including in the area of trade.

Since 2004, MCC programs have comprised a significant component of U.S. contributions to TCB. Eleven nations in sub-Saharan Africa are currently “eligible countries” under the MCC and have either concluded a Compact or are in the Compact development stage. These nations include Benin, Burkina Faso, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, Namibia, Senegal, and Tanzania. To date, the MCC has signed Compacts with five eligible countries in sub-Saharan Africa – Benin, Cape Verde, Ghana, Madagascar, and Mali. The MCC has committed more than \$1.5 billion to economic growth and poverty reduction programs through these five agreements, including significant TCB components. MCC’s Board may also suspend countries for patterns of actions inconsistent with MCC’s selection criteria; for example, The Gambia, which became eligible in November 2005, was suspended from that status in June 2006.

Nine sub-Saharan nations have participated in the MCC’s Threshold Country Program, designed to assist countries on the “threshold” of MCC eligibility for Compact assistance. These nations include Burkina Faso, Kenya, Malawi, Niger, Rwanda, São Tomé and Príncipe, Tanzania, Uganda, and Zambia. In part as a result of Threshold program efforts, Burkina Faso and Tanzania have achieved Compact eligibility. Niger, Rwanda, and São Tomé and Príncipe are still developing threshold programs. The MCC has signed threshold programs with Kenya, Malawi, Uganda, and Zambia that will provide over \$66 million to fund anti-corruption and government effectiveness programs in those countries.

### **B. Initiative to End Hunger in Africa**

Launched in 2002, the Presidential Initiative to End Hunger in Africa (IEHA), administered by USAID, is a market-oriented, smallholder-based growth strategy to increase rural incomes in Africa. IEHA is the vehicle through which the U.S.

Government meets its commitments made in the G8 and other international fora to support implementation of the Comprehensive Africa Agricultural Development Program (CAADP), the most ambitious and comprehensive agricultural reform effort ever undertaken in Africa. CAADP addresses policy and capacity issues with the objective of helping African countries to achieve an annual six percent agricultural growth rate. CAADP implementation is led by Africans but also involves a strong element of donor coordination. It seeks to integrate vulnerable populations into the mainstream development agenda and provides a framework for Africans to assist famine-prone countries to tackle the root causes of hunger.

Since agriculture provides the dominant livelihood for 65 percent or more of Africa's population, achieving the necessary rate of poverty reduction and economic growth to reach the UN Millennium Development Goal for poverty reduction will depend on improving the agricultural sector's performance. IEHA investments fall into six thematic areas: science and technology, agricultural trade and market systems, community-based producer organizations, human and institutional capacity building, environmental management, and vulnerable groups/transition countries. The initiative promotes a value-added approach that addresses constraints along the supply chain and results in measurable increases in smallholder incomes.

IEHA is primarily focused on African countries that have made agriculture a priority, have an appropriate policy environment, have key institutions in place, and are committed to implementing policy reforms. IEHA focus countries are Ghana, Mali, Mozambique, Uganda, Kenya and Zambia. These countries also serve as regional growth poles, tying regional trading partners into their increasingly vibrant economies.

IEHA has developed regional platforms through USAID offices in sub-Saharan Africa to serve non-focus countries and work with African regional counterparts, such as COMESA and ECOWAS, to increase intra-regional trade. South Africa and Nigeria have IEHA biotech programs, initiated in FY2004.

To accelerate the CAADP strategy, USAID will align specific programs in support of this African vision of sub-Saharan Africa's transformation and economic growth. USAID committed approximately \$200 million in FY2006 for the first year of a five-year effort. USAID expects similar commitments through 2010.

Results of IEHA activities through FY2006:

- To date, over nine million rural Africans, including more than one million vulnerable households, have directly benefited from this initiative.
- More than 8,000 producer, water user, and trade associations received technical assistance to strengthen their organizations.
- Over 900 public and private partnerships were formed.

- Trade in selected commodities in East Africa has increased by 57 percent since 2001.
- Dozens of new technologies have been shared with farmers.
- 358,000 men and 191,000 women have received training in a broad range of topics, including biotech safety, market analyses, record keeping, quality control, and post harvest handling.
- Among USAID-assisted producers, gross margins (productivity) increased by 7 percent in 2006 on 690,000 hectares of maize. Gross margins for USAID-assisted Kenya women dairy producers increased 104 percent in 2006.
- In several countries, the period of time food-insecure households were dependent on food relief dropped by 40 to 60 percent.

Further information about the IEHA is available at: [www.usaid.gov/locations/sub-saharan\\_africa/initatives/ieha.html](http://www.usaid.gov/locations/sub-saharan_africa/initatives/ieha.html)

### **C. Department of 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, promoting workforce development, strengthening social safety nets, improving workplace safety and health, assisting dislocated workers, and combating child labor. Since 1995, DOL has funded \$555 million for projects in developing countries, with sub-Saharan Africa receiving over \$186 million for 72 projects covering 33 countries. DOL currently funds a wide range of projects in Africa in three basic areas:

- **Combating Exploitative Child Labor:** Projects include assisting children affected by HIV/AIDS and 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 under these projects are designed to benefit children by building 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.
- **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. The focus of these projects includes labor law reform and compliance.

- **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. U.S. agencies have been working to assist African countries in their efforts to improve infrastructure in these sectors.

##### U.S. Department of Transportation

The U.S. Department of Transportation (DOT) plays a key role in maintaining the strong, interconnected global transportation system vital for economic growth in the United States and abroad. DOT is engaged in a wide range of activities designed to enhance the transportation capacity and infrastructure of sub-Saharan African countries, thereby facilitating opportunities for trade and economic growth in the region.

##### *The Safe Skies for Africa Program*

In 2006, the Safe Skies for Africa Program ("Safe Skies" or SSFA) continued in its mission to promote sustainable improvements in aviation safety in Africa as a means of advancing economic development and increased investment between the United States and Africa. The overarching goal of the program is to increase the number of African nations meeting International Civil Aviation Organization (ICAO) standards for safety and security. Aviation safety and security has been enhanced in each of the countries where equipment and training has been provided. The following is a sampling of some of the SSFA activities in the past year:

- Personnel in each of the nine active Safe Skies countries (Angola, Cape Verde, Cameroon, Djibouti, Kenya, Mali, Namibia, Tanzania and Uganda) continued to benefit from capacity-building assistance in a broad range of areas, including aviation safety, air navigation, aviation security, and management of aviation systems.
- Under SSFA, DOT helped to facilitate the establishment of an East African Community (EAC) safety and security oversight organization. In November 2006, Kenya, Tanzania, and Uganda signed an agreement to cooperate on a regional basis in the areas of aviation safety, security, air navigation, and capacity building. Under this agreement, the three countries will share aviation safety inspectors, aviation security and other threat information, and will work toward a common upper airspace navigation system. This is the first regional

oversight agreement under the Safe Skies program and will help these countries move more quickly toward meeting ICAO safety and security standards.

- In addition, under a partnership with USTDA, DOT worked with the EAC countries to draft a strategic plan and statement of work for the development of a unified Upper Flight Information Region (UFIR) for the EAC. A proposal for a UFIR feasibility study was submitted to and approved by USTDA in the amount of \$566,000. The study is now underway and will provide a roadmap for enhancement of air navigation in the airspace of the EAC countries.
- The Federal Aviation Administration (FAA) organized a workshop and demonstration in Addis Ababa, Ethiopia on new technologies related to Global Navigation Satellite Systems. Over 350 African aviation regulators and business professionals attended the workshop.
- The SSFA program is also providing assistance to a number of other non-SSFA countries, including South Africa, Senegal, The Gambia, Ghana and Ethiopia in the areas of aviation law, safety regulations and air navigation. These states recognize that safe and secure aviation systems are a pretext for effective liberalization and are actively engaged in independent and regional efforts to gain compliance with international safety standards.
- Through a partnership with the Transportation Security Administration of the Department of Homeland Security, the Safe Skies program has been able to institute aviation security quality control programs, as well as assisting the Safe Skies countries to develop and enhance the function of each country's National Civil Aviation Security Program, as required by ICAO. Through technical assistance and training, aviation security at airports within the region has improved.

### *The Nigerian Transportation Project*

The Nigerian Transportation Project has focused on four areas: maritime safety and security; aviation safety and security; rehabilitation of the rail system; and the development of oversight and accountability systems. With technical guidance and assistance from DOT, Nigeria finalized and passed new aviation legislation in 2006 designed to be consistent with ICAO standards. Nigerian aviation experts continued to receive training at FAA's training facility in Oklahoma City. In 2006 DOT provided the Nigerian Ministry of Transport a technical evaluation of Nigerian rail lines with recommendations and strategies to increase the safety and utility of Nigeria's rail infrastructure. In the maritime area, DOT experts participated in a three-day conference on privatizing Nigeria's port sector with the goal of increasing port efficiency and safety.

### *Mass Transit*

The Federal Transit Administration (FTA) helped facilitate linkages between the Government of Rwanda and a U.S. vendor of buses which resulted in a contract for the purchase of up to \$10 million of new buses for operation in Rwanda's capital of Kigali. The FTA will work with the Government of Rwanda and the U.S. public and private sectors to provide training for the local personnel who will regulate, operate, and maintain the system.

### *Technology Transfer*

The Federal Highway Administration (FHWA), through its Technology Transfer Program (T2 Centers) in the Southern Africa Development Community (SADC) is facilitating training on low-volume road management in Botswana as a result of a Botswana-New Mexico Twinning relationship. Additionally, the T2 Center in Dar es Salaam is expanding its reach in the Tanzanian aviation community through the use of U.S. Government-donated computers and FHWA capacity-building activities.

### *Aviation Liberalization*

DOT has signed a total of 17 Open Skies agreements with sub Saharan African nations providing the opportunity for greater economic cooperation with the United States. Open Skies regimes are major facilitators of trade and economic development.

### Transportation Infrastructure Development

The U.S. Trade and Development Agency's transportation work in sub-Saharan Africa includes projects in the rail, port and aviation sectors. In addition to several feasibility studies and technical assistance activities in the last fiscal year, USTDA provided an orientation visit in the port sector. Orientation visits facilitate relationship building, exchange of sector and regional expertise information, and partnerships to advance the development of transportation in Africa. Following is a sampling of recent USTDA projects in these transportation sectors:

- Senegal Matam Phosphate Port Transportation Feasibility Study: This \$313,840 feasibility study will assist the Senegalese Ministry of Energy and Mines to analyze the cost of various transportation alternatives for phosphate from the Matam phosphate deposits.
- South Africa Port Sector Strategic Planning: USTDA funded a \$113,800 Orientation Visit focused on the Port Sector in South Africa, which assisted South Africa's Department of Public Enterprises and the Department of Transportation to develop their strategic planning for South Africa's ports, including the implementation of various regulatory and operating models.

- COMESA CNS/ATM: This technical assistance grant of \$294,900 to the Common Market for Eastern and Southern Africa will support the definition of technical and professional capabilities in communication/navigation/surveillance (CNS) and air traffic management (ATM) in eight COMESA member states.
- Rwanda IFC Rwandair Privatization: This \$227,000 grant provided technical assistance to the government of Rwanda to identify strategic options for the privatization of Rwandair Express, the country's national airline, and in executing the transaction in line with the most appropriate option. The International Finance Corporation managed the technical assistance and the funding was through USTDA's Evergreen Trust Fund with the IFC.
- Namibia Port Development and Expansion: This \$400,000 grant provides technical assistance focused on information technology, security, and petroleum receiving for the ports of Walvis Bay and Luderitz in Namibia. NAMPORT, the grantee, is undertaking a significant modernization program in order to meet projected significant increases in traffic into and out of the country's ports.
- Senegal Multi-Commodity Port Complex: This \$326,420 USTDA-sponsored feasibility study will provide an updated and expanded economic, financial, and legal analysis of a new multi-commodity port complex to be located south of Dakar. The study is representative of USTDA's goal of encouraging transportation infrastructure development in sub-Saharan Africa. The \$250 million new port complex could be constructed to serve multiple purposes, such as an export terminal for Senegalese mining products, an import terminal for bulk materials, and as a port of call for a new industrial zone being developed outside of the capital city of Dakar.

### Communications Infrastructure Development

USTDA recognizes the importance of the information and communications technology (ICT) sector in the region. In FY2006, it made grants for 14 new sub-Saharan Africa ICT sector activities totaling over \$2,855,000. In addition, USTDA sponsored a major ICT Conference in this sector, which was held in March 2007 in the San Francisco Bay Area. The Sub-Saharan Africa Information and Communications Technology Conference brought high-level African public and private sector delegates together with U.S. ICT experts and equipment and service providers. The conference included presentations from project sponsors, one-on-one meetings between project sponsors and U.S. industry representatives, and other topical seminars such as market reform, technology workshops, human capacity development, project and business opportunities, infrastructure expansion, international connectivity, public sector initiatives, and ICT financing.

USTDA has also made several investments in ICT-related technical assistance and feasibility study activities (see sampling below) and anticipates making additional ICT grants in the future.

- South Africa Western Cape Electronic Education: USTDA is providing \$87,969 to fund a Phase I Study on behalf of the Western Cape Education Department in support of a pilot electronic education project in the Western Cape Province. The project is intended to continue the introduction of ICT in public schools and to help teachers deliver the curriculum more effectively.
- Ethiopia Telecommunications Sector, ETA and ETC Personnel Training at CTIT: USTDA is providing a \$169,520 grant to Ethiopia's College of Telecommunications and Information Technology (CTIT) for two training programs to instruct ITC management personnel from Ethiopia Telecommunications Corporation (ETC) and Ethiopian Telecommunications Agency (ETA) at the CTIT campus. The grant will support telecommunications policy development through effective training while promoting regulatory policies in accordance with international standards. It will also expand ETC's capability to improve the quality, universality and type of available telecommunications services in Ethiopia.
- Kenya Wananchi ISP Business Reengineering: USTDA is providing a \$161,000 grant to fund technical assistance to Wananchi Online in Kenya. This assistance will provide Wananchi with the tools needed to reengineer its business from being an Internet Service Provider to become a Business Solution Provider.
- South Africa eThekweni Electricity Distribution Systems Integration: USTDA is providing a \$500,000 grant to fund technical assistance to eThekweni Electricity (TE) for a Distribution Systems Integration project. This assistance will provide TE with a strategic plan for the implementation of an integrated IT system to tie its customer data with supply information in real time, resulting in more cost-effective service and quicker responses to network and system problems.
- Kenya ICT KBC Business Planning: This \$214,082 technical assistance will provide Kenya Broadcasting Corporation (KBC) a comprehensive and detailed business strategy, a deployment roadmap, and a full requirements analysis of six capital investment and capacity building projects to help KBC meet its public mandate and compete in the commercial market.
- Eastern Africa Submarine Cable System: USTDA provided \$131,026 in funding for an orientation visit focused on highlighting Tyco Telecom's commercial technologies and capabilities for the Eastern Africa Submarine Cable System, which is an undersea fiber optic cable backbone that will have landing points in as many as eight African countries.

## **E. Energy Infrastructure Development**

The Department of Energy (DOE) continues to work with sub-Saharan African countries to develop and implement sustainable energy activities to support greater economic development. In addition to promoting the precepts of the AGOA legislation, the

Department has specifically emphasized the expansion and protection of critical energy infrastructure.

The Department has incorporated the vision of the Clean Energy Technology Exports (CETE) Program to increase U.S. clean energy technology export opportunities to Africa. CETE addresses the three major challenges in U.S. global energy policy: competition in developing markets; environmental sustainability; and energy security.

In 2006, the U.S. Government Geothermal Working Group (GWG), which is co-chaired by the Departments of Energy and State and includes USAID, the Department of Commerce, OPIC, Ex-Im Bank and the U.S. Trade and Development Agency, supported adoption of the African Rift Valley Geothermal (ARGeo) Initiative. The ARGeo Project is a combination of technical assistance with a risk mitigation fund for exploration, aimed at encouraging investment in geothermal projects in the under-served nations of Ethiopia, Djibouti, Eritrea, Tanzania, Uganda and Kenya. The GWG worked with the Global Environment Facility (GEF), the private sector, and multilateral stakeholders to win support for the ARGeo Initiative. As a consequence of the GWG efforts, in June 2006, GEF allocated \$17.75 million in initial funding for the ARGeo Initiative. GWG agencies also helped advance the technical skills of African geological survey teams and energy ministry employees in relation to ARGeo. This included technical training facilitated by the DOE at various U.S. private sector plants for the Ethiopian engineers working to refurbish Ethiopia's only geothermal plant. In addition, the DOE provided hands-on computer modeling technical training for direct application in geothermal project development for delegates from Ethiopia, Djibouti and Uganda.

Under the Department of Energy-National Association of Regulatory Utility Commissioners Cooperative Agreement, DOE also continued to provide regulatory capacity building activities for AGOA-eligible nations.

### USAID

Increased availability of low cost, environmentally friendly electricity is critical to the economic development and trade competitiveness of Africa. USAID provides technical assistance to the Southern, West, and Central Africa Power Pools. The objective of this support is to increase access to reliable, affordable electricity through cross-border energy trading, while also building the capacity of the continent's electricity utilities to deliver essential services in a commercially viable manner.

USAID/West Africa continued to provide support to the West Africa Power Pool (WAPP), an industry organization created by electrical utilities with the goal of increasing investment in the sector. In October 2005, the WAPP entered a new phase of its development with the approval of the Articles of Agreement for a Power Pool organization by the Energy Ministers of the ECOWAS States. These articles were adopted by the member utilities in July 2006.

A consortium of U.S. and West African companies is nearing completion of the \$700

million West Africa Gas Pipeline. USAID technical assistance in developing the pipeline helped regulators and governments create the enabling environment needed to attract investors. The Pipeline will bring low-cost fuel to power plants in Benin, Ghana, and Togo. The main user will be the Takoradi power plant in Ghana. West African markets will receive the first gas deliveries in mid-2007, which will cost 50 percent less and produce 25 percent fewer carbon emissions than the fuel currently in use. The pipeline traverses approximately 700 km onshore and offshore from Nigeria to Ghana. Nigeria, Ghana, Togo and Benin signed a 20-year agreement on the implementation of the pipeline which provides for a comprehensive legal, fiscal and regulatory framework, as well as a single authority for the implementation of the project.

USAID continues to provide training and technical assistance to develop secondary natural gas markets in Ghana. This program is being expanded to Nigeria, Togo, and Benin as well.

#### **F. HIV/AIDS and Malaria**

The health status of Africans continues to be negatively impacted by the ravages of infectious diseases. The HIV/AIDS pandemic and malaria extract a horrific toll of suffering and death in every sub-Saharan African country. These diseases have a direct and negative impact on sub-Saharan African countries' ability to achieve their development goals, including poverty alleviation through increased trade. U.S. assistance programs are tackling both of these problems.

##### HIV/AIDS:

The President's Emergency Plan for AIDS Relief (PEPFAR/Emergency Plan), is the largest commitment ever by a single nation toward an international health initiative – a five-year, comprehensive approach to combating the disease around the world. The United States, through the Emergency Plan, is recognized as the global leader in the fight against HIV/AIDS, implementing the largest and most diverse prevention, care and treatment strategy in the world. The goals of the Emergency Plan include support for treatment for two million HIV-infected people, support for prevention of seven million new infections, and support for ten million people infected or affected by HIV/AIDS. The Emergency Plan is on track to *exceed* its original commitment of \$15 billion over five years, by over \$3.3 billion. By the end of FY2008, the American people will have invested \$18.3 billion in the global fight against HIV/AIDS. U.S. funding for PEPFAR has risen from \$2.3 billion in FY2004 to \$4.6 billion in FY2007. President Bush has requested \$5.4 billion for the Emergency Plan in FY2008. This request reaffirms the United States' historic leadership in the global fight against HIV/AIDS.

Emergency Plan programs extend to more than 120 countries, with a special emphasis on 15 focus countries that represent approximately half of the world's 39.5 million HIV infections. Twelve of the 15 focus countries are in sub-Saharan Africa. In just three years of implementation, the Emergency Plan has achieved notable results. Some include:

- **Treatment:** In 2003, when the Emergency Plan was announced, only an estimated 50,000 people in all of sub-Saharan Africa were receiving life-extending antiretroviral treatment (ART). However, through the end of FY2006, PEPFAR had partnered with host nations to support ART for approximately 805,800 people in sub-Saharan Africa. In addition, nearly 50,000 health care workers in sub-Saharan Africa were trained or retrained in the provision of treatment protocols.
- **Prevention:** HIV/AIDS prevention activities under the Emergency Plan include the ABC approach (Abstinence, Being faithful, correct and consistent use of Condoms), prevention of mother-to-child transmission (PMTCT) services, injection safety, and blood safety activities. In FY2006, outreach activities supporting the ABC approach reached roughly 59.9 million individuals in sub-Saharan Africa. Approximately 2.6 million pregnant women received PMTCT services; and 49,000 individuals were trained or retrained in injection safety practices.
- **Care:** In FY2006, more than 4.3 million people in sub-Saharan Africa – including more than 1.9 million orphans and vulnerable children – received care services, including palliative care and basic health care and support.

The Emergency Plan values partnerships in the fight against HIV/AIDS. Other key international partners include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Bank; United Nations agencies, led by UNAIDS; other national governments; and – with growing commitment – the businesses and foundations of the private sector.

#### Malaria:

Economists believe that malaria is responsible for a ‘growth penalty’ of up to 1.3 percent per year in some African countries. When compounded over the years, this penalty leads to substantial differences in GDP between countries with and without malaria and severely constrains the economic growth of the entire region. In 2005 President Bush announced a Presidential Malaria Initiative (PMI), a new five-year, \$1.2 billion initiative to rapidly scale-up malaria control interventions in 15 high-burden countries in Africa. With an initial commitment of \$30 million in FY2006, funding will increase to \$135 million by FY2007. The goal of PMI is to reduce malaria-related mortality by 50 percent in selected countries and to achieve 85 percent coverage of vulnerable groups with effective treatment and control measures, including insecticide-treated bed nets and indoor residual spraying (IRS). In the first year of implementation, PMI reached over six million persons in the initial three countries with malaria prevention or treatment activities. With full funding, this number is expected to increase five-fold in FY2007. In FY2006 the PMI procured and supported the distribution of approximately one million insecticide-treated nets and supported highly successful IRS campaigns in all first-year countries that protected more than two million people.

For more detail, please see the following websites:  
<http://www.state.gov/s/gac/>

<http://www.fightingmalaria.gov/>

## **G. Overseas Private Investment Corporation**

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

OPIC is currently providing almost \$2 billion in financing and political-risk insurance to 74 projects and investment funds in sub-Saharan Africa. These projects include:

- **Africa Investment Funds:** OPIC has committed a total of \$270 million in guaranties for three investment funds that will focus on Africa: the Emerging Market Partners (EMP) Africa Infrastructure Fund II, the Ethos Fund V, and the Helios Sub-Saharan Africa Fund. Each of these funds fulfills an OPIC mandate contained in the AGOA legislation to establish equity funds in support of investment in sub-Saharan Africa. The EMP fund will invest in Africa generally, with an emphasis on sub-Saharan Africa, while the Ethos Fund will focus on South Africa but also make investments in other sub-Saharan African countries. The Helios Sub-Saharan Africa Fund will focus on the West African region and on opportunities within countries of the Southern Africa Development Community. OPIC's financing will combine with equity raised by the funds to leverage as much as \$1.6 billion of new investment into the region.

In addition, OPIC received board approval for a commitment of \$100 million to International Housing Solutions Sector Fund, which will provide private investment capital and affordable housing finance to markets experiencing rapid growth in housing demand and that have acute housing needs at the lower end of the income spectrum. The Fund will invest in individual housing developments and in companies that contribute to the development and affordability of residential housing at any point along the value chain, including development and housing finance companies, mortgage banking companies and secondary mortgage market makers. The Fund's target capitalization is \$300 million, and currently includes South Africa as one of its target countries.

- **Housing:** OPIC continues to support the President's Africa Mortgage Market Initiative, including credit support for Ghana Home Loans Limited, which will originate residential mortgages for up to 600 single-family homes in the greater Accra region, enabling Ghanaians to obtain 15-year mortgages with a 25 percent down payment. In Tanzania, OPIC provided insurance coverage to Enterprise Homes, LLC for the construction of multiple green-field residential housing developments near major cities throughout Tanzania. Each residential neighborhood will consist of a cluster of single-family homes, located on a land plot situated within 30 km of the central business district. The development of each

land plot will include the installation of required infrastructure, including roads and utilities.

- Potable Water: OPIC provided a loan to Living Water International in Kenya for the purchase of additional drilling equipment, supply trucks and pumping service trucks that will enable the sponsor to drill 70 more water wells per year.
- Telecommunications: OPIC issued insurance coverage to Warren Development Corporation for the construction and operation of stand-alone communication access centers for customers in rural areas of Ghana. These centers will offer Internet service, domestic calling, facsimile, printing, and copying services. Internet Gabon received financing from OPIC enabling this company to move beyond serving as a reseller of Internet access to becoming a provider of Internet and networking services.
- Risk Insurance for Relief Supplies: OPIC provided political risk insurance covering equipment and supplies enabling the International Rescue Committee to provide emergency shelter, food, and medical care to the people of Burundi. The equipment includes computers, furniture, inventory and other equipment necessary to carry out its humanitarian, disaster and medical assistance, refugee resettlement, and retraining programs.
- Liberian Non-Bank Financial Institution: Robert L. Johnson, founder of BET, signed a Memorandum of Understanding between the RLJ Companies, OPIC, the African Development Foundation, and CHF International regarding the establishment and capitalization of a Liberian non-bank financial institution to be managed by CHF and dedicated to the development of a quality commercial lending and investment program for entrepreneurs and small businesses in Liberia, a critical component of the country's economic recovery from 15 years of civil war.

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

As the official export credit agency of the United States, the Export-Import Bank (Ex-Im Bank) assists in financing the export of U.S. goods and services to international markets. As part of its mission, the Bank helps facilitate trade between African countries and the United States by financing the sale of U.S. exports needed to take advantage of AGOA.

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 February 2007. In FY2006, Ex-Im Bank authorized 140 transactions totaling approximately \$532 million in 23 sub-Saharan African countries, or 4.7 percent of total U.S. exports to the region. (Worldwide, Ex-Im Bank covers approximately 1.3 percent of U.S. exports.) Over the last seven fiscal years, Ex-Im Bank has authorized transactions supporting nearly \$3.8 billion in U.S. exports to sub-Saharan Africa.

Ex-Im Bank is developing numerous ways to maximize its efforts in the region. The challenge is to find the appropriate “business model” for the transactions in these markets. The Bank is actively engaged with exporters and lenders, other government agencies in the United States, African banks and other financial institutions on ways to better underwrite transactions in the market. The following items are illustrative of the Bank’s actions and follow-through:

- In June 2006, Ex-Im Bank established a \$300 million bank guarantee facility for 14 Nigerian banks, providing the selected institutions with the ability to guarantee short- and medium-term transactions on an expedited basis. To date, Ex-Im Bank has authorized approximately \$38 million in medium-term transactions under this facility.
- Following March 2006 training sessions for West African banks in Dakar, Senegal and Lagos, Nigeria, a specialized three-day “African Banking Seminar” was held in Washington in August 2006 with participation from ten African countries.
- Ex-Im Bank’s International Business Development officers for Africa conducted specialized domestic business development outreach (Atlanta, Houston, and Los Angeles) aimed at U.S. companies that have a special interest in the African market.
- Ex-Im Bank is continuing in its efforts to develop an acceptable business model for transactions in challenging markets, including specifically working with USTDA on a financing model to be utilized for suppliers to the African oil and gas industry.

Ex-Im Bank’s Board of Directors has a Sub-Saharan Africa Advisory Committee (SAAC) to bring practitioners from the field to advise Ex-Im Bank in its efforts to fulfill the Congressional mandate. The SAAC provides a forum where outside practitioners offer ideas on how the Bank can increase its support for exports to the region while still satisfying its reasonable assurance of repayment requirement. The SAAC also discusses issues facing the private sector, including banks, when using Ex-Im Bank for transactions in sub-Saharan Africa. The SAAC met three times in FY2006 to review existing initiatives and provide suggestions for further improvements with regard to the Bank’s activities in sub-Saharan Africa. In addition to its regular meetings, the SAAC formed two sub-committees, which met individually with Ex-Im Bank staff to concentrate on improvements for Business Development and Product Transparency.

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

The Department of Commerce’s U.S. and Foreign Commercial Service (CS) conducted a number of AGOA-related activities in 2006. The Commercial Service staff in Accra, Ghana actively recruited successful local companies exporting to the United States under AGOA for participation in its Regional Outreach Program. The CS Accra staff presented

two one-day workshops on “Doing Business with the United States,” during which the staff presented CS services and products aimed at facilitating import transactions with the United States, as well as a session on cross-cultural business practices and U.S. business expectations. Over 100 individuals participated in the two sessions. In September 2006, CS Accra and the West Africa Trade Hub jointly organized a workshop on Trade Finance, highlighting the products and services of the U.S. Export-Import Bank. More than 70 participants from various countries in West Africa attended. CS Accra also provided one-on-one counseling to a series of Beninese exporters interested in expanding their operations to tap into the AGOA market. As a result of the counseling sessions, trade leads were shared with U.S. companies, particularly in the food-processing sector.

The Department of Commerce’s U.S. Patent and Trademark Office (USPTO) conducted numerous activities with AGOA-eligible countries in 2006. These initiatives included training for African participants on patents, copyrights, and IPR enforcement at the USPTO Global Intellectual Property Academy in Alexandria, Virginia; an IPR Enforcement Seminar in Kampala, Uganda for the Ugandan Judiciary; a joint USPTO/State Department program in Dakar, Senegal on “Combating Counterfeit Pharmaceuticals in West Africa”; and a joint USPTO/IIPI program in Windhoek, Namibia on “Supporting Culture-Based Industries.”

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

U.S. Customs and Border Protection (CBP) continued to provide assistance and technical training for sub-Saharan African government officials in 2006, and it is anticipated that this work will continue into 2007. In 2006, CBP officials visited Swaziland, Mauritius, South Africa and Kenya. In each of these countries, CBP officials met with host-country counterparts and provided practical, on-site training in the production verification process related to regulations governing AGOA’s textile and apparel benefits. In addition to this training, a separate detailed technical seminar, sponsored by USAID’s West Africa Trade Hub was held for a large audience of Nigerian Customs officials. This technical seminar covered topics including the AGOA preference rules, the visa system, and production verification visits to apparel producers, as well as general AGOA requirements for apparel and textile folklore exports. A one-day training seminar was also provided to Nigerian textile and apparel producers.

CBP provides advice and assistance to counterpart agencies in all AGOA beneficiary countries eligible to receive apparel benefits in order to help these agencies to properly implement and enforce the requirements of AGOA. Properly administering and utilizing AGOA’s rules will help ensure that the program’s benefits accrue to the governments and citizenry of the beneficiary countries rather than to ineligible third parties potentially involved in illegal trade practices.

CBP’s Office of International Trade continues to assist the U.S. Department of Commerce and the Committee for the Implementation of Textile Agreements by participating in the consultation process that takes place with beneficiary countries prior to the granting of eligibility to ship textile and/or apparel goods to the United States

under AGOA Grouping 9, which includes handloomed fabrics, hand-made articles of handloomed fabrics, folklore articles, and certain ethnic printed fabric.

#### **K. Small Business Administration**

The U.S. Small Business Administration (SBA) continues to support AGOA through technical assistance and transfer of technology. In 2006, the SBA hosted officials from over 29 sub-Saharan African countries who were interested in learning more about how SBA develops and administers counseling, training and financial assistance programs for the U.S. small business community. The SBA is also working with the Government of Benin to help it develop its strategy and business plan for SME development.

In 2006, the SBA began developing an initiative called the “Small Business Dialogue with Africa” (SBDA), which seeks to bring together public and private sector SME service providers in the United States and sub-Saharan Africa to share ideas and best practices. The African Union is also involved in the initiative. It is hoped that such collaboration and information exchange will help to encourage entrepreneurship, small business start-ups, and ultimately, more sustainable SMEs that can become trading partners for U.S. small businesses under AGOA. Initial plans are to hold the first steering committee meeting at the AGOA Forum in Accra, Ghana in July 2007.

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

Section 105 of AGOA institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries. The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (the “AGOA Forum”) has become the Administration’s premier platform to articulate and advance its trade and economic policy toward Africa, to discuss AGOA implementation issues, and to forge closer relationships between the United States and the region. The Forum is traditionally co-hosted by the U.S. Secretaries of State, Treasury, Commerce, and the U.S. Trade Representative who, along with African counterparts from each AGOA eligible country, chair various plenary sessions and workshops.

The fifth AGOA Forum was held in Washington, D.C. on June 6-7, 2006, with the theme, “Private Sector and Trade: Powering Africa’s Growth.” U.S. participants included Secretary of State Condoleezza Rice, U.S. Trade Representative Susan Schwab, USAID Administrator Randall Tobias, U.S. National Security Advisor Stephen Hadley, and Deputy Secretary of Commerce David Sampson. Topics discussed in plenary sessions included: How Foreign Assistance Can Facilitate Private Sector Growth; An Overview of AGOA Implementation; The Private Sector as An Engine of Growth; and Trade, Investment and the Impact of HIV/AIDS.

In addition to the ministerial-level dialogue, the Forum also encourages interaction among representatives of governments, non-government entities and the private sector. This combination of stakeholders – government, private sector, and civil society – united under the framework of the Forum, allows for robust discussions on new policies and initiatives that can promote mutually beneficial trade and economic development under AGOA. More than 1,000 delegates attended the 2006 event.

The sixth AGOA Forum will be held July 18-19, 2007, in Accra, Ghana, with the theme, “As Trade Grows, Africa Prospers: Optimizing Benefits Under AGOA.”



## 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. Somalia and Sudan have not expressed an interest in receiving the benefits of AGOA and therefore are not reviewed. A list of all 38 countries eligible for AGOA as of May 2007 is contained in Annex A. The AGOA eligibility criteria are provided in Annex B.

### ANGOLA

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Angola's 2006 exports under AGOA and its GSP provisions were valued at \$11.3 billion – almost all of which was oil or energy-related products – representing 97 percent of its total exports to the United States.

**Market Economy/Economic Reform/ Elimination of Trade Barriers:** Angola's economy continued its rapid growth during 2006 with a 19.5 percent increase in GDP, its third consecutive year of double-digit growth. Sustained high oil prices and increased oil production accounted for much of the growth, along with progress on postwar recovery, which involves significant expansion of the construction and agriculture sectors. Angola is benefiting from greater macroeconomic stability, having cut its annual inflation rate from 31 percent in 2004 to 10 percent at the end of 2006. The government discontinued formal negotiations with the IMF for a stand-by monetary program in February 2007, citing its improved macroeconomic indicators, but will continue to receive technical assistance. Since the end of the civil war in 2002, the government has accelerated development of a market-based economy and improved its fiscal management. The government formally welcomes private investment and is looking for ways to enhance its utilization of AGOA. In 2006, the government reduced by 43 days the time required for a company to register; it is now 124 days.

**Rule of Law/Political Pluralism/Anti-Corruption:** Power is concentrated in a strong presidency and Council of Ministers appointed by Angola's president. The 220-member National Assembly generally endorses executive initiatives although there has been some scrutiny of budgets. A voter registration campaign began in November 2006 and will end in June 2007. Over 2.3 million Angolans had registered by March 2007, and an estimated 7-8 million are expected to register by the end of the process. Legislative elections are expected in 2008 and presidential elections in 2009. Corruption is reportedly pervasive in Angola, but the government has taken steps to introduce more transparency in its transactions with the private sector. For example, during its 2006 oil concession bidding rounds, all bids were opened and read aloud publicly. The government is also cooperating with the World Bank to implement stricter budget controls designed to prevent off-budget spending by government agencies. In 2006, Angola acceded to the UN Convention on Corruption and the African Union's Convention to Prevent and Combat Corruption. The government has announced that it intends to join the Extractive Industries Transparency Initiative and in 2006 conducted several workshops focused on transparency, including a World-Bank organized workshop

on oil revenues. The government also established a Financial Planning Unit with USAID assistance.

**Poverty Reduction:** The government has been working with the World Bank to finalize a Poverty Reduction Strategy Paper. In conjunction with the World Bank and EU, the government held a Health Sector Public Spending review in 2006. In the 2007 government budget, spending on health decreased as a percentage of total spending from 4.42 percent to 3.68 percent. Spending on education increased from 3.8 to 5.6 percent of the budget, but primary schools received only seven percent of the total for education. Total social spending remains low by regional standards. The government is committed to large scale humanitarian landmine clearance and major infrastructure improvements of rail, road, ports and buildings. In 2006, the government, with international and private partners, including the United States, conducted a series of comprehensive nationwide vaccination campaigns for all children under age five. Anti-retroviral drugs for HIV/AIDS are now available in all provincial capitals, with the goal of even wider distribution in 2007.

**Labor/Child Labor/Human Rights:** The constitution provides for the right to form and join trade unions, engage in union activities, and strike. A new labor union has recently been approved to improve and professionalize the bargaining capacity of workers in the petroleum industry. Angola's labor laws prohibit employee lockouts and worker occupation of places of employment, as well as strikes by military and police personnel, prison workers, and firemen. Angola has ratified all eight core ILO Conventions. The government is making efforts to comply with the minimum standards for the elimination of trafficking in persons, although greater emphasis is needed to protect vulnerable women and children. Angola has laws against child labor and the legal minimum age for employment is 14. Children between the ages of 14 and 18 may not work at night, in dangerous conditions, or in occupations requiring great physical effort. The government prohibits children younger than 16 years old from performing factory work, but these provisions are rarely enforced. The government is supporting a USDOL-funded project on the prevention of the worst forms of child labor. There are restrictions on freedom of speech, the press, and assembly. Although there were improvements in a few areas, the government's human rights record remained poor. There were reports of unlawful killings and torture by police and security forces, though fewer than in previous years. Other problems included harsh and life-threatening prison conditions, and arbitrary arrest and detention. An August 1, 2006 agreement with rebels in Cabinda province largely brought an end to the insurgency there and a corresponding improvement in the human rights situation in the province.

## **BENIN**

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

**AGOA Trade and Investment:** Benin had \$24,000 in exports under AGOA and its GSP provisions in 2006, representing four percent of Benin's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Benin has adopted market-oriented economic policies and has had sustained economic growth over the past decade. While cautioning about Benin's vulnerability to external shocks given its reliance on cotton exports and imported petroleum, the IMF commended the country's economic performance in 2006. The IMF projects that growth in 2007 will reach 4.5 percent. A slight increase in the cotton harvest in 2006 and reforms at the Port of Cotonou positively affected the country's economic performance. On structural reforms, little progress has been made on privatization and in other key areas. In October 2006, Benin's \$307 million MCC Compact with the United States formally entered into force. The legal system recognizes and protects property rights. Benin has new business and investment codes as well as a court of arbitration for business disputes. Due to alleged management failures and gas shortages that disrupted economic activity in Benin in 2005 and early 2006, the government resumed management of the former gas parastatal, SONACOP, in March 2006.

**Political Pluralism/Rule of Law/Anti-Corruption:** The international community recognized Benin's March 2006 presidential election and its March 2007 National Assembly election as free and fair. The formal structures for rule of law are in place. The rights to due process and a fair trial are respected; however, there are serious administrative delays in criminal cases and the settlement of commercial disputes. The judiciary is independent, but inefficient and subject to corruption. The new government, which assumed office in April 2006, has made good governance and fighting corruption major priorities. It has improved transparency and controls in public spending. Several significant corruption cases have also been initiated in the courts, involving both former ministers and officials of parastatals. Significant donor resources are provided for improvement of the judicial system.

**Poverty Reduction:** The government finalized its Poverty Reduction Strategy Plan in late 2002, and obtained debt relief in June 2005. Sustained economic growth over the last ten years has allowed Benin's per capita income to rise and most social indicators to improve steadily. However, these achievements have not translated into significant progress in poverty reduction. In March 2004, the World Bank approved a Poverty Reduction Strategy Credit (PRSC) of \$20 million to support government policy measures for implementing the poverty reduction strategy and focused on the key sectors of health, water, and education. A second PRSC is now pending, which would provide a total of \$30 million to support reforms in justice, public administration, and finance. An IMF mission in March 2007 found that the government was meeting all program quantitative performance criteria and indicative targets under Benin's IMF Poverty Reduction and Growth Facility Arrangement.

**Labor/Child Labor/Human Rights:** Benin's labor law recognizes the right to form unions and engage in collective bargaining. Several generally independent union confederations operate in Benin; there were several strikes in 2006. Each year, the government allocates funds to the unions. Benin has ratified all eight core ILO Conventions. Child labor remains widespread and domestic and international trafficking

of children is a problem. The National Assembly passed an anti-child trafficking law in January 2006, and it was promulgated in April 2006. Enabling legislation is near completion. In July 2006, Benin signed a multilateral regional agreement to cooperate in the fight against trans-border trafficking in persons, with an emphasis on combating the trafficking of children and women. Benin is participating in a number of USDOL-funded projects to combat child trafficking. The government generally respected the human rights of its citizens.

## **BOTSWANA**

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

**AGOA Trade and Investment:** Botswana's exports to the United States under AGOA and its GSP provisions were valued at \$28.3 million, representing 11 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Botswana is consistently ranked by international organizations as one of the most stable, market-oriented economies in sub-Saharan Africa. Growth rates and GDP per capita are among the highest in the region. The government is challenged, however, by the need to diversify its economy away from dependence on diamond production, which accounts for 40 percent of GDP and over 80 percent of export income. The government is pursuing a policy of privatizing parastatals, with Air Botswana currently in the final stages of privatization. With the domestic economy and government revenues remaining heavily dependent on the performance of the mining sector, there is growing urgency for initiatives to improve domestic productivity to support private sector growth and promote export competitiveness. The government still plays an overwhelming role in the economy, accounting for roughly 40 percent of formal employment. It is committed to creating a regulatory framework favorable to investors, although an underdeveloped private sector and an overly bureaucratic system of company registration has hampered these efforts. The government actively seeks foreign direct investment, and there are few trade or investment barriers, apart from restrictions on licensing for some business operations that are reserved for citizen-owned and operated companies. With assistance from the U.S. Patent and Trademark Office, the government has conducted several workshops on intellectual property rights.

**Political Pluralism/ Rule of Law/Anti-Corruption:** Botswana is a long standing multi-party democracy. In October 2004, it held its ninth general elections, which were generally regarded as free and fair by domestic and international observers. However, ruling-party candidates were reportedly given preferential access to state-owned television. The judiciary in Botswana generally operates independently and impartially. A shortage of judges, however, sometimes results in lengthy delays in processing cases. In 2006, Transparency International ranked Botswana the least corrupt country in Africa.

**Poverty Reduction:** The government estimated the national poverty level at 27 percent in 2006, representing a drop from the 47 percent estimated in 1993-94. The government

implemented a National Strategy for Poverty Reduction pilot program in collaboration with the UNDP, but the program has been slow to take off. Botswana has universal access to health care and primary education, and the government is attempting to expand rural access to secondary education. The government has dedicated substantial resources to combating HIV/AIDS. The high incidence of HIV/AIDS exacerbates problems of low productivity and poverty. High unemployment is also a problem.

**Labor/Child Labor/Human Rights:** The constitution provides for the right of association, and workers may generally join or organize unions freely. Civil servants, except those in security-related agencies, can now unionize and trade unions can now employ full-time officials. The government does restrict the right to strike, and a burdensome arbitration process means few strikes have actually been legal. The government generally respects workers rights and has ratified all eight core ILO Conventions. The Children's Act bars children under 14 from working outside the home. Some child labor did occur, but it was generally restricted to remote areas. Lacking concrete data concerning the occurrence of child labor, the government has not made direct interventions to prevent it, although it has provided funding to NGOs working with orphans and street children to help keep vulnerable children out of the labor force. The government is participating in three USDOL-funded projects, two for the elimination of child labor and one to improve compliance with labor law. The government generally respected the human rights of its citizens.

## BURKINA FASO

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

**AGOA Trade and Investment:** Burkina Faso had \$66,000 in exports under AGOA and its GSP provisions in 2006, representing seven percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Burkina Faso is among the world's poorest countries. Nonetheless, IMF numbers show that real GDP growth has averaged over 6 percent per year since 1994. In December 2006, the government awarded a tender to a telecom company for the partial privatization of its telecommunications parastatal. Other large parastatals – including those for electricity, fuels, and water – are in the initial stages of privatization. In November 2005, the MCC Board announced that Burkina Faso was eligible to negotiate an MCC Compact. The government submitted its Compact proposal in October 2006, and the proposal is under review. Burkina Faso also participates in the MCC Threshold Country Program.

**Political Pluralism/Rule of Law/Anti-Corruption:** The ruling Congress for Democracy and Progress overwhelmingly won the November 2005 presidential and April 2006 municipal elections. Despite some irregularities, international observers considered the elections to be generally free but not entirely fair, due to the resource advantage held by the ruling party. Legislative elections are scheduled for May 2007. The judiciary is subject to influence and is perceived as corrupt and inefficient. The president has

extensive appointment and other judicial powers. The government established audit courts to audit all government accounts. The High Authority to Fight Against Corruption is responsible for investigating corruption cases in the government. Despite these efforts, corruption remains a problem.

**Poverty Reduction:** Burkina Faso is considered a strong performer by the IMF and World Bank. It was one of the first five countries to reach the HIPC “completion point” in 2002, and has since benefited from additional World Bank and other donor assistance to finance its poverty reduction strategy. Debt relief for Burkina Faso under the HIPC in 2006 included cancellation of \$1 billion in World Bank debt, \$180 million owed to the African Development Bank, and \$120 million to the IMF. The government’s \$12.9 million MCC threshold program, signed in 2005, promotes girls' education in regions with historically low school completion rates.

**Labor/Child Labor/Human Rights:** Under the labor code, workers have the right to form associations, and trade unions are common and relatively vocal. Burkina Faso has ratified all eight core ILO Conventions. The government is taking steps to reduce trafficking in persons and child labor. Children are reportedly trafficked internally in Burkina Faso, and from Benin, Mali, and Togo to work in agriculture, domestic service, street vending, and mining, as well as for exploitation in prostitution. Burkina Faso participates in several USDOL-funded child labor projects, including a new project in 2006 to combat child labor and child trafficking through education reform. In July, 2006, Burkina Faso, along with several other West and Central African countries, signed a multilateral regional agreement to cooperate in the fight against trans-border trafficking in persons, with an emphasis on combating the trafficking of children and women. The government’s human rights record was poor, but there were improvements in some areas.

## BURUNDI

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Burundi became AGOA-eligible in January 2006. There were no reported exports under AGOA or its GSP provisions in 2006.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Although Burundi’s economy is open to foreign direct investment, it remains underdeveloped and depends largely on foreign aid. Local capital is scarce, though the process of privatization moves forward and is supported by the government. Burundi is a member of several regional economic organizations, including the COMESA Free Trade Area. Burundi was accepted in early 2006 as a full member of the Eastern African Community. Burundi closely follows IMF guidelines for its macro-economic policy. Although the volume of foreign investment in Burundi is low, the country has liberalized its laws governing foreign investment. Barriers to foreign investment are its poorly maintained infrastructure and an inadequate educational system. Burundi is modernizing its laws for the protection of intellectual property rights and is a member of the International Center for the Settlement of Investment Disputes.

**Political Pluralism/Rule of Law/Anti-Corruption:** Burundi has a multi-party political system and general elections at the local and national level were held in August 2005. At both levels international observers declared the elections free and fair. Opposition political parties are active in all institutions; however, in 2006 there was constant harassment by members of the security forces of political opponents. Lack of judicial independence and efficiency and prolonged pretrial detention continued throughout 2006. Journalists recently won freedom of the press lawsuits against the government. In two recent high-profile trials, one involving a former president and former vice president alleged by the government to have plotted a coup d'etat, courts ruled in favor of the defendants. Corruption remains widespread, but the government is attempting to address the problem.

**Poverty Reduction:** In September 2006, Burundi completed its first Poverty Reduction Strategy Paper through a broad-based participatory process involving all its development stakeholders. The strategy aims to strengthen political stability, consolidate peace, and reduce poverty through accelerated, sustainable, and equitable growth. In 2005 the President of Burundi announced that healthcare for children under five years old would be provided free by the government, and abolished all fees to attend public schools. Burundi has a Poverty Reduction Growth Facility program with the IMF which includes \$11 million disbursed from 2004-2007.

**Labor/Child Labor/Human Rights:** The law provides workers in Burundi with the right of association, except for some "essential" public sector workers such as police. Workers also have the right to organize, bargain collectively, and the right to strike, subject to some restrictions. Over the past year various trade associations and workers collectives have held strikes and bargained for wage and benefits improvements. Unlike in past years, the government permitted unions to choose their own representatives to the tripartite National Labor Council. Burundi has ratified all eight core ILO Conventions. Laws are in place prohibiting forced or compulsory labor, as well as all forms of child labor. Despite these legal protections, child labor remains a problem. Children in rural areas regularly perform heavy manual labor. Children are also exploited in prostitution. Since the signing of a cease-fire between the government and the last remaining rebel group in September 2006, there have been no reports of recruitment for child soldiering or forced manual labor. The government supports a World Bank-funded child soldier demobilization program and assists former child soldiers with reintegration into their communities. Despite improvements in some areas, the government's human rights record remained poor in 2006. Throughout much of the year, the country remained engaged in an armed conflict between the government and the last remaining rebel group, the FNL. Arbitrary arrest and detention and restrictions on freedom of the press appear to have increased, and there were continued problems with restrictions placed on the freedom of assembly. There were also reports of military and police involvement in unlawful killings and torture of civilians.

## CAMEROON

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

**AGOA Trade and Investment:** Cameroon's 2006 exports under AGOA and its GSP provisions were valued at \$153 million – almost all of which was oil or energy-related products – representing 56 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Cameroon continues to implement macroeconomic and fiscal reforms and to privatize state-owned companies, in consultation with the World Bank and IMF. However, Cameroon fares poorly in the World Bank's ratings of business climate indicators, ranking 152 out of 175 countries in 2006. Difficulties in resolving commercial disputes, particularly the enforcement of contractual rights, remain a serious obstacle to investment. American claimants are often frustrated with the slow pace of Cameroon's legal system, which is often characterized as overburdened, plagued by corruption, and unable to enforce its judgments. The government has harmonized tariffs with other members of the Economic and Monetary Community of Central African States. Respect for and enforcement of intellectual property rights remains problematic.

**Political Pluralism/Rule of Law/Anti-Corruption:** A multi-party democracy with four opposition parties represented in the National Assembly, Cameroon's political system is dominated by a strong presidency. President Biya was re-elected for his second seven-year mandate in October 2004. In December 2006, the National Assembly adopted a law creating Elections Cameroon, a new organ that will organize and administer the electoral process and also replace the National Elections Observatory after the round of municipal and legislative elections, slated for summer 2007. Cameroon's judiciary is widely perceived as corrupt and inappropriately influenced by the executive. Some American companies have found that, even with a judicial finding in their favor, enforcement is problematic. In 2006, the National Assembly voted, for the first time, to waive the immunity for some sitting members charged with corruption. A number of senior officials, including many who operated in key economic sectors, were dismissed, charged with corrupt acts, or arrested in 2006.

**Poverty Reduction:** Cameroon's performance under its Poverty Reduction Growth Facility was sufficient to achieve completion point and full debt relief under the Heavily Indebted Poor Country initiative, and the Multilateral Debt Relief Initiative in 2006, but corruption remains a problem. The 2007 budget allocates substantial new resources to pro-poor sectors like education, health, and infrastructure. Although the budget process remains relatively opaque, recent budgets have shown consistent progress towards increased transparency, especially with regard to expenditures in key sectors tied to poverty reduction.

**Labor/Child Labor/Human Rights:** Workers may form and join trade unions, but government has restricted registration, supported minority factions, and harassed and fired union members and officers. Firms operating in EPZs are exempt from certain

aspects of the labor code. The right to strike is recognized only after mandatory arbitration, but arbitration decisions are not enforceable by law and can be overturned or ignored by the government and employers. Strikes organized by both public and private sector unions in 2006 were generally free of government interference. Cameroon has ratified all eight core ILO Conventions. The law prohibits forced and bonded labor, yet authorities continue to contract out prison inmates to private employers or for municipal public works. While the law sets a minimum age of 14 for child employment and limits a child's workday to eight hours, child labor in the agricultural sector and child trafficking remain problematic. Cameroon is participating in a regional ILO-IPEC program to combat child trafficking and is cooperating with the ILO and other countries of the sub-region to eradicate trafficking in persons and child labor. Cameroon's human rights record remained poor. There were restrictions placed on citizens' freedoms of speech, press, and assembly. There were also reports of harassment of journalists. Security forces reportedly committed numerous unlawful killings and engaged in torture and mistreatment of detainees and prisoners. However, there were fewer reports of such mistreatment than in the previous year and the government took more steps to investigate and prosecute officers who used excessive force. Authorities allegedly arrested and detained on an arbitrary basis Anglophone citizens advocating secession and local human rights monitors and activists.

## CAPE VERDE

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

**AGOA Trade and Investment:** Cape Verde's 2006 exports under AGOA and its GSP provisions were valued at \$106,000, representing 11 percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Cape Verde has a market-based economy, but little industry and few exploitable natural resources. The country relies heavily on economic assistance from donors. The government passed a law to strengthen the central bank's autonomy and regulation powers in 2003. The National Poverty Alleviation Plan was enacted with World Bank funding. Cape Verde offers foreign investors safeguards in many key sectors. Property rights are recognized and guaranteed by the constitution. Disputes between foreign investors and the government may be settled either by recourse to a single referee or an arbitration commission. The investment approval process has been expedited with the revision of the external investment code. Over 20 state-owned enterprises have been privatized, including banks and the national telecommunications and power companies. Cape Verde is currently pursuing accession to the WTO.

**Political Pluralism/Rule of Law/Anti-Corruption:** Cape Verde enjoys a multi-party parliamentary democracy. Elections have historically been free and fair. Nationwide legislative and presidential elections held in early 2006 were declared generally free and fair. The constitution provides for the rule of law, due process, fair trials, and equal protection under the law. Cape Verde has an independent and impartial judiciary, though

a backlog of cases causes trial delays. Cape Verde has a range of laws and regulations in place to combat corruption.

**Poverty Reduction:** Cape Verde has a National Poverty Alleviation Plan supported by the World Bank. Ninety-eight percent of school-aged children are enrolled in school and complete basic compulsory education, with no difference between completion rates for boys and girls. In July 2006, the IMF approved a three-year Policy Support unfunded program for Cape Verde. An IMF mission in March 2007 found that the government's economic and policy performance remains sound.

**Labor/Child Labor/Human Rights:** The constitution prohibits child labor and recognizes the right of workers to form and join unions without government authorization or restriction. The law prohibits anti-union discrimination, and workers generally exercised the right to form unions without interference. Union members have the right to strike, but the government sometimes limited this right by invoking emergency powers to provide minimum services in firms. There is no established minimum wage for the private sector. Cape Verde has ratified seven of the eight core ILO Conventions, including Convention 182 on the worst forms of child labor. It has not yet ratified ILO Convention 138 on minimum age. Forced or compulsory labor is prohibited by law. The Code of Minors provides no one under 14 can be employed; however, the government rarely enforces the law and child labor remains a problem. In June 2005, the government, in cooperation with UNICEF, organized a meeting on children's rights, in which the need for institutional awareness was recognized. UNICEF and the government have a joint project to address all issues relating to children, including the worst forms of child labor. Recent legislation criminalized child trafficking, as well as the use of children in prostitution or pornography. Victims can collect compensation in civil courts. The government generally respected the human rights of its citizens.

## CENTRAL AFRICAN REPUBLIC

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

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Central African Republic (CAR) has a mostly agricultural subsistence economy that has not shown significant economic growth in the past five years. The government has undertaken structural reforms to stimulate private sector development and to attract domestic and international private investment in the country. After privatizing various parastatals including water, petroleum and some banks, the government is planning to privatize its telecommunication and electricity companies. Efforts to improve fiscal oversight and transparency are underway, but the progress is slow due to weak capacity, resource constraints, and uneven political will. The IMF Executive Board approved a \$54.5 million three-year arrangement under the Poverty Reduction and Growth Facility for the CAR in December 2006 to support the government's economic program into 2009. This followed an earlier \$10.2 million Emergency Post-Conflict Assistance facility. The government has attempted to renovate and increase efficiency in its Customs Agency several times, with mixed results. Corruption remains an issue in the

customs agency, which inhibits some foreign direct investment. Respect for intellectual property rights remains relatively low.

**Political Pluralism/Rule of Law/Anti-Corruption:** The CAR held successful legislative and presidential elections in May 2005, which were considered generally free and fair and which returned the country to constitutional order. A National Assembly is elected every five years, though power is centralized in the executive branch. However, the government has difficulty maintaining control over much of its national territory, and has little control of its borders, particularly those it shares with the Democratic Republic of Congo and Sudan. The judiciary is subject to executive influence and, due to continuing political insecurity, many complaints never reach the formal judiciary in the country. Prolonged pretrial detention, denial of a fair trial, and judicial corruption continued to be problems in 2006. Prime Minister Dote has undertaken an anti-corruption campaign over the past year. The National Assembly ratified the African Union Convention on the prevention of corruption during 2006. Nonetheless, corruption is endemic and remains one of principal barriers to economic development.

**Poverty Reduction:** The CAR is one of the world's least developed countries, with an annual per capita income of \$291. Poverty, chronic political insecurity and instability, corruption, and mismanagement are among the government's many challenges. The government is currently preparing a full Poverty Reduction Strategy Paper to be completed in mid 2007. In the meantime, the government has prepared the Economic and Social Policy Framework (ESPF), an 18-month transitional strategy. The ESPF focuses on four central themes: reinforcing security and consolidating peace; improving governance and public sector institutional capacity; promoting macroeconomic stability and economic growth; and improving access to social services and rehabilitated infrastructure. The government fell off track with earlier international financial institution programs. However, the Poverty Reduction and Growth Facility arrangement reached with the IMF in December 2006 facilitated assistance from donors and multilateral development banks, including the World Bank, the African Development Bank and the European Union.

**Labor/Child Labor/Human Rights:** Labor unions exercise their right to strike, though strikes are limited by complicated procedures for mandatory arbitration and conciliation. There were reports of anti-union discrimination related to strike actions. The government is revising its labor code, and a technical committee working under the Prime Minister is in the process of reviewing the entire text. The CAR has ratified all eight core ILO Conventions. The law prohibits forced labor as well as employment of children under 14 years old, but enforcement is lax and an estimated 63 percent of children between five and 15 years old are employed. There is some forced labor, especially involving members of the Ba'Aka people. The government acknowledges the incidences of child labor in the country and is seeking to raise awareness among the population about this issue. However, it lacks resources to enforce the laws against child labor and trafficking in persons. The government's human rights record remained poor in 2006. While there were improvements in some areas, in other areas the government's respect for human rights appeared to deteriorate. There were reports that security forces committed torture,

beatings, rape, and mistreatment of suspects and prisoners. Reports of the military killing civilians increased sharply in 2006, linked in part to government counteroffensive operations against rebels in the north. Conditions in prisons and detention centers were harsh and life threatening. The government's use of arbitrary arrest and detention increased significantly. The government restricted freedom of the press, although to a lesser extent than in the previous year.

## CHAD

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

**AGOA Trade and Investment:** Chad's 2006 exports under AGOA and its GSP provisions were valued at \$1.7 billion – all of which was oil or energy-related products – representing 89 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Oil is far and away the largest export, and high world oil prices have boosted exports and government revenues. Chad has a small formal sector and a large informal import/export sector. The government has made some progress over the past decade in privatizing state enterprises, eliminating price controls, and liberalizing the economy. Although escalating violence in the East and widespread corruption dampen the investment climate, foreign direct investment in the oil sector has nearly doubled in the past few years. Foreign and domestic investors alike report that the business climate could be significantly improved. The government has made little progress in reducing impediments to investment such as weak infrastructure, chronic energy shortages, high-energy costs, scarcity of skilled labor, a high tax burden, and corruption. Chad participates in regional efforts to standardize tax policies and commercial law, but limits investment in sectors deemed sensitive, such as cotton, electricity production, and telecommunications.

**Political Pluralism/Rule of Law/Anti-Corruption:** The government has a weak record on rule of law, political pluralism, and the safeguarding of due process rights. Many international monitors consider the May 2006 presidential election to have been seriously flawed and note that the major political opposition groups did not participate. Executive interference in the judiciary, lack of judicial effectiveness, and lengthy pretrial and post-sentence detention also continued to undermine the rule of law. Government corruption is universally acknowledged as one of most serious problems in Chad. The Ministry of Moralization, established in 2004 to combat corruption, uncovered several cases of fraud and embezzlement in 2006, although the accused have not been brought to justice yet.

**Poverty Reduction:** Chad has one of the lowest per capita GDPs in the world. Under an agreement with the World Bank for oil sector infrastructure financing, 70 percent of government revenue is to be allocated to health, education, rural development, and other social services. Chad also committed to work with the World Bank on preparation of a Poverty Reduction Strategy Paper in 2007. While the government has ramped up its infrastructure projects, oil earnings of some \$1.3 billion since 2000 have yet to noticeably reduce poverty rates. Security expenditures continue to be high, reflecting threats from

rebel groups based in Sudan. Due to the country's deteriorating fiscal performance, the IMF has been unable to review Chad's progress on its Poverty Reduction and Growth Facility or its qualification for debt relief under the Enhanced Heavily Indebted Poor Countries and the Multilateral Debt Relief initiatives.

**Labor/Child Labor/Human Rights:** Chadian law allows unions to organize and bargain collectively, and the government protected these rights. The law recognizes the right to strike, and workers exercised this right in practice in 2006; however, this right was limited in the public sector, and the law permits imprisonment with forced labor for participation in illegal strikes. The national labor union holds one of the nine seats on Chad's oil revenue oversight committee. Chad has ratified all eight core ILO Conventions. The law prohibits forced or compulsory labor, including by children; however, in 2006 there continued to be reports of forced labor practices in the formal economy. Child labor, including forced child labor, remains a serious problem, and children were trafficked for forced labor and sexual exploitation in 2006. However, the government is making efforts to raise public awareness of the problem and to lay the legal foundation for meeting its commitments to international labor conventions aimed at protecting children. Although the labor code stipulates that the minimum age for employment in the formal sector is 14, the government does not adequately enforce the law. An estimated 20 percent of children between the ages of six and 18 work in abusive, exploitive labor conditions in the urban informal sector as street vendors, manual laborers, domestic servants and helpers in small shops. The government, in collaboration with UNICEF, is taking steps to combat the worst forms of child labor. The government's human rights record declined in 2006 and the security situation sharply deteriorated, in part as a result of fighting that involved rebel groups, government forces, armed militias, and civilians along the eastern border with Sudan and the southern border with the Central African Republic (CAR). Politically motivated disappearances, arbitrary arrest and detention, and limits on freedoms of speech, press, and assembly were problems in 2006, as was impunity for extrajudicial killings and torture reportedly committed by members of the security forces.

## COMOROS

**Status:** Not eligible, largely for reasons related to rule of law and economic reform.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Union of the Comoros has taken modest steps to implement macroeconomic and structural reforms. President Sambi has indicated that after salaries and debt payments, the Union Government has no funds to implement programs. In September 2006, IMF staff noted that, after improving in 2005, public finances deteriorated sharply in the run-up to the May 2006 presidential elections. In the past, vanilla and ylang-ylang (a perfume essence) were exported in significant quantities from Comoros. Now, most formal sector workers are employed by the Union or Island Governments. There is a modest tourism sector, and tiny manufacturing base. The majority of Comorans live on subsistence farming and fishing, as well as remittances from family abroad. The government welcomes trade and investment and there are no specific barriers to U.S. companies. Comoros is a member of

the World Intellectual Property Organization. However, enforcement of intellectual property rights is limited by a shortage of trained personnel, legal capacity and resources.

**Political Pluralism/Rule of Law/Anti-Corruption:** Fourteen candidates freely contested the April 2006 presidential primary, and three candidates then ran for president in the May national election. International observers agreed the poll was fair and transparent, with then-opposition figure Sambi winning by a wide margin. Taking office in May in the first peaceful and democratic transfer of power in Comoran history, Sambi vowed to install an effective rule of law. Corruption is endemic, but corrupt officials have been prosecuted under the new administration. Many prisoners convicted of minor crimes who did not receive adequate due process were granted amnesty. Of particular concern to the United States, there are deficiencies in the anti-money laundering/terrorist financing regimes in Comoros, and the country's inability to implement existing legislation across the three islands, particularly with regards to off-shore banking, make it vulnerable to traditional money laundering and to the financing of terrorism.

**Poverty Reduction:** Comoros has performed adequately under its poverty reduction strategy according to the World Bank. An Interim Poverty Reduction Strategy Paper (I-PRSP) with a focus on fostering economic growth, led by the private sector, and improving the provision of public services in the social sectors was presented to the World Bank in May 2006. The I-PRSP concentrates around three key objectives: (i) sustained economic growth; (ii) improved human capital development; and (iii) improved governance and political stability. In a December 15 statement, the IMF noted that moving toward a formal Poverty Reduction Growth Facility (PRGF) would require continued operation of the revenue-sharing mechanism between the different governments, as well as agreements to clear external payments arrears. Also needed is an agreement on a policy reform program for the coming three years, including on a budget for 2007. IMF Staff were hopeful these pre-conditions could be met, which would allow the IMF Board to consider a PRGF in 2007.

**Labor/Child Labor/Human Rights:** Comoran law meets minimum standards for the protection of worker rights. Organized teachers, dockworkers, and taxi-drivers recently availed themselves of their right to strike and demonstrate to protest nonpayment of salaries or other grievances. The rarely enforced labor code does not include a system for resolving labor disputes, and it does not prohibit anti-union discrimination by employers. After years of instability and low investment, there are very few formal sector jobs in Comoros. Comoros has ratified all eight core ILO Conventions. A recent study found about one-third of Comoran children work, most in family subsistence farming and fishing. The law defines 15 as the minimum age for employment. Provisions that address the rights and welfare of children are not enforced because of a lack of inspectors. Although the government generally respected the human rights of its citizens, continuing areas of concern include poor prison conditions and restrictions on freedom of religion.

## REPUBLIC OF CONGO

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** The Republic of Congo's 2006 exports under AGOA and its GSP provisions were valued at \$774 million, consisting mostly of petroleum products and representing 25 percent of the country's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Republic of Congo (ROC) continues its transition to a free market economy. Efforts to privatize government-owned enterprises are ongoing. However, commercialization of the country's moribund and inefficient railroad remains a challenge. There are signs of new economic and commercial growth as developers and investors regain confidence in the country's post-conflict business environment. The last government-owned bank was privatized in mid 2004 as part of the government's commitments under its IMF program. The government has sought to address several outstanding trade-related issues raised by U.S. firms operating in the country.

**Political Pluralism/Rule of Law/Anti-Corruption:** President Sassou-Nguesso was elected in 2002 in elections deemed "not to contradict the will of the people" by independent monitors; however, there were some allegations of irregularities and manipulation in the administration of the elections. The president's party also won the legislative elections, which were almost completely boycotted by the opposition, and controls 121 seats in the 136-seat National Assembly. The judiciary is overburdened, under-funded, and subject to political influence, bribery, and corruption. The government has put in place two new courts, the Constitutional Court and the High Court, as well as a Human Rights Commission, to assist with addressing judicial branch issues and human rights complaints. Transparency and economic governance remain serious problems. Economic governance has improved somewhat, due in part to better budgeting and accounting practices; however, the government needs to intensify its efforts to improve transparency, especially in the petroleum sector. Although the government has strong laws against corruption, enforcement is lax.

**Poverty Reduction:** Despite some positive developments, Congo continues to face major challenges in addressing poverty. Meeting these challenges will require structural reforms and prudent macroeconomic management. The ROC qualified for an IMF Poverty Reduction and Growth Facility (PRGF) in December 2004 and reached Decision Point of the Heavily Indebted Poor Countries debt-relief initiative in March 2006. However, progress under the PRGF stalled in late 2006, and the IMF announced in October that it could not complete the third review of the program because of concerns about spending overruns that exceeded the targets of the program. To accelerate progress toward achieving the Millennium Development Goals, the government plans to use oil revenues that are in excess of budget assumptions to raise poverty-related spending.

**Labor/Child Labor/Human Rights:** The law generally protects worker rights, including the right of association, the right to organize and bargain collectively, and the

right to strike. Workers have the right to bargain collectively and freely exercised this right. Almost 100 percent of the workers in the public sector, except security forces, and 25 percent of the workers in the formal private sector are union members. The law prohibits anti-union discrimination, but there were some reports of illegal dismissals for organizing activity. Congo has ratified all eight core ILO Conventions. The constitution prohibits forced or compulsory labor, although there are unconfirmed reports of these practices. Children under age 16 are not permitted to work; however, in practice, this law is not widely enforced. There are reports that children have been trafficked and used for prostitution. Although there were some improvements in 2006, the government's human rights record remained poor. Among remaining human rights issues are poor prison conditions, arbitrary arrest, and lengthy pretrial detention.

## COTE D'IVOIRE

**Status:** Not eligible, largely for reasons related to a lack of progress on key political and economic reforms.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Despite the political crisis, Cote d'Ivoire has retained its free-market economy and is the fourth largest economy in sub-Saharan Africa. In an effort to resolve a longstanding commercial dispute, the government has engaged U.S. shareholders intensively over the past year to settle an investment/expropriation claim. U.S. companies doing business in Cote d'Ivoire continue to face many other challenges, such as slow VAT reimbursement for exporters. Both foreign and domestic businesses face harassment by security forces, irregular militia and ex-rebel groups at roadside checkpoints throughout the country. Reforms in the telecommunications sector remain incomplete as necessary legislation did not pass before the National Assembly's mandate lapsed in December 2005, and new legislative elections have still not been held.

**Political Pluralism/Rule of Law/Anti-Corruption:** During the reporting period, the country remained divided into the government-controlled south and ex-rebel-controlled North. However, on March 4, 2007, President Gbagbo signed a peace accord with rebel leader Guillaume Soro. It remains to be seen what effect this will have on holding elections, disarming militias and reunifying the country – all conditions that must be met if Cote d'Ivoire is to regain its AGOA eligibility. In 2006, the government made little progress in establishing the conditions for free, fair and transparent elections. The New Forces ex-rebels suspended participation in the Disarmament, Demobilization, and Reintegration program when President Gbagbo insisted on changes to the identification process that made it significantly slower and more confusing for the population. The country has not suffered wide scale unrest since January 2006, although the government did harshly put down opposition street demonstrations protesting the President's unpopular decision to reinstate government officials implicated in a toxic waste scandal. Many companies cite corruption and a lack of confidence in the legal system as significant barriers to doing business in Cote d'Ivoire, which ranks near the bottom in Transparency International's ratings of perceptions of corruption. Reforms and greater transparency in the cocoa and oil/gas sectors are essential for sustained, broad-based

economic growth. Weak rule of law resulted in instances of arbitrary arrest and detention and denial of a fair public trial.

**Poverty Reduction:** Cote d'Ivoire's engagement with International Financial Institutions (IMF, World Bank, African Development Bank) is suspended due to the country's non-accrual status with the World Bank. Despite ongoing political instability, according to government statistics the economy registered modest positive growth from 2004-2006. Without rising oil and gas revenues, growth in 2006 would likely have been negative. Unemployment and poverty continue to rise despite macroeconomic gains, fueled by dislocations associated with the country's division and by weak performance of cotton and other basic industries that are traditionally large employers.

**Labor/Child Labor/Human Rights:** Labor laws guarantee the right to unionize, strike, and bargain collectively, and trade unions are active. The law requires protracted negotiations and a six-day notification before a strike can take place. Cote d'Ivoire has ratified all eight core ILO conventions. Child labor remains a pervasive problem, reinforced by both tradition and poverty. The majority of working children are found in the informal sector, including in agricultural sectors such as cocoa, family-operated artisanal gold and diamond mines, fishing, and domestic work. The government has begun cracking down on child labor, partly in response to international attention and threats of sanctions against coffee and cocoa products produced with child labor. Cote d'Ivoire participates in two USDOL-funded projects to combat child labor in the cocoa sector and child trafficking. In July 2006, Cote d'Ivoire signed a multilateral agreement against trafficking in persons in West and Central Africa. Human rights abuses by security forces and militias included unlawful killings, including summary executions; disappearances; and torture and other cruel, inhuman, or degrading treatment and punishment. Deplorable prison and detention center conditions were not addressed in 2006. The government also imposed restrictions on freedoms of speech, press, peaceful assembly, and movement.

## DEMOCRATIC REPUBLIC OF CONGO

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** The Democratic Republic of Congo's (DRC's) 2006 exports under AGOA and its GSP provisions were valued at \$2.6 million, mostly minerals and metals, representing three percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The DRC's development of a market-based economy is progressing slowly. The currency has floated freely for four years without significant government intervention, although the exchange rate has fluctuated widely, particularly since mid-2006. Private sector development is a key objective under the newly-installed government, in partnership with international financial institutions. Privatization had stalled under the previous transitional government. There are no specific barriers against U.S. trade and investment. The government has ratified key international intellectual property rights (IPR) conventions,

but there is a general lack of IPR enforcement. Cumbersome investment approval procedures, degraded infrastructure and the complicated, opaque taxation regime all act as deterrents to investment, though the government is working with the World Bank to improve the investment climate. Several multinational mining corporations, including one U.S.-led consortium, are developing large-scale projects, with planned investments totaling billions of dollars over the next ten years. The U.S. has a Bilateral Investment Treaty with the DRC that includes investment dispute settlement procedures.

**Political Pluralism/Rule of Law/Anti-Corruption:** Political pluralism exists largely without government interference, and the Independent Electoral Commission registered more than 200 parties, though security forces restricted the rights of several politicians to organize, campaign, and publicize their views in 2006. Representatives from several parties fill legislative and executive branch positions. A variety of print and electronic news sources provide a broad range of political debate. Around 17 million Congolese voted in the July 30, 2006 round of presidential and National Assembly elections, the country's first democratic national elections in more than 40 years. The second round on October 29, 2006 included provincial elections and a run-off between two presidential candidates. International election observers judged the elections to be credible. The government is working with bilateral and multilateral donors to develop capacity-building programs for the law enforcement and judicial sectors. The judicial sector lacks independence, is ineffective and often corrupt, and due process is not regularly afforded, particularly in connection with arbitrary and pre-trial detention. International efforts to provide military and police training are improving the quality of Congolese law enforcement. The government suffers from institutionalized corruption, which is difficult to overcome because of inadequate civil servant salaries and decades of lack of accountability. The newly-formed government, however, has identified anti-corruption activities as a key priority.

**Poverty Reduction:** The government has gradually increased its level of pro-poor spending. The government began implementing its Poverty Reduction Strategy (PRSP) in July 2006. The government's 2006 budget of one billion dollars initially allocated about \$520 million for social spending and poverty reduction programs; however, the government was forced to reduce that amount after bilateral and multilateral partners postponed interim debt relief and suspended budgetary assistance and support following the March 2006 lapse of the government's IMF Poverty Reduction and Growth Facility Program.

**Labor/Child Labor/Human Rights:** With some exceptions, most employees have and exercise the right to form and join trade unions without prior authorization, but lack of protection for workers' rights remains a problem. In 2006 the government did not allow public sector unions to hold elections, and collective bargaining remained ineffective. An estimated 80 to 90 percent of the Congolese workforce is in the informal sector, and therefore does not benefit from the nominal labor law protection. The DRC has ratified all eight core ILO Conventions. The Labor Code requires that workers be 16 and have completed primary school, but the government has made few if any meaningful efforts to combat child labor. As a result, child labor remained pervasive, particularly in the

mining and informal sectors. In 2006 the use of child soldiers and forced labor – including by children – by government security forces and armed groups remained problems. Men, women, and children were trafficked internally for forced labor and sexual exploitation. While the 2006 elections – the first democratic elections in more than 40 years – marked a major improvement, the overall human rights record remained poor in 2006. Problems included harsh and life-threatening conditions in prison and detention facilities; limits on freedoms of press, assembly, and movement; and other restrictions on nongovernmental organizations. Police and military impunity – including impunity for unlawful killings, disappearances, torture, and rape – remains a serious problem.

## DJIBOUTI

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Djibouti did not export any products under AGOA and its GSP provisions in 2006.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Djibouti relies heavily on services, which account for more than 80 percent of its GDP. Economic growth is estimated at 4.5 percent for 2006, spurred by an increase in direct foreign investment and a hike in port activities and construction. Djibouti has a market-based, liberal economic regime with minimum interference from the government. It offers attractive incentives to foreign investors and does not impose barriers to U.S. trade. The Djibouti Free Zone, managed by Dubai's Djebel Ali Free Zone, also offers incentives, including tax breaks, simplified administration, and 100 percent foreign ownership. The Doraleh Oil Terminal, funded by Dubai Ports World and Emirates National Oil Company, was inaugurated in February 2006.

**Political Pluralism/Rule of Law/Anti Corruption:** Members of the opposition coalition boycotted the regional elections of March 2006, claiming their pre-conditions for participation were not accepted by the ruling coalition. A nation-wide voter registration campaign is underway and Djibouti is working with international partners to improve its electoral system. There were some improvements in rule of law; however the judiciary system in Djibouti is complex and not transparent. Enforcement of laws and regulations is uneven, and there continue to be claims of official influence in legal proceedings. The Chamber of Public Accounts and Fiscal Discipline, a public expenditures audit board established to fight corruption and promote transparency, has released two annual reports on government expenditures to the public and there have been qualitative improvements in some government departments. Djibouti recorded significantly higher customs revenue in 2006 due to improved transparency in customs practices.

**Poverty Reduction:** Poverty exceeds 40 percent; unemployment is estimated at 60 percent among those under age 30. The government's anti-poverty plan is laid out in its Poverty Reduction Strategy Papers submitted to the World Bank and IMF. The

government has substantially increased spending on education and health. In January 2007, President Guelleh initiated a national social development program aimed at accelerating job creation and reducing economic inequalities.

**Labor/Child Labor/Human Rights:** The law and the constitution provide for the right to join unions; however, the government continued to restrict these rights in 2006. The government interfered in the internal affairs of labor unions and allegedly suppressed independent union activity by firing union leaders, preventing unions from holding congresses, and creating government sponsored shadow unions to replace them. In 2006, some union leaders were arrested after attending an international labor conference in Israel. There are restrictions on freedoms of assembly and association that interfere with labor activities, and strikers have been forcibly dispersed. A new Labor Code was approved by the Parliament in December 2005. This new Code is meant to attract and provide confidence to potential investors but is widely contested by labor unions. Trade unions state that the new Labor Code limits the rights of employees, including in the formation of unions. Djibouti has ratified all eight core ILO Conventions. The law prohibits forced or compulsory labor, including by children, and there were no reports that such practices occurred. The law prohibits work for children under 16, and there are laws against the worst forms of child labor. Isolated instances of child labor exist in Djibouti, especially in the informal sector and in family enterprises. Human rights abuses reportedly include abuse of prisoners and detainees, arbitrary arrest and detention, restrictions on press freedom, and prolonged pretrial detention.

## EQUATORIAL GUINEA

**Status:** Not eligible, largely for reasons related to political pluralism, rule of law, and corruption.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Equatorial Guinea experienced high economic growth as a result of expanding petroleum production (currently 400,000 barrels/day, third largest in Africa). Real GDP growth was estimated at between 5 and 8.3 percent. The government has permitted publication of all recent IMF reports in an attempt to demonstrate transparency. It has indicated that it wants to diversify the economy and attract new investors, especially from the United States. Officially, the investment climate is open and encouraging; in practice, however, business operations can be difficult. The government passed a new Hydrocarbons Law in 2006 and has invited affected investors to submit comments on the new law. Reforms have been undertaken to reduce the government's role in the economy, including privatizing the distribution of petroleum products. The government is modernizing its commercial law code. Equatorial Guinea accepts binding international arbitration of investment disputes and is a member of the International Center for the Settlement of Investment Disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** President Obiang has ruled since 1979 and was re-elected with 97 percent of the vote in December 2002, in an election that was judged by international observers as neither free nor fair. Legislative elections in

April 2004 were also seriously flawed, but did result in two opposition seats being gained in Parliament (out of 100). The government is attempting to modernize its institutions and legal codes, but the judicial system is slow and fraught with administrative and legal bottlenecks. Judicial corruption and lack of due process remain problems. Courts and administrative agencies often favor domestic firms and executive influence on decisions is great. A 2005 training program for judges funded by the European Union was continued in 2006 and appears to be making progress. Official corruption in all branches of the government remained a serious problem, although the government has made reducing corruption one of its major goals. The Minister of Justice oversees this effort, and government officials are now required to declare their personal assets to a new National Commission for Ethics, although there were no reports in 2006 that officials complied. Bribes and malfeasance are prohibited by law, but progress is slowed by a cultural reluctance to prosecute violators. Equatorial Guinea has declared its intention to participate in the Extractive Industries Transparency Initiative, but progress has been limited to date.

**Poverty Reduction:** Equatorial Guinea is among Africa's wealthiest countries by per capita income, but income distribution remains unequal and poverty widespread. Much progress continues in infrastructure development. Over two billion dollars of construction contracts have been awarded in the last few years, and new roads, bridges, schoolrooms, hospitals and clinics, housing, can be seen in the country. There have also been improvements in water, phone and electrical systems. The process of allocating a more significant portion of oil revenues to improvement of quality of life indicators for citizens has been slow and uneven. Access to potable water, electricity and health care is still limited for the majority of the population. In 2006, the government signed an agreement with USAID to address priority sectors of health, education, sanitation, women's issues, and institutional capacity building. This "Social Needs Fund" program is fully funded by the government of Equatorial Guinea; project design began in late 2006. The government has not provided a Poverty Reduction Strategy Paper to the World Bank and IMF.

**Labor/Child Labor/Human Rights:** Despite legislation legalizing trade unions, only one union has been registered and others have been denied registration. The labor code recognizes the rights to strike, engage in collective bargaining, and form work-related associations, but these rights are not protected. The Labor Code does not protect workers from anti-union discrimination. Equatorial Guinea has ratified all eight core ILO Conventions. In 2004, the government passed a law meeting international standards pertaining to child labor, smuggling migrants, and trafficking in persons; however, in 2006 the government did not effectively implement the few laws in existence designed to protect children from exploitation in the workplace, and trafficking in persons, including children, was reported. Child labor remains common in the informal sector. Although children are required to attend school through the primary level, the law is not enforced. The law prohibits forced or compulsory labor and slavery, including by children, but there were reports in 2006 that such practices occurred. The government's human rights record remained poor in 2006, and included reports of torture and other physical mistreatment of prisoners and detainees by security forces; harsh and life-threatening

prison conditions; arbitrary arrest and detention; harassment and deportation of foreign residents; severe restrictions on freedom of speech and of the press; and restrictions on the right of assembly, association, and movement.

## **ERITREA**

**Status:** Not eligible, largely for reasons related to human rights, political pluralism, and rule of law.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government and the sole political party, the Peoples' Front for Democracy and Justice (PFDJ), operate a command economy and control all aspects of the economy. The private sector is extremely small and limited to mainly small family owned shops. Trade is strictly controlled. The government severely limits foreign exchange and imports. In 2005 and 2006, the government issued proclamations further restricting the access to and use of foreign currency and limiting imports. In practice, imports are permitted only by businesses affiliated with the PFDJ.

**Political Pluralism/Rule of Law/Anti-Corruption:** Citizens' ability to change their government through a democratic process was abridged. Citing the war with Ethiopia, the government postponed elections initially scheduled in 1998 and, to date, has not rescheduled them. The 1997 constitution provides for democratic freedoms but has not been implemented. The only political party permitted to operate is the PFDJ. There are severe restrictions on basic civil liberties, including freedoms of speech, press, assembly, association, and religion, particularly for religious groups not approved by the government. No independent media exist and the journalists, editors, and political party members arrested in 2001 following criticism of the regime remain incarcerated with no due process. The government continues to detain two Eritrean U.S. Embassy employees, arrested in 2001. While corruption is not overt, graft exists. Government proclamations and police practice have undermined the strength of the judiciary, which is subject to executive influence. Individuals are often arrested and detained without due process. The government argues that until the border with Ethiopia is demarcated, national security remains a primary concern and all other issues, such as democracy and economic freedoms are secondary.

**Poverty Reduction:** One of the world's poorest countries, Eritrea ranks 157th on the UN Human Development Index, and poverty is widespread, particularly in the rural areas. Even with limited resources, the government does strive to reduce poverty, focusing on infrastructure development and health and education. Limited resources and capacity have constrained significant improvements, and the government often makes confusing and contradictory policy choices. For example, despite food shortages, the government in 2006 stopped all food distributions for 10 months by international organizations, allowing food to rot in warehouses. In July 2005, the government demanded that USAID – Eritrea's largest bilateral partner – cease all development programs in Eritrea. The government has greatly reduced the number of NGOs allowed to operate in country by refusing to register them. Many of these NGOs' programs were

directly related to poverty reduction efforts. The government restricts freedom of movement and travel for diplomats, humanitarian and development agencies, and UN personnel. NGOs also face travel restrictions, limitations on the number of expatriate staff, and difficulties in obtaining fuel and supplies.

**Labor/Child Labor/Human Rights:** There are no formal restrictions on labor unions, but severe restrictions on freedom of assembly and association limit the formation of private unions. The government closely monitors all unions. It arrested three union leaders in March 2005 without charges, and these individuals remained in custody at a secret location. Eritrea has ratified seven of the eight core ILO Conventions; it has not ratified Convention 182 on the worst forms of child labor. While the constitution forbids forced or compulsory labor, all males ages 18-40 and single women 18-27 who do not have children are conscripted into the national service program, some working in civilian jobs at significantly reduced wages. Although the government has a national plan of action to protect children from exploitation in the workplace, it was not enforced effectively. The labor law states that no one under the age of 14 may be employed and that young employees may not work more than 7 hours per day. Child labor and child prostitution continue to be a problem. In cities, some children work in manufacturing or in the informal sector. The government's human rights record worsened in 2006 and there were reports of arbitrary arrest and detention, unlawful killings by security forces, torture of prisoners, and harsh and life-threatening prison conditions, as well as arrest, incarceration, and torture of family members of national service evaders, some of whom reportedly died of unknown causes while in custody.

## ETHIOPIA

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

**AGOA Trade and Investment:** Ethiopia's 2006 exports under AGOA and its GSP provisions were valued at \$7.2 million, representing 9 percent of total Ethiopian exports to the United States. AGOA/GSP exports included apparel and a variety of agricultural products.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Since the early 1990's, Ethiopia has pursued development of a mixed economy, encouraging greater private sector activity. However, the state remains heavily involved in most economic sectors, and parastatal and party-affiliated companies continue to dominate trade and industry. Several areas, including banking, insurance, telecommunications, broadcasting, shipping and forwarding, and large-volume passenger air transport, remain closed to foreign investors. Ethiopia formally applied for WTO membership in January 2003 and submitted its Memorandum of Foreign Trade Regime to WTO – one of the first formal steps in the accession process – in December 2006. In 2005, Ethiopia and the U.S. signed an Open Skies air transportation agreement. In recent years, Ethiopia has simplified its tariff system and reduced tariff rates. Business disputes involving a foreign investor or the state may be submitted to an Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the government and the

investor's state of origin are contracting parties. Ethiopia is not a member of the International Center for the Settlement of Investment Disputes.

**Political Pluralism/Rule of Law/Anti-Corruption:** In May 2005, Ethiopia held its third national elections, in which the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) won a third consecutive five-year term. Opposition parties made an unexpectedly strong showing, increasing their parliamentary representation from 12 seats to 172. Irregularities, including intimidation of voters and election observers, marred polling in many areas. The EPRDF announced the "final" election results before the National Electoral Board of Ethiopia released them. Some observers reported killings, disappearances, voter intimidation and harassment, and unlawful detentions of opposition party supporters. Nevertheless, international observers hailed the elections as generally credible and an important development in the country's efforts at democratization. While the law provides for an independent judiciary, the judiciary remained weak and overburdened. Some NGOs perceived the judiciary to be subject to significant political intervention. Corruption continues to be a problem.

**Poverty Reduction:** Ethiopia's GDP per capita is about \$130, making it one of the poorest countries in the world. Poverty alleviation and food security remain priorities for the government. The 2006/07 government budget allocations reflect poverty reduction priorities. The government has decreased military spending from 13 percent of GDP in 1999/2000, during the border war with Eritrea, to 3.5 percent of GDP in 2005/06, and is redirecting the savings to poverty reduction and capacity building efforts. In coordination with donors, the Ethiopian government is implementing its 2006-2010 Plan for Accelerated and Sustainable Development to End Poverty in Ethiopia (PASDEP). In addition to continuing poverty reduction strategies in areas such as human development, rural development, capacity building, and food security, the new PASDEP will increase efforts in commercialization of agriculture, promote greater private sector participation in the economy, and scale-up efforts to achieve the Millennium Development Goals. Ethiopia is participating in the enhanced Heavily Indebted Poor Countries initiative and received debt relief totaling \$1.9 billion in 2004/05.

**Labor/Child Labor/Human Rights:** Although the law prohibits anti-union discrimination, unions reported that employers frequently fired union activists. The law provides for strikes but there are restrictions and exclusions. A new labor law that went into effect in February 2004 and was amended in June 2006 is generally considered pro-employer by labor unions. Ethiopia has ratified all eight core ILO Conventions. The law prohibits forced or compulsory labor, but there were reports of these practices, including the trafficking of women for involuntary domestic labor and sexual exploitation. There were laws against child labor; however, the government did not effectively implement these laws in practice, and child labor remained a serious problem, both in urban and rural areas. The Ministry of Labor and Social Affairs is responsible for enforcing child labor laws, but it did not provide adequate resources and oversight. There are reports of forced or bonded labor of children who have been trafficked to work as domestic servants. The government is implementing a National Plan of Action for Children, participating in two USDOL-funded child labor and education projects, working to

combat human trafficking, and partnering with UNICEF on child protection and education activities. Human rights problems include restrictions on freedom of the press; arrest, detention, and harassment of journalists for publishing articles critical of the government; restrictions on freedom of assembly; and limitations on freedom of association. While civilian authorities generally maintained effective control of the security forces, there were instances in which elements within those forces acted independently of government authority and in which they reportedly engaged in unlawful killings; arbitrary arrest and detention, especially of suspected opposition members or sympathizers; and mistreatment of detainees and opposition supporters. Poor prison conditions are also a problem.

## GABON

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Gabon's 2006 exports under AGOA and its GSP provisions were valued at \$1.3 billion – almost all of which was oil or energy-related products – representing 95 percent of its total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Gabon's economy is heavily dependent on oil, manganese and timber extraction. The government has made progress in privatizing the largest industries (water, electricity, etc.) and recently liquidated the state airline company and sold the state telecommunications company. Recent high oil prices contributed to an overall budget surplus, with the windfall partially used to reduce external debt. Increased revenue should prevent the accumulation of further significant arrears, which has been a problem in the past. Since the satisfactory completion of a 14-month IMF Stand-By Arrangement (SBA) in July 2005, the government has been in discussions with the IMF for a 3-year SBA, which is expected to require implementation of structural and fiscal reforms, as well as good governance measures. Gabon is generally open to foreign investment, but regulatory and judicial bodies are subject to influence. American businesses have complained about difficulties with investment, tax and customs procedures. Most problems are resolved before going to court.

**Political Pluralism/Rule of Law/Anti-Corruption:** President Bongo was re-elected to another seven-year term in November 2005; he has been in office since 1967. Legislative elections in 2006 were generally free and fair. There are a number of opposition parties, but the president's party controls the government. The ability of citizens to change their government has been a problem as has widespread corruption. The judiciary is subject to political interference. There is a lack of accountability, oversight and control in the government's budget process, which can be seen in other areas of the country's economy. Companies have complained of a lack of transparency in customs and other government administrative affairs. There is an anti-corruption authority, the Commission to Combat Illicit Enrichment, which is charged with publishing quarterly and annual reports on its activities. Since its creation in 2004 no reports have been published. Gabon is a

participant in the Extractive Industries Transparency Initiative (EITI). It published its EITI first report in December 2005 and the second report is expected in 2007.

**Poverty Reduction:** Gabon has one of Africa's highest per capita incomes – estimated at \$6,770 in 2006. Still, income distribution is skewed, and Gabon's ranking on human social indicators is well below that of countries with comparable income levels. In December 2005, the government completed a Growth and Poverty Reduction Strategy. However, it is not clear that the Strategy is used by the government to set priorities for expenditures.

**Labor/Child Labor/Human Rights:** Worker rights are protected by unions and a government institution called the Labor Inspection Office, which mediates employer-employee conflicts. 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 sector workforce is unionized. The Labor Code provides for collective bargaining by industry, not by firm. Although the law places some restrictions on strikers, workers regularly exercised this right. Gabon has ratified seven of the eight core ILO Conventions, but has not yet ratified ILO Convention 138 on minimum age. Some Baka (Pygmies) reportedly were employed under conditions tantamount to slavery and without effective recourse to the judicial system. The government enforces child labor laws with respect to Gabonese citizens, but is less successful with respect to children from other countries. Although the government has improved its efforts, trafficking in persons continues to be a problem. Children continue to be trafficked into the country, primarily from Benin, Nigeria, Togo, and Guinea, for use as domestic servants or in the informal commercial sector. The government has conducted training and awareness workshops on the issue and participates in a regional USDOL-funded ILO-IPEC project to combat trafficking of children for exploitative labor in West and Central Africa. Gabon's human rights record remained poor, although there were improvements in several areas. Unlike in previous years, there were no reports that the government or its agents committed unlawful killings. There were reports of excessive force, including torture, on prisoners and detainees; harsh prison conditions; and arbitrary arrest and detention.

## THE GAMBIA

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** The Gambia's 2006 exports under AGOA and its GSP provisions were valued at \$14,000, representing five percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The Gambia has a small, fragile, but open economy based on regional trade, agriculture, tourism and fisheries. The government is seeking increased foreign investment, particularly through a joint project with the World Bank to foster development and to establish export processing zones. There is little state control of business activities, but privatization of state-owned enterprises is proceeding slowly. The Gambia maintains liberal trade

policies. A new Poverty Reduction and Growth Facility (PRGF) was approved by the IMF in February 2007. The Gambia is a member of the World Intellectual Property Organization, a signatory to both the Berne and Paris Conventions, and has passed its own copyright law, but intellectual property rights are not always adequately enforced. The Gambia is open to foreign investment, but registration processes are lengthy. The government accepts international arbitration in the settlement of investment and trade disputes. In January 2007, the government launched the Alternative Dispute Resolution mechanism to settle private disputes.

**Political Pluralism/Rule of Law/Anti-Corruption:** The Gambia is a multi-party democracy with a president and a national assembly elected every five years. Presidential elections took place in September 2006 and National Assembly elections in January 2007; both were judged as credible. President Jammeh, the incumbent, won the presidential race against two opposition candidates, and his ruling party won a majority of seats in the National Assembly. The judicial system operates slowly, with frequent delays and interruptions. Corruption remains a problem, but the government has taken steps to combat it. President Jammeh's anti-corruption campaign, "Operation No-Compromise," launched in 2003, led to the imprisonment and/or dismissal of several officials and the establishment of a Commission of Inquiry that investigated the assets and properties of both former and current senior government officials. A number of senior government officials lost their jobs and/or property following the submission of the Commission's report and recommendations in March 2005; however, some decisions were reversed and some government officials reinstated.

**Poverty Reduction:** The Gambia's second three-year Poverty Reduction Strategy Paper cycle is underway, following the slow implementation of a previous three-year cycle. The IMF suspended The Gambia's Poverty Reduction Growth Facility (PRGF) in 2003 because of corruption in the Central Bank and misreporting to the IMF. The government responded by restructuring the Central Bank and implementing new management controls. After a favorable review of the changes at the Central Bank, the IMF began a six-month Staff-Monitoring Program in October 2005. In February 2007, the IMF approved a new PRGF for \$21 million, with an initial six-month review scheduled for summer 2007, when The Gambia is expected to reach HIPC Completion Point.

**Labor/Child Labor/Human Rights:** The labor law provides for freedom of association, prohibits forced labor, and codifies acceptable work conditions. The law authorizes strikes but requires unions to give the Commissioner of Labor 14 day's written notice before beginning an industrial action. Gambian labor law gives private sector workers the right to organize and bargain collectively, although public servants are not permitted to form unions. The Gambia has ratified all eight core ILO Conventions. Gambian law prohibits child labor. The Children's Act, designed to protect and promote the welfare of children, sets the minimum labor age for work at 16 and protects children from exploitative labor. Although the constitution and law provide for the protection of human rights, there were problems in 2006. A foiled coup plot in March 2006 resulted in a more restrictive environment, including limitations on speech and press. Arbitrary arrests and detentions reportedly increased. There were reports of security force harassment and

mistreatment of opposition members, journalists, and civilians. Prisoners were held incommunicado, faced prolonged pretrial detention, and were allegedly denied due process. Trafficking in persons remained a problem.

## GHANA

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

**AGOA Trade and Investment:** Ghana's 2006 exports under AGOA and its GSP provisions were valued at \$45.3 million, representing 24 percent of Ghana's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Ghana has a market-based economy with few barriers to trade and investment. Sound macroeconomic policies and debt relief have resulted in declining inflation and interest rates, a stable currency, and real economic growth averaging 5-6 percent per year. In October, 2006, Ghana successfully completed a \$274.2 million IMF Poverty Reduction and Growth Facility that supported the government's poverty reduction and reform efforts. Ghana signed a \$548 million Millennium Challenge Account Compact in August 2006. The business climate remains challenging. Ghanaian law protects private property rights, although disputes over land tenure are common. Ghana has divested all or part of its holdings in all but a handful of the more than 350 enterprises it once controlled, but some of the largest ones remain. Few divestitures have been made since 2001 and a number of the remaining state-owned enterprises are in poor financial condition. Ghana has passed the six bills designed to bring its intellectual property laws into compliance with World Trade Organization TRIPS requirements but implementing legislation necessary for fully effective implementation has not yet been passed.

**Political Pluralism/Rule of Law/Anti-Corruption:** President Kufuor was re-elected in December 2004 in an election that was generally considered free and fair by international observers. Presidential elections are scheduled for 2008. Ghana has 11 political parties, three newly created in the past year, although two parties are dominant. Corruption in the judicial system and lengthy pre-trial detentions remain serious problems. "Fast Track" High Courts deal with routine commercial disputes and high profile corruption cases. The judiciary is occasionally subject to executive influence and corruption, and long delays. The government's Zero Tolerance policy on corruption yielded a few prosecutions. Government anti-corruption institutions continue to be weak and underfunded. The government passed a law governing transparency in government procurement; however, there are loopholes in the law and in some cases winning bidders have seen contracts awarded to other competitors with little or no explanation. The government passed a Whistleblower law in 2006 but has not yet implemented it. Police abuses included excessive use of force, corruption and impunity, and arbitrary arrest and detention.

**Poverty Reduction:** In partnership with donors, Ghana is implementing its second (2006-2009) poverty reduction strategy (GPRS II). GPRS II focuses on enhancing private sector competitiveness, investing in human resource development, and improving

governance. There is strong donor coordination and on March 1, donors signed a Joint Assistance Strategy that outlines how each donor will contribute to Ghana's efforts to achieve the GPRS II goals. The government's anti-poverty efforts were bolstered by significant debt relief Ghana receives under the HIPC Initiative and the Multilateral Debt Relief Initiative. During the GPRS period, Ghana is expected to benefit from about \$1.3 billion in debt relief.

**Labor/Child Labor/Human Rights:** The 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 law provides the right to strike, but due to restrictions and limitations, no legal strikes have ever occurred. Ghana has ratified seven of the eight core ILO Conventions, but not Convention 138 on minimum age. The constitution prohibits forced or compulsory labor; however there were reports that such practices occurred. The government has set a minimum employment age of 15 years and prohibits night work and certain types of hazardous labor for those younger than 18 years of age. However, child labor remains a serious problem in the informal sector. Children are trafficked both within and outside Ghana for forced labor in a variety of sectors. The government supports an ILO-IPEC Timebound Program that aims to eliminate child labor in targeted sectors, and a regional ILO-IPEC project, along with international chocolate manufacturers, that aims to eliminate the worst forms of child labor in the cocoa sector. The government generally respected the human rights of its citizens.

## GUINEA

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Guinea's 2006 exports under AGOA and its GSP provisions were valued at \$139,000, representing less than one percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Inflation and unemployment in Guinea are high and currency depreciation severe. There is significant investment in the mining sector, but most private sector activity is in the informal sector. In early 2007, in an attempt to end a general strike, the government agreed to increase subsidies on fuel and rice. It also banned exports of agricultural, forestry and petroleum products, in an attempt to stabilize domestic commodity prices and supply. Both accords are scheduled to remain in place for the rest of the year. In November 2006 an IMF technical mission concluded that Guinea's budgetary process had significantly improved, but its microeconomic performance had worsened since the IMF's last review in March 2006. Guinea has postponed efforts to implement the proposed ECOWAS common tariff on imports. Guinea maintains a "managed float" foreign exchange regime. The National Service of Brands and Licenses in the Ministry of Commerce regulates intellectual property disputes.

**Political Pluralism/Rule of Law/Anti-Corruption:** Guinea is a constitutional government in which power is concentrated in a strong presidency. The presidential election in 2003, which all major opposition parties boycotted, lacked transparency and revealed widespread irregularities that favored the incumbent. Local elections held in late 2005 were considered flawed, but fair. National elections to elect a new legislature are scheduled for June 2007. On February 27, 2007, President Conte appointed Lansana Kouyate as Prime Minister and Head of Government. Kouyate has promised to implement broad political, economic, and social reforms beginning with the selection of a new consensus government. One of Kouyate's stated priorities is to root out widespread corruption as part of improving Guinea's economy. Anti-corruption responsibilities were assigned to the Ministry of Economic and Finance, and a stand-alone committee on anti-corruption and good governance reports directly to the Presidency. Guinea's enforcement of the rule of law is irregular and inefficient. The constitution provides for the judiciary's independence; however, judicial authorities routinely defer to executive authorities in politically sensitive cases. The judicial system provides inadequate guarantees of fairness and safety to suspects and prisoners.

**Poverty Reduction:** As part of its budgetary review process, the government began working on a new Poverty Reduction Strategy Paper in 2006. However, the government has been unable to devote many resources toward poverty alleviation. Donor funding is the major source of health and education spending. Good performance under a Poverty Reduction and Growth Facility program with the IMF could help Guinea move toward HIPC completion.

**Labor/Child Labor/Human Rights:** The government respects collective bargaining, yet the law does not protect workers from anti-union discrimination, and reports of intimidation by employers were widespread. A series of general strikes over the last year ended after negotiations between the government and unions representing government workers, teachers and other employees. Police used excessive force to control demonstrators in favor of the strike and caused numerous deaths and injuries from the violence. To date, the government has not complied with the terms of negotiated settlements that ended the strike actions. Although the law prohibits forced or compulsory labor, there were numerous reports of these practices, and the government did not enforce sanctions and fines provide for in the law. Guinea has ratified all eight core ILO Conventions. Child labor remains a problem, mainly in the informal sectors of subsistence farming, petty commerce and small-scale mining. The government has participated in the ILO-IPEC project to eliminate the worst forms of child labor from the cocoa producing sector, and supports a USDOL-funded project to provide educational alternatives to at-risk children, to raise community awareness, and to build government capacity. The government continued to take steps to address trafficking in persons by cooperating with UNICEF and raising awareness on the issue. Human rights problems included reports of security force involvement in unlawful killings; arbitrary arrests; prolonged pretrial detention; and incommunicado detention. While there were restrictions on freedoms of speech, press, and assembly, the government took significant steps to improve freedom of the press in 2006.

## GUINEA-BISSAU

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Guinea-Bissau did not export any products under AGOA and its GSP provisions in 2006.

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

**Political Pluralism/Rule of Law/Anti-Corruption:** Guinea-Bissau is a multi-party state but the government, led by Prime Minister Gomes, is not linked with any party. The national court system continued to function, albeit with serious resource constraints. The constitution and law provide for an independent judiciary, but there is little independence and some judges have been accused of corrupt acts. Corruption is pervasive, especially related to narcotics trafficking.

**Poverty Reduction:** Guinea-Bissau is one of the poorest countries in the world. More than two-thirds of the population lives below the poverty line. The World Bank estimates Gross National Income per capita at \$185. Guinea-Bissau recently finalized its national Poverty Reduction Strategy Paper, which the government presented to the international community at a donors conference in November 2006 in Geneva.

**Labor/Child Labor/Human Rights:** The constitution grants all civilian workers the right to form and join trade unions. The law provides for the right to strike and protection against retribution for engaging in lawful union activity. The law does not provide for or protect the right to collective bargaining, although consultations on wages between unions and employers did occur through a government-sponsored council. The law prohibits forced or compulsory labor, but there were reports of these practices, as well as trafficking in persons. Guinea-Bissau has ratified five of the eight core ILO Conventions, but not Convention 87 on freedom of association and the right to organize, Convention 138 on minimum age, or Convention 182 on the worst forms of child labor. Child trafficking and child labor, including some forced labor, remained problems. There are no specific laws that protect children from exploitation in the workplace. The government developed a Strategic Document for the Reduction of Poverty that includes the elimination of the worst forms of child labor as a key objective. The government generally respected the human rights of its citizens; however, problems remained in some areas, including arbitrary arrest and detention and restrictions on freedom of speech.

## KENYA

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

**AGOA Trade and Investment:** Kenya's 2006 exports under AGOA and its GSP provisions – mostly apparel, but also including cut flowers, nuts, and canned fruit -- were valued at \$273 million, representing 77 percent of total Kenyan exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government has made some progress on economic and market reform. Despite a bloated public sector, Kenya has a fairly diversified economy that is expected to maintain growth of at least 5.5 percent in 2007. In 2006, President Kibaki signed into law several bills that, if implemented effectively, could address constraints to economic growth, including laws to reform the cotton, energy, and microfinance institution sectors. The state-owned railway was privatized in November 2006. Privatization of Telkom Kenya, a monopoly fixed-line telephone company, is scheduled for April 2007. The East African Community's Customs Union began enforcing common external tariffs in January 2005 and has begun efforts to harmonize some business and industry regulations. Although intellectual property rights enforcement remains weak, in November 2006 the government established an enforcement division within the Kenya Copyright Board and plans to send to Parliament in 2007 an Anti-Counterfeit Goods bill and a measure to prohibit the sale of fraudulent drugs

**Political Pluralism/Rule of Law/Anti-Corruption:** The December 2002 elections in which President Kibaki and his coalition government were elected were widely judged to be free and fair. The next national elections, in which some 70 political parties are expected to participate, are scheduled for December 2007. Political opposition groups are active and can influence policy debates. Kenya is making some progress toward improving the rule of law; however, the judiciary is susceptible to executive branch influence. Corruption remains a significant problem. In January 2006, the former Permanent Secretary in charge of Governance and Ethics released documents detailing corruption and cover-up at the highest echelons of the Kibaki administration. Three implicated ministers resigned the following month; however, there have been no arrests of government ministers on corruption charges and two of the ministers who had resigned were subsequently reinstated. The Kenya Anti-Corruption Commission has begun to take investigatory action against senior government officials who fail to accurately account for their assets. The Public Procurement and Disposal Act, due to be implemented in 2007, is designed to close loopholes for graft in the government procurement of goods and services.

**Poverty Reduction:** The government has a mixed record of implementing its pro-poor Economic Recovery Strategy, which was designed jointly with the World Bank and IMF in 2003. In March 2007, the IMF extended Kenya's \$263 million three-year Poverty Reduction and Growth Facility (PRGF) by two months at the request of the government. The PRGF has completed only one of six reviews and cannot be extended beyond November 2007. Although universal, free public primary education has been provided since 2003, primary education remains seriously under-funded and secondary education is beyond the means of many Kenyan families. The government introduced its Youth Enterprise scheme in early 2007 to offer low-interest loans, entrepreneurship training,

and marketing assistance to young Kenyans to reduce widespread unemployment and poverty.

**Labor/Child Labor/Human Rights:** The Labor Minister announced in early 2007 that the government had approved the five draft labor reform bills pending since 2003 and is ready to submit them to Parliament. Anti-union discrimination persists, and employers make great efforts to prevent or block union organization. All Kenyan labor laws apply in the country's Export Processing Zones (EPZs), except the Factory Act, which covers industrial safety. However, employers are granted exemptions to some provisions of other labor laws, such as limits on working past sundown. Workers in EPZ garment factories have reported increasing instances of forced, unpaid overtime, sexual harassment, and unsafe working conditions. The Tailors and Textile Workers Union has filed complaints against 15 EPZ garment manufacturers, two of whom appear to have tried to abandon operations in Kenya, thus leaving behind unpaid salaries and benefits. It also appears that manufacturers are replacing long-term contract employees with casual workers far beyond the three-month legal limit. Kenya has ratified seven of the eight core ILO Conventions, but not Convention 87 on the freedom of association and the right to organize. Child employment is prohibited by Kenyan law, but enforcement is not vigorous, and over one million children reportedly work in Kenya. Child prostitution is a growing problem. ILO/IPEC and World Vision are implementing programs to address child labor in several economic sectors. In 2006, the government respected the human rights of its citizens in most areas or attempted to institute reforms to address deficiencies. However, serious problems remained, particularly with regard to abuses by the police services, including reports of unlawful killings, torture, and use of excessive force. Other problems included arbitrary arrest and detention, prolonged pretrial detention, and restrictions on the freedom of speech and press.

## LESOTHO

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

**AGOA Trade and Investment:** Lesotho's exports to the United States under AGOA and its GSP provisions were valued at \$385 million, representing 94 percent of its total exports to the United States. Apparel and textile manufacturing is the largest formal sector employer in Lesotho, primarily due to AGOA.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Lesotho has a free market economy. Diversifying the economy is major goal of the government's economic reform program. Financial infrastructure shortcomings have been identified as a technical barrier to trade. In 2006, the Central Bank of Lesotho embarked upon modernization of the country's payment and settlement system (the "Lesotho Wire System") as a way of strengthening the nation's financial infrastructure and maintaining financial stability. The benefits of this system include improving Lesotho's credit rating, which will in turn improve the country's international investment position.

**Rule of Law/Political Pluralism/Anti-Corruption:** Lesotho's ruling party, the Lesotho Congress for Democracy, won a controlling majority of seats in the National Assembly in the February 2007 national elections, although eleven political parties are represented there. The elections were generally viewed as free and fair by international observers. The government wages a credible battle against corruption, including regular prosecutions.

**Poverty Reduction:** The country's Poverty Reduction Strategy Paper, approved by the World Bank in 2004, is currently under review. In 2006, Lesotho finished implementing a program to offer free primary school education nationwide. The Ministry of Education is increasing the resources available to secondary schools in order to absorb the growing number of graduates from the newly free primary schools. The Ministry of Health and Social Welfare has completed the second phase of upgrading health care facilities in Lesotho's main hospital. The government has also scaled up HIV/AIDS care and treatment services to combat new HIV/AIDS infections and bring those infected with the disease back into the productive work force.

**Labor/Child Labor/Human Rights:** Workers in the private sector have the right to form and join trade unions. The law prohibits anti-union discrimination, and in practice the government generally enforced this prohibition; however, there were reports that some employers harassed union organizers, intimidated members, and fired union activists, particularly in locally owned companies. The right to strike is recognized, but complicated procedures must be followed before a strike is legal. Lesotho has ratified all eight core ILO Conventions. While child labor appears non-existent in the formal sector, it is reportedly increasing in the informal sector, including the incidence of child prostitution. The increasing numbers of orphans resulting from the HIV/AIDS pandemic have placed children at risk of employment in the informal sector. Lesotho is participating in two regional USDOL programs to mitigate the incidence of child labor. The government generally respected the human rights of its citizens.

## **LIBERIA**

**Status:** AGOA-eligible as of January 1, 2007.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Liberia's socio-economic indicators are among the worst in the world, due largely to the many years of civil conflict prior to the recent elections. Unemployment is estimated at about 85 percent in the formal economy. The lack of basic infrastructure, particularly running water and electricity, is an obstacle to economic growth. However, the situation is beginning to improve as the current government pursues policies that enhance fiscal discipline and the rule of law. The government has initiated a program focused on attracting international investment and creating jobs; this includes revision of the investment code and rebuilding of the physical infrastructure of the country. The government continues to regulate "strategic commodities," which it defines as rice, petroleum, and cement, but is moving to open the market in these areas. The government's 2006 performance under an informal IMF Staff Monitored Program (SMP)

has been acceptable. A new SMP with stronger conditionality was established effective January 2007. The IMF and government intend to conclude agreement on a formal program as soon as financing guarantees from the international community are in place to clear Liberia's \$1.5 billion in arrears to the IMF and other international financial institutions. In February 2007, Liberia and the United States signed a Trade and Investment Framework Agreement as well as an Open Skies Agreement. Liberia became eligible for OPIC assistance and GSP benefits in 2006. The Ministry of Finance has committed the government to reviewing Liberia's tax and tariff regimes to harmonize them with Mano River Union and ECOWAS standards. Plans are in place to review and revise the investment code, and the government is planning to form a Land Reform Commission in 2007 to deal with land tenure issues.

**Political Pluralism/Rule of Law/Anti-Corruption:** The current Unity Party government was inaugurated for a six-year term in January 2006 following elections in October-November 2005 in which 30 registered political parties participated. The elections were considered free and fair by domestic and international observers. Twelve parties are represented in the legislature. The judiciary remains weak. Salaries are low and administrative support and training of legal professionals is inadequate. Lengthy pretrial detention and denial of due process and fair public trial are problems. Reform of the justice system, from the police to the courts, is a priority for the government. The executive branch does not interfere directly with the judiciary, but there were reports of executive branch influence. Corruption continued to be reported at many levels of the government, but President Sirleaf's Administration has articulated a zero-tolerance policy for corruption among government officials, implemented a code of conduct for ministers, and embraced the Governance and Economic Management Assistance Program with international donor partners. The government has reviewed all contracts that the interim government entered into between 2003 and 2005. It has canceled agreements that were not legally concluded and is engaged in renegotiation of several major concession agreements concluded by the previous government. The government is also actively investigating allegations of corrupt practices of officials of the previous government.

**Poverty Reduction:** The government prepared an Interim Poverty Reduction Strategy Paper (IPRSP) to serve as a framework for establishing priorities and coordinating poverty reduction efforts. The interim paper will be supplanted by a full PRSP by summer 2008. The government is working closely with international donors to develop strategies to implement IPRSP priorities. International donors are involved in all areas of the IPRSP, and have been instrumental in efforts to restore electric power to parts of the capital and rehabilitate health care and education.

**Labor/Child Labor/Human Rights:** Liberia still lacks the capacity to fully enforce its labor laws. In October 2006, the legislature repealed the 1984 law which prohibited strikes. However, by the end of 2006, the president had not signed the repeal legislation due to an apparent procedural disagreement. Nonetheless, several unions held strikes during 2006. With the exception of civil servants, labor laws allow workers to organize and bargain collectively, and non-civil servants conducted union activities without interference. Liberia has ratified six of the eight core ILO Conventions, but not

Convention 100 on equal remuneration or Convention 138 on minimum age. The employment of children under the age of 16 during school hours is prohibited by law, but effective enforcement is lacking. Children are major participants in the informal sector, hawking goods on the streets and working in the markets. Education is compulsory until students reach 16 years of age; however, while overall school enrollment increased in 2006, education remained unattainable for 50 percent of all school-age children due to relatively high school fees. Liberia participates in a USDOL-funded project providing education alternatives for vulnerable children. In 2006 the government generally respected the human rights of its citizens; however, problems persisted in some areas, including reports of police abuses and harsh prison conditions. Trafficking in persons remained a problem.

## MADAGASCAR

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

**AGOA Trade and Investment:** Madagascar's exports to the United States under AGOA and its GSP provisions were valued at \$232 million, representing 83 percent of its total exports to the United States. AGOA-related trade and investment in Madagascar has been concentrated in the textile and apparel sector, but significant diversification efforts are under way, particularly in the agricultural sector.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Madagascar continues to implement its program of macro-economic and structural reforms, including fiscal reforms and privatization of state-owned companies under the guidance of the World Bank and the IMF. The government created the Economic Development Board - Madagascar in 2006 to promote trade and facilitate investment. The government has also taken other significant steps to liberalize trade, and there are currently few barriers to U.S. trade and investment.

**Political Pluralism/Rule of Law/Anti-Corruption:** The government continues to have a good record on the rule of law, political pluralism, and the safeguarding of due process rights. By all accounts of national and international observers, the December 2006 presidential elections were free, fair, and transparent. However, security forces reportedly made arbitrary arrests and used excessive force – resulting in death and injuries – to disperse demonstrators prior to the elections. BIANCO, the independent anti-corruption office, continues to tackle the long-term challenge of overcoming corruption.

**Poverty Reduction:** The government inaugurated a new development policy in 2006 called the Madagascar Action Plan (MAP) which replaces the Poverty Reduction Strategy Paper. Donors and partners have endorsed the objectives and overall strategies of the MAP, while qualifying it as very ambitious. In July 2006, the IMF approved a Poverty Reduction and Growth Facility for Madagascar. Madagascar qualified for debt reduction under the Heavily Indebted Poor Countries Initiative in 2004 and the Multilateral Debt Relief Initiative in 2005. The government committed to allocate the

resources freed by debt relief to priority areas such as health, education, roads, and direct support to communities.

**Labor/Child Labor/Human Rights:** The constitution and the Labor Code grant workers the right to establish and join labor unions and to bargain collectively. Unions freely join and participate in international bodies and may form federations. Discrimination against union organizers is prohibited, but enforcement of labor regulations is hampered by lack of government resources, particularly in the Export Processing Zones. Madagascar has ratified seven of the eight core ILO Conventions, but not Convention 105 on forced labor. The minimum age for employment was raised from 14 to 15 in 2004. The government is implementing a National Action Plan on Child Labor and an ILO program that aim to eliminate the worst forms of child labor. The government generally respected the human rights of its citizens in 2006, though there were problems in some areas, including lengthy pretrial detention and some restrictions on the freedom of speech and 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 \$61 million in 2006, representing 77 percent of the country's 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/Elimination of Trade Barriers:** The government has generally made a commitment to a market-based economy. Domestic and foreign investment in most sectors of the economy is encouraged and is not significantly restricted. The main constraints on investment are features of a generally poor business environment. The government is working to reduce or eliminate various tariff and non-tariff barriers. Implementation of a Southern African Development Community Free Trade Area began in 2001, when member states started a phased tariff-reduction program; however, Malawi is reported to be falling behind on implementation of its tariff-reduction schedule.

**Political Pluralism/Rule of Law/Anti-Corruption:** Malawi held peaceful presidential and parliamentary elections in May 2004. International observers considered the election to have been free but have expressed some concerns regarding fairness. Constitutional power is shared between the president and the National Assembly. Malawi has an independent but overburdened judiciary. The government's Anti-Corruption Bureau has actively pursued public and private sector corruption since the administration took office in May 2004. There have been a number of major convictions of government officials. Despite capacity constraints within the Bureau, a number of corruption cases are still pending. Parliament passed anti-money laundering legislation in August 2006 that is generally in line with international standards.

**Poverty Reduction:** Since 1981, Malawi has undertaken economic structural adjustment programs supported by the World Bank, IMF, and other donors. Malawi met the Highly Indebted Poor Countries Initiative decision point criteria in December 2000 and has since developed its Poverty Reduction Strategy Paper (PRSP), which was launched in 2002. Debt relief has enabled the government to reduce domestic borrowing and increase expenditures for development. Malawi continues to work with international financial institutions and to use the PRSP as the central planning document for government budgeting. Previous macroeconomic instability, unstable weather conditions, and a previous lack of fiscal discipline have contributed to weak growth and limited progress in reducing poverty. However, recent debt relief has enabled the Reserve Bank of Malawi to ease monetary policy, which should in turn stimulate economic activity.

**Labor/Child Labor/Human Rights:** Workers have the right to associate freely and to bargain collectively. The government has not been fully effective in thwarting anti-union discrimination by employers. Unions must register with the Ministry of Labor, but this is largely a formality. The Malawi labor code also applies to export processing zones. A lack of capacity in the government and in unions reduces the effectiveness of workers' rights protections. Malawi has ratified all eight core ILO Conventions. On child labor, enforcement has increased significantly during the past two years, particularly in the area of forced child labor, though resource constraints continue to hamper enforcement. The incidence of child labor, particularly on tobacco farms, remains problematic. The public-private Child Labor Task Force expanded its membership among labor, private sector, and NGO organizations. In 2004, the task force developed and implemented a national Code of Conduct on Child Labor and placed child labor officers in each district of the country. There are reports that Malawian children are trafficked to other southern African countries and to Europe for purposes of forced labor and commercial sexual exploitation. The government is participating in an ILO-IPEC project to combat child labor in the tobacco and domestic services sector. The government generally respected the human rights of its citizens, though there were problems in some areas, including reports of excessive force by the police and arbitrary arrest and detention. During the year the government took significant steps to punish human rights abusers and investigate corruption.

## MALI

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

**AGOA Trade and Investment:** Mali's 2006 exports under AGOA and its GSP provisions were valued at \$490,000, representing six percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Mali's landlocked status, high cost of factors of production (electricity, transport, etc.), and an underdeveloped financial system all serve as constraints to economic development. These constraints are compounded by social factors such as the lack of skilled labor, low literacy levels, and poor health systems. Mali and the IMF reached agreement on a

Poverty Reduction and Growth Facility (PRGF) in 2004, and in February 2007 the IMF extended the PRGF through October 2007. The government's decision in December 2006 to liberalize domestic petroleum prices will reduce the vulnerability of its public finances to shocks in the world oil price. In February 2005, Mali and the World Bank agreed on a fourth structural adjustment credit program aimed at supporting the implementation efforts of the Poverty Reduction Strategy Paper by strengthening public finance management, stimulating growth, and expanding access to basic social services. Specific reforms include restructuring the Niger River Valley Authority and the 2008 privatization of the cotton parastatal. Mali's trade regime is relatively open and transparent. Mali complies with the West African Economic and Monetary Union tariff nomenclature and rate structure.

**Political Pluralism/Rule of Law/Anti-Corruption:** Mali has held three presidential elections and elected two presidents since its transition to democracy in 1991. Presidential elections are scheduled for April 29, 2007 and legislative elections for July 1 2007. The presidential incumbent and several other political leaders are expected to run for the presidency. Municipal elections held in 2004 were peaceful and transparent and qualified by local and international observers as free and fair. The government is implementing its 10-year program for restructuring and modernizing the judiciary with the assistance of the donor community. To compensate for extended pre-trial detention, the courts deduct excessive time spent awaiting trial from sentences of the accused. Insufficient government attention is paid to improving poor prison conditions. The General Auditor selected by President Toure in 2004 to fight against corruption and coordinate nationwide anti-corruption activities has been fully staffed and operating since 2005. The Auditor's first full report, issued in May 2006, documented cases of corruption and fraud in both the private and public sectors although, as of mid-April 2007, no criminal prosecutions have resulted from the Auditor's findings.

**Poverty Reduction:** In December 2005, the IMF approved debt forgiveness for Mali under the Multilateral Debt Relief Initiative. The IMF will provide 100 percent debt relief on all debt incurred by Mali to the IMF before January 2005 (approximately \$108 million). These additional resources are available to help Mali reach its Millennium Development Goals. Mali's PRSP (2007 – 2011) makes private sector-led growth the cornerstone of its development strategy, by improving the business climate. Measures such as strengthening property rights, streamlining the regulatory environment, and modernizing the public administration will help increase productivity, promote economic diversification, and enhance international competitiveness.

**Labor/Child Labor/Human Rights:** Workers unionize freely and have the right to bargain collectively and strike. The Higher Education Teachers' Union held a three-month strike from November 2006 to January 2007, with no violence or harassment from the government. Mali has ratified all eight core ILO Conventions. Forced and compulsory labor is prohibited. Hereditary servitude relationships between different ethnic groups were not eradicated despite growing awareness of this lingering problem. Although Mali continues to collaborate with neighboring governments to combat child labor, there are reports that Malian children are still trafficked and sold into forced labor

in Guinea, Cote d'Ivoire and Nigeria, and children from neighboring countries are also trafficked into Mali. The government continues to implement several programs with UNICEF, the ILO, and local NGOs to combat child labor and child trafficking, including the rescue of trafficked children. In July 2005, Mali and eight other West African countries signed a multilateral convention to combat child trafficking. The government generally respected the human rights of its citizens.

## MAURITANIA

**Status:** Not eligible, largely for reasons related to rule of law and political pluralism.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Large-scale private foreign investments are occurring in the petroleum, mineral and telecommunications sectors. Oil production began in February 2006, followed by large foreign-financed investments in infrastructure and the beginning of copper and gold production. The transitional government successfully completed an IMF Staff Monitored Program covering the first half of 2006. Mauritania is still under the Heavily Indebted Poor Countries initiative, and in June 2006 it benefited from IMF debt cancellation under the Multilateral Debt Relief Initiative owing to strong macroeconomic policies in the two previous quarters. The World Bank and the African Development Bank have also canceled Mauritania's debt with those financial institutions. Oil exploration permits continue to be granted to foreign companies. Mauritania has few discriminatory policies regarding foreign investment or imports and the commercial environment for U.S. products and investors is favorable.

**Political Pluralism/Rule of Law/Anti-Corruption:** Presidential elections were held in March 2007, culminating in the election of Sidi Ould Cheikh Abdellahi, who was inaugurated on April 19. The elections completed the transition to democracy promised by the junta that took power in August 2005. International observers found the elections to be free and fair. Turnout was high and there were no allegations of electoral violence or intimidation. President Abdellahi has promised to address the political marginalization of largely southern-based ethnic groups and to permit the return of refugees from these groups currently living in Senegal and Mali. He has also pledged to continue a national good governance program adopted by the junta that has helped to strengthen the judicial process. The judiciary remains weak and susceptible to corruption, and the enforcement of laws and contracts by the judicial system is spotty and unpredictable. Despite an official embrace of good governance principles, favoritism and corruption remain widespread. A specialized national market commission now supervises large-scale contracts, but preferential treatment remains common in government procurement and allocation of resources.

**Poverty Reduction:** In December 2006, the IMF Board approved a \$24.2 million Poverty Reduction and Growth Facility (PRGF) for Mauritania, focused on poverty reduction and growth acceleration through the implementation of sound macro-economic policies and structural reforms in trade, good governance, oil revenue and external debt

management, public enterprises restructuring and financial sector strengthening. The IMF's first review of the PRGF program in February 2007 found that macro-economic performance met program expectations but spending on poverty reduction was lower than anticipated. The transitional government has prepared drafts of the second Poverty Reduction Strategy Paper covering the period 2006-2010 and the Medium-Term Budgetary Framework. The long-term objective is to reduce the poverty rate from nearly 45 percent in 2005 to 35 percent in 2010 and 15 percent in 2015. The poverty rate reportedly dropped by six percent between 2004 and 2005.

**Labor/Child Labor/Human Rights:** The right to form labor organizations was recognized in 1993 and a number of unions exist. Nearly 90 percent of industrial and commercial workers are unionized. Strikes are infrequent. Although the law prohibits anti-union discrimination, the transitional government did not generally enforce these laws. The government can dissolve a union on the basis of an "illegal" or "politically motivated" strike. Mauritania has ratified all eight core ILO Conventions. The country does not have a comprehensive policy or national program of action towards the elimination of the worst forms of child labor. Involuntary servitude, particularly in remote regions of the country, and child labor in the informal sector occurred. In 2006 UNICEF and the Ministry of Labor worked on a study surveying child labor in the southern region of Mauritania. The 2004 Mauritanian Labor Code sets the minimum age for employment at 14, although this is not consistently enforced, particularly in the rural areas. The level of resources the government devotes to combating child labor is very limited. The government's human rights record remained poor in 2006; however, there were some significant improvements. For example, unlike in the previous year, there were no reports that the government or its agents committed arbitrary or unlawful killings. The following human rights abuses were reported: harsh prison conditions; arbitrary arrest; and prolonged pretrial detention.

## MAURITIUS

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

**AGOA Trade and Investment:** Exports from Mauritius under AGOA and its GSP provisions were valued at \$158 million in 2006, representing 72 percent of total exports to the United States. AGOA has sparked significant investment in Mauritius, and Mauritian investors have made major AGOA-related investments throughout sub-Saharan Africa. In 2006, Mauritius made great strides in diversifying its exports to the United States by exported its first major exports of processed tuna valued at \$36 million.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Mauritius has a market-based economy with a strong and dynamic private sector. The government embarked on a bold economic reform program in July 2006. The program aims to move Mauritius away from reliance on trade preferences and toward greater global competitiveness. The reform strategy is designed not only to remedy fiscal weaknesses but also to open up the economy, facilitate business, improve the investment climate, mobilize foreign direct investment and expertise, and introduce structural reforms to

support sustainable growth. The Business Facilitation Act, passed by Parliament in July 2006, abolished the need for trade licenses and enables entrepreneurs to start new activities within three working days of registration. The reform program will gradually lower both the personal and corporate tax rates. The government also announced that tariff liberalization, which began several years ago in an effort to transform Mauritius into a duty-free island, will be complete in the next three years. The budget lowered the top tariff rate from 65 percent to 30 percent. In September 2006, the United States and Mauritius signed a Trade and Investment Framework Agreement aimed at strengthening and expanding trade and investment relations between the two countries.

**Political Pluralism/Rule of Law/Anti-Corruption:** Mauritius is a vibrant multiparty democracy with regular, free, and fair elections. The national elections held in July 2005 resulted in the victory of an opposition coalition. These were followed by municipal elections in October 2005 and village council elections in December 2005. The domestic legal system is generally nondiscriminatory and transparent. Members of the judiciary are independent of the legislative and executive branches. Mauritius generally has the legal and administrative framework to fight corruption and money laundering.

**Poverty Reduction:** The government provides free education and healthcare, basic pensions for those over age 59, and pensions for widows, orphans, the elderly, and the disabled. Under its social housing program, the government plans to build 1,500 housing units for low income groups. The Trust Fund for the Social Integration of Vulnerable Groups continues its poverty alleviation programs through the funding of micro enterprises and community development projects. The government plans to invest \$170 million over the next five years in an Empowerment Program, which will offer a training-based program for the unemployed, particularly women formerly employed in the sugar and textile industries, home-ownership opportunities for the low-income, and financing and support to promote self-employment and the development of small and medium-sized enterprises. The Empowerment Program also provides for the sale of small plots of land for housing for the very low income groups.

**Labor/Child Labor/Human Rights:** The constitution and the Industrial Relations Act guarantee freedom of assembly and association and the right to organize and bargain collectively. Foreign workers have the same rights as local workers, and these rights are generally respected. Although there are some restrictions on workers in the Export Processing Zone (EPZ), the government generally intervenes rapidly to address problems there. In February 2007, hundreds of foreign workers in the EPZ stopped work for several days to protest against noncompliance with their employment contracts; an agreement was eventually reached. Mauritius has ratified all eight core ILO Conventions. Mauritian law prohibits forced or compulsory labor as well as trafficking of children. In November 2006, the government amended the Labor Act to raise the minimum employment age from 15 to 16 years. Although child labor, including child prostitution, occurs in the informal sector, the number of instances has been reduced. The government generally respected the human rights of its citizens.

## MOZAMBIQUE

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

**AGOA Trade and Investment:** Mozambique's exports under AGOA and its GSP provisions increased 41 percent in 2006 to a total of \$12 million. This increase is a result of expanded exports of agricultural products. AGOA represents 76 percent of Mozambique's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government continues to work toward creating an investment-friendly, market-based economy. Mozambique has one of the most dynamic and fastest-growing economies in sub-Saharan African, although the growth is from a very low base and is supported by substantial donor assistance. Mozambique's decade-long commitment to sound macroeconomic policies and structural reform, including substantial privatization, has led to significant improvement in economic performance. While foreign direct investment is welcome, there are still some obstacles. For example, private ownership of land is not allowed under the Mozambican constitution. The first Trade and Investment Council meeting under the U.S.-Mozambique Trade and Investment Framework Agreement was held in October 2006 with both countries reaffirming a commitment to improving the business environment and increasing economic growth.

**Political Pluralism/Rule of Law/Anti-Corruption:** Mozambique has a democratically elected government. In December 2004, Armando Guebuza of the FRELIMO party was elected president with 64 percent of the vote. The election was generally considered free and fair, but was marred by some irregularities. Corruption continues to be a problem that undermines Mozambique's democratic consolidation and economic growth. In April 2006, the government launched a National Anticorruption Strategy; however, a report submitted following a six-month review of the strategy by 18 donor nations stated that there had been "no progress on implementing the government's anticorruption strategy." Mozambique's judiciary suffers from a lack of resources and is reportedly susceptible to pressure from high-ranking government and FRELIMO party officials.

**Poverty Reduction:** HIPC and Enhanced HIPC debt relief have provided the government with breathing room to focus efforts on alleviating poverty. Through its Action Plan for the Reduction of Absolute Poverty, the government continues to place the fight against poverty at the top of its agenda. Mozambique's second Plan for the Reduction of Absolute Poverty (PARPA II), covering the period of 2006-2009, was launched in June 2006. The PARPA II aims to reduce the percentage of the population living below the poverty line from 54 to 45 percent by 2009. In 2006, donors funded nearly half of Mozambique's national budget, allowing the government to make significant long-term investments in health, education, and basic infrastructure. HIV/AIDS continues to present a long-term challenge to Mozambique's poverty reduction and economic goals.

**Labor/Child Labor/Human Rights:** The government generally respects labor rights;

however, there was poor enforcement of labor legislation. A proposed revision to and updating of the labor laws was submitted to the General Assembly in 2006. As of March 2007, the General Assembly had not yet reviewed the proposal. Mozambique has ratified all eight core ILO Conventions. Child labor and forced child labor remain problematic. Mozambique is participating in a USDOL-funded project to provide children who are engaged in, or at-risk of, exploitative labor with education alternatives. Although there were improvements in a few areas in 2006, such as fewer restrictions on freedom of the press, serious human rights problems remained, including: reports of the use of excessive force by police, resulting in injuries and death; arbitrary arrest and detention, including of journalists; and lengthy pretrial detention.

## NAMIBIA

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

**AGOA Trade and Investment:** Namibia's 2006 exports under AGOA and its GSP provisions were valued at \$33 million, representing 29 percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Namibia's economy remains relatively open and welcome to international investors. The government has created attractive tax benefits for potential investors and exporters. Income distribution inequalities remain an important problem. Namibia's per capita income, among the highest in Africa, masks huge disparities in wealth and income between different populations. Many important sectors, such as transport, electricity, and telecommunications, remain under the control of parastatals. The government is in the process of updating copyright legislation to bring it in line with international standards. Land reform remains an important issue both for the Government and the public at large, and is being carried out by "willing buyer-willing seller" principles in accordance with the Namibian constitution.

**Political Pluralism/Rule of Law/Anti-Corruption:** Namibia's constitution provides for an independent judiciary, and with few exceptions citizens generally enjoy the right to due process, a fair trial, and equal protection under the law. Parliamentary and presidential elections took place in November 2004, and President Pohamba took office in March 2005. Most of Namibia's ethnic minorities are represented in Parliament and Cabinet, and women occupy many leadership positions in the government. The Government's independent Anti-Corruption Commission combats corruption, complements civil society's anti-corruption programs, and supports existing institutions such as the Ombudsman's Office and Attorney General. Although the law prohibits corruption, cases of alleged corrupt acts continue to surface, especially in parastatals. The government's strong stance against corrupt officials resulted in the resignations of the Director General of the national broadcaster and the Chief Executive of the Roads Contractor Company as well as the suspension of several border officials, police officers, and senior regional civil servants accused of corrupt practices.

**Poverty Reduction:** The government is committed to poverty reduction by increasing

local value-added production of Namibia's traditional primary product exports, such as cutting and polishing rough diamonds and semi-precious stones and processing fish and meat. The high prevalence of HIV/AIDS compounds the government's challenge of reducing poverty. The government allocated more than 30 per cent of its budget to education, health, and social welfare in the 2006/07 budget.

**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. Internationally recognized worker rights are protected and respected in the 1992 Labor Act. Namibia has ratified seven of the eight core ILO Conventions, but not Convention 100 on equal remuneration. Adult and child forced or bonded labor is prohibited. The amended 1992 Labor Act prohibits child employment under the age of 14. The government launched a National Initiative to Eliminate Exploitative Forms of Child Labor and to determine the extent to which child labor exists in Namibia. Child labor persists – despite the government's public commitment to ending it – due in part to difficult economic conditions exacerbated by the HIV/AIDS epidemic and by deeply rooted cultural practices, particularly on communal farms and in the informal sector. The government generally respected the human rights of its citizens.

## NIGER

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

**AGOA Trade and Investment:** In 2006, Niger exported \$43,000 worth of goods under AGOA and its GSP provisions, representing less than one percent of total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Niger's economy centers on subsistence agriculture, livestock, and uranium, which is the country's principal export commodity. The government maintains and promotes an open economy system, has a free trade policy, welcomes foreign investment, and has privatized several state-owned industrial enterprises over the past four years. Equal treatment of all investors is guaranteed, and total foreign ownership is allowed. Niger is a member of the West African Economic and Monetary Union. While Niger has a court system to protect property and commercial rights, the administration of justice can be slow. The investment code provides for the settlement of disputes and indemnification.

**Political Pluralism/Rule of Law/Anti-Corruption:** Niger is a democracy and held three sets of elections in 2004, electing municipal leaders, national assembly deputies, and the president. Opposition parties participated freely and vigorously in the electoral process. International observers called the 2004 elections generally free and fair. The next legislative and presidential elections are scheduled for 2009. The judiciary continues to show signs of independence; however, family and business ties can influence lower court decisions. Detainees endured poor jail conditions, often exacerbated by prolonged pretrial detention. Judicial corruption and inefficiency are problems. Niger publicly acknowledges that corruption of government officials is a

problem. In 2006, the president replaced two cabinet ministers as a result of allegations of corruption. The two ministers were subsequently imprisoned. The government has established a National Committee on Anti-Corruption to address corruption issues. The government, NGOs, international financial institutions, the media, and political opposition have all been active in promoting anti-corruption awareness and measures to reduce corruption and improve transparency.

**Poverty Reduction:** Niger has shown some success in combating poverty and increasing educational opportunities, but still faces severe resource constraints. Niger reached the HIPC “completion point” in 2004, qualifying it for debt relief from the international financial institutions and many bilateral donors. In 2005, the IMF approved a three-year, \$30 million PRGF program. In 2006, the African Development Fund canceled \$193 million of Niger’s debt. Niger was selected to participate in the MCC’s Threshold Country Program in 2006. The MCC program could serve as a catalyst for sustainable economic and social reforms essential to poverty reduction.

**Labor/Child Labor/Human Rights:** The constitution provides formal recognition of the right to establish and join trade unions, and individuals are able to exercise this right. The Labor Code is based on ILO principles and protects freedom of association and the right to organize and bargain collectively. In public, private and state-owned enterprises, unions exercise their rights to organize and bargain collectively without government interference. Niger has ratified all eight core ILO Conventions. The law prohibits forced or compulsory labor; however, hereditary servitude is still practiced in some regions, and a GSP petition was filed by the International Labor Rights Fund in 2006 concerning this issue. The law prohibits child labor in industrial work, and work by children under the age of 18 is regulated, though child labor does remain a problem. The government is participating in a USDOL-funded project to provide children at-risk of exploitative child labor with educational alternatives. The government is also working with UNICEF and the ILO to determine the extent of child labor in Niger. In July 2005, Niger and eight other West African countries signed a multilateral convention to combat child trafficking. Reports of human rights abuses included use of excessive force by police and security forces, sometimes resulting in deaths, and arbitrary arrest and detention. At times the government abridged freedoms of assembly and press by forcibly dispersing demonstrators and interfering with the media.

## NIGERIA

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

**AGOA Trade and Investment:** Nigeria’s duty-free exports under AGOA and its GSP provisions in 2006 – almost entirely crude oil – were valued at \$25.8 billion representing 92 percent of Nigeria’s total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government made progress toward establishing a market-based economy in 2006. It showed its commitment to privatizing state enterprises in 2006, by privatizing Nigeria

Telecommunications and its mobile subsidiary and the only government-owned petrochemical company. The government also sold its interest in eight oil service companies. Nigeria continued implementation of the ECOWAS Common External Tariff. The United States continues to have serious concerns about the Nigerian government's use of non-tariff barriers to trade. However, the government removed some textile items from its list of prohibited imports in 2006. The government's lack of capacity to address IPR issues is a major constraint to enforcement. An amendment to the copyright and trademarks legislation that would create an intellectual property commission is expected to be submitted by the executive to the legislature in early 2007.

**Political Pluralism/Rule of Law/Anti-Corruption:** The general elections held in April 2007 were seriously flawed, with credible reports of malfeasance and vote rigging in some constituencies. Whatever the outcome of legal challenges to the electoral results, Nigeria is to experience its first civilian-to-civilian transfer of power on May 29, 2007. Civil and criminal cases move slowly through Nigeria's courts. The judicial system lacks the resources to function effectively. In response to public demand, Shari'a (Islamic law) was established in 12 of Nigeria's northern states. The government has taken steps to tackle corruption, such as establishing two anti-corruption commissions and announcing measures to improve fiscal responsibility in federal budgeting and procurement. Since the inception of these bodies, the government has won only one conviction against a senior government official, resulting in a mild sentence. Corruption cases involving senior government officials and state governors are pending before various courts. In July 2006, Nigeria was removed from the Financial Action Task Force list of Non-Cooperative Countries and Territories. Extended pretrial detention was common, as were executive influence on the judiciary and judicial corruption.

**Poverty Reduction:** The government's economic reform program, the National Economic Empowerment and Development Strategy (NEEDS) is due for review in 2007. In 2006, Nigeria began a Policy Support Instrument (PSI) with the IMF. The PSI is a new approach to economic monitoring by the IMF. Nigeria's NEEDS has had successful quarterly reviews by the IMF.

**Labor/Child Labor/Human Rights:** The constitution recognizes the right of workers to join or form trade unions. However, less than ten percent of the total workforce is organized, and workers in Export Processing Zones may not join a union until ten years after the anniversary date of the enterprise establishment. Minimum wages, the length of the workday or workweek, and general health and safety provisions are statutorily mandated, but enforcement remains weak. Nigeria has ratified all eight core ILO conventions. Nigerian law forbids forced or bonded labor and restricts the employment of children younger than 15 to home-based agricultural or domestic work for no more than eight hours per day; nonetheless, child labor remains a problem. The ILO is working with the government and civil society as part of the ILO's International Program on the Elimination of Child Labor. The government launched awareness and training programs for law enforcement, customs and other officials and has provided additional training in child labor issues for labor inspection officers. Nigeria is participating in the West African Cocoa Agriculture Project to eliminate the worst forms of child labor.

Private and government initiatives to stem the incidence of child employment continued but were largely ineffective. Investigations of child trafficking are hampered by official corruption. Reports of human rights problems included: security force use of excessive force and involvement in unlawful killings, including some that were alleged to be politically-motivated killings; and mistreatment of prisoners and detainees.

## RWANDA

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

**AGOA Trade and Investment:** Rwanda's 2006 exports under AGOA and its GSP provisions were valued at \$864,000, representing ten percent of total Rwandan exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Almost 90 percent of Rwandans are engaged in subsistence agriculture. Agri-business and mining drive exports, and tourism shows promise for the future, but Rwanda's economy remains dependent upon foreign assistance and challenged by geography, the small size of its market, and high energy costs. The government is promoting private investment, particularly foreign, as an engine of development. There are no significant trade barriers that affect the importation of goods and services to Rwanda, and the government is continuing toward further liberalization. Few parastatals remain to be privatized, and the government appears committed doing so in a transparent manner. Many commercial laws, including the establishment of a commercial court system, are still in the development stages, which render a few existing disputes unresolved.

**Political Pluralism/Rule of Law/Anti-Corruption:** Limits on political party activities continue to restrict citizens' rights to peacefully change their government. In 2003, President Kagame was elected to a seven-year term, with 95 percent of the vote, and members of Parliament were also elected. Though peaceful, both the presidential and legislative polls of 2003 were marred by numerous serious irregularities. In February 2006, local officials were elected to five-year terms in elections at the cell, sector, and district levels; some human rights organizations found these elections to be marred by several irregularities. In 2006 the judiciary made progress in reducing the large backlog of criminal and civil cases. However, limits on judicial independence; unfair public trials; arbitrary arrest and detention; prolonged pretrial detention; and the holding of political prisoners remained problems. The government has provided training to the National Police to improve professionalism and to promote respect for rule of law. Corruption remained problematic, despite the government's active efforts to combat it. In 2006 several judges were dismissed during the year for abuse of office or corruption after investigations by the judicial council, a body charged with oversight and discipline of the judicial branch.

**Poverty Reduction:** Rwanda's first Poverty Reduction Strategy Paper, endorsed by the World Bank and IMF Boards in 2002, sets out the government's vision for achieving the Millennium Development Goals, including reducing poverty in half -- from its current

level of 60 percent to 30 percent -- by 2020. The government provides free primary education to all children. A joint government-donor task force is focusing on improvement of girls' education. The government is attempting to improve access to health care through greater decentralization to ensure adequate health services at the local level. It is currently preparing its second PRSP, known as the Economic Development and Poverty Reduction Strategy. Rwanda reached the HIPC "Completion Point" in 2005, triggering IMF and World Bank debt forgiveness. The IMF approved a Poverty Reduction and Growth Facility for Rwanda in 2005, and the program is considered on track.

**Labor/Child Labor/Human Rights:** Rwandan law provides all salaried workers, including some civil servants, with the right to form and join labor unions without prior authorization, and workers exercised this right in practice. The law prohibits unions from having political affiliations and from publicly expressing political opinions. The law provides for collective bargaining, but this right was severely limited in practice. In November 2005, the government created a National Labor Council with equal representation from government, employers, and labor unions. Rwanda has ratified all eight core ILO Conventions. Except for subsistence agricultural workers, the law prohibits children under the age of 16 from working outside of the household without their parents' or guardians' permission, though child labor remains common in the agricultural sector. Children are reportedly trafficked internally for commercial sexual exploitation, soldiering, and domestic work. The government recently released its Youth Employment Policy, which outlines its plans to conduct a child labor study, strategies for withdrawal of children involved in child labor, and mechanisms for prevention. The government also supports two USDOL-funded regional projects targeting child soldiers and children affected by HIV/AIDS and several UNICEF-funded projects to combat child prostitution and child labor. The government took significant steps during the year to address human rights deficiencies and institute reforms. For example, the government formed a unit in the National Police to investigate citizens' reports of official abuse and corruption, and police authorities fired more than 70 police officers on various counts of indiscipline. However, significant human rights problems also occurred in 2006, including reports that security forces were involved in extrajudicial killings and torture. There continued to be restrictions on freedoms of speech, press, and association, and harsh prison and detention center conditions.

## SÃO TOMÉ AND PRÍNCIPE

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** There has been no reported AGOA-related trade or investment. São Tomé and Príncipe exported just \$200,000 in goods to the United States in 2006.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** São Tomé and Príncipe (STP), with a population of approximately 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. The estimated GDP per capita in 2006 was \$439. STP is a MCC Threshold Country, and is awaiting MCC approval of a

proposed project to improve its tax administration. STP's market-based economy historically was based on cocoa exports and international donor assistance; now, expectations for oil discoveries and eventual oil production are high. Six blocks in the Nigeria-São Tomé and Príncipe Joint Development Zone (JDZ) have been awarded for oil exploration. To date, Chevron is the only company to have drilled an exploratory well. STP hopes for an oil boom, but its oil future remains uncertain.

**Political Pluralism/Rule of Law/Anti-Corruption:** Despite a failed military coup in July 2003 and a near collapse of the government in 2005, STP has a reputation as a vibrant democracy. In 2006 the country held presidential, legislative and local elections; all were judged free and fair by international observers. Nevertheless, challenges remain for this fragile democracy. A 2005 report by the Attorney General concluded that procedures followed in awarding the JDZ's second round bids were seriously flawed and failed to meet minimum acceptable standards. Since the publication of the report, neither the National Assembly nor the executive branch has acted on the report.

**Poverty Reduction:** The government has been performing satisfactorily under an August 2005 IMF-approved three-year Poverty Reduction and Growth Facility arrangement. Having met triggers related to public expenditure management, governance and social indicators, the government has received full multilateral debt relief under the HIPC and MDRI process as of March 2007.

**Labor/Child Labor/Human Rights:** The constitution provides for freedom of association, the right to bargain collectively, and the freedom to strike. The government generally respects these rights. Working conditions in many of the cocoa plantations (the largest wage-employment sector) are extremely difficult. São Tomé and Príncipe has ratified all eight core ILO Conventions. The law establishes a minimum age of employment of 18, which is respected in the formal sector. In the informal sector, however, children are often engaged in labor from an early age. The government generally respected the human rights of its citizens; however, there were problems in 2006 with harsh prison conditions and prolonged pretrial detention.

## SENEGAL

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

**AGOA Trade and Investment:** Senegal's 2006 exports under AGOA and its GSP provisions – mostly groundnut oil – were valued at \$14.4 million, representing 67 percent of the country's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Senegal's market-based economy is heavily dependent on agriculture. In late 2006, Senegal approved an Accelerated Growth Strategy aimed at achieving at least a 7.5 percent growth rate by 2010, targeting the agro-industry, fisheries, tourism, textile, and information technology sectors. Foreign investors face an unstable regulatory environment and weak commercial law enforcement due to a lack of resources and specialized judicial expertise. Senegal is a member of the International Center for the

Settlement of Investment Disputes under the Washington Convention, and the government accepts binding foreign arbitration of investment disputes. Senegal is a member of the World Intellectual Property Organization and a signatory to the Bern Copyright Convention.

**Political Pluralism/Rule of Law/Anti-Corruption:** Senegal is a vibrant democracy with no history of coups d'état or military government. In February 2007, President Wade was re-elected to a new, five-year term through an electoral process widely considered to be fair. In the southern Casamance region, low-level, separatist activity continued despite the signing of a truce in December 2004. While corruption remains a problem, the government recently passed measures to strengthen rule of law, improve transparency and combat corruption. Senegal is a signatory to the UN Anti-Corruption Convention. Through its Financial Intelligence Unit, the government is creating a potentially useful anti-money laundering framework.

**Poverty Reduction:** The government has developed a poverty reduction strategy based on allocations from its \$138 million bilateral and multilateral debt relief program. Senegal is continuing feasibility studies for a proposed MCC Compact to build an industrial zone 25 miles east of Dakar. This project is designed to promote economic growth and alleviate congestion in the capital, where 80 percent of Senegal's industry is based.

**Labor/Child Labor/Human Rights:** Although freedom of association and the right to strike are recognized, many restrictions remain. By law all workers, except for security forces, customs officer, and judges, can form and join unions. Collective bargaining agreements were negotiated and are generally respected. Senegal has ratified all eight core ILO conventions. In rural areas there was inadequate enforcement of child labor laws and children were involved in the worst forms of child labor in the mining and rock quarry sectors. In April 2005, the National Assembly passed a law prohibiting human trafficking, and two Senegalese citizens were prosecuted under that law in 2006. The ILO is working with the government and civil society in support of Senegal's Timebound Program on the Elimination of the Worst Forms of Child Labor. The government generally respected human rights, but there were problems reported in some areas, including detention and imprisonment of political opposition figures, cruel and degrading treatment of prisoners and detainees, prolonged pretrial detention, and limits on freedom of speech and of the press and restrictions on freedom of assembly.

## SEYCHELLES

**Status:** AGOA-eligible.

**AGOA Trade and Investment:** Seychelles' exports under AGOA and its GSP provisions in 2006 were all agricultural products and were valued at \$132,000. These exports represented just over one percent of Seychelles total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach.

There are few restrictions on foreign ownership, with the important exception of land, and a number of incentives are offered to stimulate private sector investment. The National Assembly adopted a new investment code at the end of 2005. Import permits, except for a few remaining “restricted items,” were abolished in 2005. In April 2005, the exclusive right of the state-run Seychelles Marketing Board (SMB) to import certain categories of goods, including most essential food items, was rescinded. President Michel’s victory in the July 2006 presidential elections gave him a mandate to continue with gradual reforms, including privatization, trade liberalization, and measures to improve the investment environment. In his 2007 budget speech, the Finance Minister announced that the privatization program, which was launched in early 2006, with the sale of 30 percent of the State Assurance Corporation of Seychelles, will continue with the privatization of two banks and the production and marketing units of the SMB in early 2007. In October 2006, the government took steps to liberalize the foreign exchange and currency markets. In the first stage of this liberalization process, the allocation mechanism for foreign exchange, which had been administered by the Central Bank, was transferred to commercial banks. However, the government still plays a strong role in the economy, and regulations and controls have been found to be burdensome.

**Rule of Law/Political Pluralism/Anti-Corruption:** After 27 years, President Rene handed over power to then-Vice president Michel in April 2004. Presidential elections were held in July 2006, and President Michel was elected for a five-year term. Legislative elections are expected to be held at the end of 2007. The opposition Seychelles National Party, which received 45 percent of the vote during the presidential elections, has announced plans to boycott the upcoming legislative elections, citing a lack of press freedoms and unfair campaign practices. The constitution calls for an independent judiciary, but the legal system is slow and reportedly subject to executive interference. Prolonged pretrial detention is a problem. Seychelles has lower perceived corruption than all but a handful of sub-Saharan African countries, according to Transparency International (TI), though its relative rating on the TI index fell in 2006.

**Poverty Reduction:** Health and education have long been government priorities; as a result, Seychelles now enjoys one of the highest literacy rates and the best health facilities in sub-Saharan Africa. Education is free and compulsory between the ages of six and sixteen. The social welfare system includes basic pensions, homecare for the elderly, and unemployment benefits.

**Labor/Child Labor/Human Rights:** Workers generally have the right to form and join unions and to engage in collective bargaining. However, the government has the right to review and approve all collective bargaining agreements. Strikes are illegal without first exhausting arbitration procedures. Foreign workers do not have the same rights as indigenous workers, and there have been several complaints about poor living conditions and difficulties in repatriating salaries. Seychelles has ratified all eight core ILO Conventions. Children have legal protection from labor and physical abuse. The Export Processing Zone is not subject to labor laws. The government generally respected 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 \$105,000 in 2006, representing less than one percent of the country's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Sierra Leone has a market-based economy. Economic growth continues, despite high youth unemployment, poor infrastructure, and the government's dependence on foreign assistance. There was minimal progress in privatizing parastatals. Sierra Leone has an open, rules-based trading system. The 1991 constitution protects private property rights. Laws generally protect intellectual property rights; however, they are not adequately enforced. The government passed an investment code in 2004. Sierra Leone received substantial assistance in identifying administrative barriers to trade and has made progress toward eliminating them.

**Political Pluralism/Rule of Law/Anti-Corruption:** In May 2004, the government held the first local elections in 32 years. Although there was evidence of fraud on all sides, international and domestic monitors judged them to be generally free and fair and an independent report determined that the fraud did not alter the outcome of the elections. Sierra Leone's independent National Electoral Commission (NEC) will conduct Presidential and parliamentary elections on July 28, 2007. Local elections are scheduled for 2008. The international community viewed the registration process as generally successful with isolated incidents of political intimidation. The judiciary remained weak, and court cases often experienced frequent delays. The judiciary at times was subject to government influence and corruption. Corruption at all levels was a significant problem.

**Poverty Reduction:** In 2005, the government introduced the Poverty Reduction Strategy Paper (PRSP), which sets out a framework to reduce poverty, increase access to health care and education, improve infrastructure, and promote private sector development. Sierra Leone met the HIPC completion point in December 2006 and was granted full debt relief. The Donors Consultative Group (CG) for Sierra Leone endorsed the PRSP at its November 2005 meeting and pledged continued support for it at the November 2006 CG meeting. The government continued to work with the IMF on its Poverty Reduction Growth Facility. In August and September 2006, IMF staff evaluated Sierra Leone's performance as mixed.

**Labor/Child Labor/Human Rights:** The law allows workers to form and join unions, although restrictions exist in the public sector. Collective bargaining and the right to strike are protected by law and workers exercised these rights in the formal sector. Sierra Leone has ratified six of the eight core ILO Conventions, but has not yet ratified Convention 138 on minimum age and Convention 182 on the worst forms of child labor. The law prohibits forced and compulsory labor, but forced labor remained a problem. Under the Chiefdoms' Council Act, individual tribal chiefs may impose forced labor as a punishment. Child labor remains widespread. Child trafficking remained a major

concern. However, the government passed an anti-trafficking law in August 2005, and with U.S. government assistance has developed a national action plan to sensitize citizens on the negative impact of trafficking and provide victim assistance. The government generally respected the human rights of its citizens. However, there were serious problems reported, including security force abuses, including rape, and use of excessive force with detainees; as well as arbitrary arrest and detention; and prolonged detention. There were restrictions on freedom of speech and press, although fewer than in the previous year.

## **SOUTH AFRICA**

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

**AGOA Trade and Investment:** South Africa is the largest and most diversified supplier of non-fuel products under AGOA and its GSP provisions, with exports valued at nearly \$1.8 billion in 2006. These AGOA exports constituted 24 percent of total South African exports to the United States. South Africa's AGOA exports, which grew 21 percent in 2006, included minerals and metals, diamonds, agricultural products (including fresh citrus fruits and wines), chemicals, transportation equipment, footwear, textiles, and apparel.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** South Africa maintains a diverse market-based economy and provides national treatment to foreign investors. The country is making progress on addressing weak IPR enforcement and cumbersome court proceedings. The Department of Trade and Industry created an enforcement unit and the judiciary increasingly understands the complexity and specialized nature of IPR. Commercial Crime Investigative Units have been instituted within the South African Police Service and Specialized Commercial Crime Courts have been established in major cities. Two specialized prosecutors were designated in 2006 to exclusively manage IPR cases.

**Rule of Law/Political Pluralism/Anti-Corruption:** South Africa maintains a multiparty parliamentary democracy in which political parties are allowed to operate freely. Free and fair municipal elections were held in March 2006. While the African National Congress holds an overwhelming majority in Parliament and in other levels of elected government, several opposition parties are active. The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems, but high crime rates have strained the judicial system's capacity. The judiciary is independent at all levels. Municipal service delivery and corruption remain a challenge. Under the anticorruption regulatory framework, the government has prosecuted the former Deputy President, dozens of public officials, including Members of Parliament and municipal councilors.

**Poverty Reduction:** Poverty reduction and job creation are major government priorities. The 2007 budget focused on measures to improve the social welfare payment system and the delivery of public services, such as basic housing, water and sanitation, electricity, and telecommunications, especially to the rural poor. Approximately one-fourth of all

South Africans receive government support of one type or another. The budget also allocated funds for civil projects that employ labor-intensive methods as a means to create employment and impart job skills. The Broad-Based Black Economic Empowerment Codes of Good Practice were published in February 2007. These Codes are designed to integrate previously disadvantaged minorities into the market economy.

**Labor/Child Labor/Human Rights:** The constitution protects worker rights, including freedom of association and the right to organize and bargain collectively. South Africa has a strong trade union movement which organizes and bargains collectively on behalf of workers and participates in strikes. South Africa has ratified all eight core ILO Conventions. The government is actively engaged in reducing the incidence of child labor. Measures it has taken to this end include an increase in the maximum eligibility age for income grants to poor children from the age of 11 to 14 and waivers of school fees for poor children. The government actively prosecutes employers of child labor. South Africa prohibits child labor for children under the age of 15 or under the minimum school leaving age. Nevertheless, child labor, including forced child labor and child prostitution, remains a problem, particularly in the informal and agricultural sectors. South Africa has become a destination country for traffickers of children for commercial sexual exploitation. The government participates in a regional ILO project to eliminate the worst forms of child labor, and supports a U.S. DOL-funded project to provide educational alternatives for vulnerable children. The government generally respected the human rights of its citizens.

## 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 \$150 million in 2006, constituting 96 percent of Swaziland's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** There is relatively little government intervention in Swaziland's market economy, but there is a general lack of procedural transparency. The government encourages foreign investment, but important legislation to support a healthy investment climate has not been finalized. Legislation to end the electricity supplier's monopoly was enacted in November 2006. The parliament also passed a new competition law in October 2006.

**Political Pluralism/Rule of Law/Anti-Corruption:** Swaziland is a modified traditional monarchy with executive and legislative powers ultimately vested in the King. The 2004 municipal elections and the 2003 parliamentary elections increased representative government; however, political power continues to rest largely with the King and his circle of traditional advisors. The next Parliamentary elections are due in 2008. The constitution, which took effect in February 2006, does not mention political parties, leaving their status in doubt. There are prohibitions on political activity and reports of harassment of political activists. The judiciary is generally independent and impartial.

However, the failure of the government to reconstitute the Judicial Service Commission in accordance with the new constitution is causing concern on the part of some in the judiciary and civil society. Corruption is reportedly widespread, although there have been a number of developments in the government's efforts to root out corruption. The Prevention of Corruption Act was signed into law in July 2006 and came into effect in February 2007. The Act calls for the establishment of an anti-corruption bureau, which has yet to be set up. The government has also begun prosecution of nine people suspected of defrauding the government of about \$7 million in 2005.

**Poverty Reduction:** The government drafted a Poverty Reduction Strategy and Action Program, but has not yet adopted it. The government has publicly committed itself to expanding employment opportunity, and recently has concentrated on the revitalization of the small- and medium-entrepreneur sector. Over 30 percent of the 2007 budget will be expended on health and education.

**Labor/Child Labor/Human Rights:** Swazi law provides for the right to organize and join labor unions; however, there is some antiunion discrimination. The law provides for the right to organize and bargain collectively, and while the government generally respects this right, documented reports of employer interference are widespread, especially in the garment sector. The law allows for strike actions but they are very restricted. Swaziland has ratified all eight core ILO conventions. Due to the HIV/AIDS pandemic, there are many child-headed households, and children below the minimum work age of 15 are frequently employed as casual laborers in the agricultural sector, and as domestic workers and herd boys. The government participates in a regional ILO project to eliminate the worst forms of child labor, and supports a USDOL-funded project to provide educational alternatives for vulnerable children. The government's human rights record was poor in 2006. Reported human rights problems included: unlawful killings by security forces and police use of torture and excessive force, sometimes resulting in death. Other concerns included restrictions on freedoms of speech, the press and assembly.

## TANZANIA

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

**AGOA Trade and Investment:** Tanzania's 2006 exports under AGOA and its GSP provisions were valued at \$3.7 million, consisting mostly of apparel and representing 11 percent of total Tanzanian exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Tanzania has achieved strong macro-economic performance over the past several years with an average GDP growth rate of about 6 percent and inflation around 5 percent. GDP growth fell slightly from 6.7 percent in 2005 to 5.8 percent due primarily to a drought and subsequent problems in maintaining stable electric power to the major cities. In partnership with donors, the government has made significant progress in reducing or eliminating state controls and regulations. Agricultural marketing has been liberalized, foreign exchange controls lifted, and prices deregulated. With the exception of major

utility and infrastructure parastatals, most state-owned enterprises have been privatized. Tanzania is a member of the East African Community Customs Union, which has a common external tariff and under which tariffs between founding members Tanzania, Uganda, and Kenya are to be phased out by 2010. Tanzania's new investment code has offered competitive incentives and in 2006, progress was made toward single licensing for businesses. However, foreign investment is hindered by bureaucratic inefficiencies, corruption, and poor infrastructure, including the unreliable power supply. Complicated requirements for owning land or using it as collateral also remain a key impediment to new investment. Continued banking reforms during 2006 helped increase private-sector growth and investments.

**Political Pluralism/Rule of Law/Anti-Corruption:** The December 2005 elections for president and members of parliament were considered by international observers to be generally free and fair. The October 2005 elections in the semi-autonomous archipelago of Zanzibar were marred by violence and serious irregularities. The opposition parties on both the mainland and in Zanzibar were allowed to register as legal parties and participate in the political process, although opposition leaders complained of an uneven playing field due to lack of resources. The law provides for an independent judiciary; however, the judiciary suffers from corruption, inefficiency, and executive influence. The judiciary remains understaffed, though the government took steps in 2006 to address judicial inefficiency and corruption by increasing the budget of the judicial branch. In 2006, President Kikwete named a new head of the Prevention of Corruption Bureau, an agency under the President's Office, and replaced the Director of Public Prosecutions. However, few high-level corruption cases went to trial in 2006. In May 2006, the government signed a two-year, \$11 million MCC Threshold Program agreement to combat corruption and establish a Financial Intelligence Unit.

**Poverty Reduction:** Despite three straight years of steady economic growth, a sustainable external debt position, a positive 2006 balance of payments position, and inflows of donor assistance and debt relief under the Multilateral Debt Relief Initiative, inroads against poverty have been minimal. In 2005, Tanzania completed its Poverty Reduction Strategy Paper, which identified four key priority areas for poverty reduction: (i) education; (ii) water; (iii) roads; and (iv) energy. The government included in its MCC Compact proposal large infrastructure projects for water, roads and energy, which will potentially accelerate poverty reduction.

**Labor/Child Labor/Human Rights:** Implementation of labor laws passed in 2004 began in 2006 with the recruiting and training of more labor officers and inspectors. The law provides for collective bargaining in the private sector, and workers and employers practiced it freely during the year. On Zanzibar, the law prohibits all workers from striking, and workers may not join mainland unions. On the mainland, workers have the legal right to strike after complying with certain legal requirements. While the law allows workers to form and join unions without prior authorization, in practice, many in the private sector adopted anti-union policies or tactics that limited this right. Tanzania does not have a law to protect workers from anti-union discrimination. Tanzania has ratified all eight core ILO Conventions. The law prohibits forced or compulsory labor, and new

laws specifically prohibit forced labor by children and closed loopholes in the constitutional ban. Nevertheless, there continued to be reports that forced and compulsory labor by children occurred. Child labor is a problem, and the minimum employment age remains inconsistent with the age for completing educational requirements. Tanzania participates in the ILO's "Timebound Program to Eliminate the Worst Forms of Child Labor," which seeks to eliminate child labor in targeted sectors. There were reports of a number of continuing human rights problems in 2006, including use of excessive force against inmates or suspects, at times resulting in death of individuals in custody.

## TOGO

**Status:** Not eligible, largely for reasons related to political pluralism and rule of law.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Togo's economy has experienced a long period of stagnation that began in the early 1990's when political turmoil and human rights abuses by the government resulted in a cut-off of donor funding. This in turn led to a suspension of World Bank and IMF programs when the government could not service its debt to the World Bank. GDP has grown by only 1.2 percent annually over the past 15 years, versus an average of 4.8 percent for the rest of Africa. The government's privatization program has been erratic, with only one-third of more than 70 parastatals planned for sale. There is a relatively liberal investment code, but investors still face unofficial and official barriers. The World Bank ranked Togo 149 of 155 countries in its ease of doing business survey. Large-scale investment disputes are rare. Togo has a large informal sector, including an active market for pirated goods that the government has been slow to combat. Phosphate exports are the largest source of foreign exchange, while cotton, coffee, and cocoa are the major export crops. Lome's deep water port is an increasingly important regional commercial hub and engine for the economy. After meeting a number of interim targets, Togo entered into a Staff Monitored Program with the IMF in October 2006 to help support macro-economic stability and launch Togo on the path to HIPC debt relief.

**Political Pluralism/Rule of Law/Anti-Corruption:** President Faure Gnassingbe came to power in a flawed and turbulent transition culminating in presidential elections in April 2005 that were criticized by the international community and widely rejected by the opposition. Since taking office, President Gnassingbe has surprised critics by embracing a democratic reform process and engaging the opposition in a comprehensive agreement that contains a roadmap for an exit from Togo's long-standing political crisis. A national unity government headed by an opposition prime minister was appointed in September 2006 to pave the way for parliamentary elections in mid-2007. The 2007 legislative elections will be a key test of the government's commitment in the area of human rights as well as democratization. The new legislature that will emerge will be tasked with working with the president to reform undemocratic laws and institutions and improve governance. The judicial branch continues to be heavily influenced by the executive. Prior to the formation of the unity government, the government and donors launched a judicial modernization program. An anti-corruption commission was established in 2001

but has been largely inactive and ineffective. As part of its efforts to re-engage with the international financial institutions and to improve its revenue procedures, the government appointed new customs and tax directors in 2006. The tax service has initiated a campaign to ensure compliance by taxpayers and extract unpaid balances from prominent customers that has wider implications for the government's anti-corruption efforts.

**Poverty Reduction:** Political and economic difficulties continue to hamper poverty reduction efforts. Most donors suspended significant development assistance in response to human right abuses and the stalled democratic transition of the 1990s. The EU has begun incrementally releasing development funds embargoed over the past 14 years. Corruption and inadequate public administration inhibit domestic and foreign investment, and key social indicators continue to decline. The government is unable to provide resources to sustain education, health and nutrition, sanitation, and other basic services, relying instead on international donors, mainly UN-affiliated agencies, to combat health problems such as HIV/AIDS, malaria, tuberculosis, and cholera. Water and electricity shortages, at times severe, have further hampered economic growth.

**Labor/Child Labor/Human Rights:** The new Labor Code, adopted in December 2006, strengthened the right to join unions and to strike. Collective bargaining by individual groups rarely occurs. Police and security forces may not organize, and health workers may not strike. Workers in Export Processing Zones are exempt from some provisions of the Labor Code, notably regulations on hiring and firing, and are subject to anti-union discrimination. Togo has ratified all eight core ILO Conventions. The amended Labor Code adopted in December 2006 specifically prohibits child labor. However, child labor is widespread, with many children working on family farms. Togo is reportedly a country of origin, transit, and destination for trafficking in persons, particularly women and children. The government adopted child anti-trafficking legislation in 2005 and is working to implement it. Togo is participating in an ILO-IPEC project to combat the trafficking of children for exploitative labor and a USDOL-funded educational initiative to promote education for victims of child trafficking and children at risk of being trafficked. The human rights situation in the country improved in Togo in 2006; however, serious human rights problems continued, including mistreatment of detainees; harsh prison conditions; arbitrary and secret arrests and detention; lengthy pretrial detention; restrictions on the press, restrictions on freedom of assembly and movement; and harassment of human rights workers.

## UGANDA

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

**AGOA Trade and Investment:** Uganda's 2006 exports under AGOA and its GSP provisions were valued at \$2.5 million, representing 11 percent of total Ugandan exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Uganda remains committed to liberalizing the economy, containing inflation and encouraging economic growth. The country maintains a liberal trade and foreign exchange regime,

promotes foreign investment and largely adheres to IMF/World Bank programs to fight poverty, maintain macroeconomic stability and restructure the economy. The government has privatized most of its public enterprises over the past few years, although nearly 30 remain in government hands. Uganda is attempting to diversify its agriculture-based economy, focusing on non-traditional, high-value items such as vanilla, processed fish, and cut flowers. The pace of economic growth has remained consistent over the last 14 years with annual GDP growth rates between 5-6 percent. Uganda is a Millennium Challenge Corporation (MCC) threshold country. Foreign investors may form wholly owned subsidiaries and may repatriate all profits. Foreign companies can enter into 99-year leases, but cannot own land freehold. Despite significant progress, Uganda's current economic growth is impeded by energy shortages, corruption, the toll of HIV/AIDS and other diseases, and a long-running conflict in northern Uganda. Uganda's entry into the East African Community Customs Union formally eliminated internal tariffs on most goods originating within East Africa and set common external tariff rates for goods originating outside East Africa, though tariffs on many finished products from outside the region, including many U.S. exports, were increased.

**Rule of Law/Political Pluralism/Anti-Corruption:** President Museveni was reelected in February 2006 with 59 percent of the vote. The major opposition candidate was subjected to politically-motivated detention and prosecution on a variety of charges. Several opposition parties are active in parliament. Outside of parliament, registered political parties operate on a regular basis, but those that have refused to register under current legislation face significant legal restrictions. The government is negotiating with the rebel Lord's Resistance Army (LRA) on an end to the 21-year old conflict in the north. Government forces pushed the LRA out of northern Uganda in 2005 and there were no attacks in Uganda in the second half of 2006. Hundreds of thousands of Internally Displaced Persons are now returning to or near their homes. Corruption remains a significant challenge and many senior officials lack the political will to effectively address the issue. Some of the major public tenders in the past year have resulted in multiple investigations for fraud, mismanagement, and abuse. In February 2007, the MCC board approved a two-year, \$10.4 million MCC Threshold Program for Uganda that focuses on tackling corruption, particularly by improving government procurement practices. Uganda's judiciary is generally well regarded but understaffed. Senior judges render independent decisions; however, there are significant inefficiencies, occasional corruption, and incompetence at lower levels. The government has taken steps to increase the number of judicial officers, improve judicial efficiency, and promote alternative methods of dispute resolution. With donor assistance, the GOU has set out a four-year program to reform the commercial justice system.

**Poverty Reduction:** The government has allocated significant resources to alleviate poverty and received large amounts of donor assistance for anti-poverty programs. Uganda's Poverty Eradication Action Plan focuses on primary education, health and sanitation, an improved transport system, and growth in the agricultural sector. The Strategic Export Program – a plan for modernization and enhanced competitiveness in the agriculture sector – has begun to bear fruit, though the majority of Ugandan farmers still grow subsistence crops. Uganda has developed a model program to combat HIV/AIDS.

**Labor/Child Labor/Human Rights:** Ugandans have the right to join worker associations or trade unions. In 2006, four labor reform laws were passed strengthening workers' rights. The new laws reduced the number of persons required to establish a union from 1,000 to 20, remove the requirement that at least 51 percent of employees join a union before management is required to engage in collective bargaining, and set new timeframes for union recognition, collective bargaining and strikes. The laws also raise the Industrial Court's status to that of High Court, making its decisions subject to appeal only by the Court of Appeal and the Supreme Court. Uganda has ratified all eight core ILO Conventions. Child labor is common, especially in the informal sector and the tea harvesting industry. The government is participating in programs funded by the ILO and USDOL to combat the worst forms of child labor and to rescue and rehabilitate child soldiers, especially in the north where the Lord's Resistance Army continues to abduct children into virtual slavery as guards, laborers, soldiers and sex slaves. The government took steps to improve human rights during the year. The Uganda People's Defense Forces continued to professionalize and demonstrated a marked improvement in respect for human rights. The government also improved conditions in the central prisons. However, the government's overall human rights record remained poor in 2006, and included reports of unlawful killings by security forces; disappearances; and torture and abuse of suspects. Other human rights concerns included arbitrary arrest, lengthy pretrial detention, and restrictions on the right to a fair trial.

## ZAMBIA

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

**AGOA Trade and Investment:** Zambia's 2006 exports under AGOA and its GSP provisions were valued at \$369,000, representing about one percent of total Zambian exports to the United States.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** Zambia has made significant progress toward macroeconomic stabilization. Real GDP has grown at an annual average rate of 5.5 percent over the past three years. The government's fiscal performance has also improved, reducing inflation to 8.2 percent in 2006. Zambia has qualified for substantial HIPC and G-8 debt relief programs. It also has been designated as eligible for an MCC Threshold Program. Zambia has liberalized markets and most prices are market-driven. Many trade barriers have been reduced and direct import and export subsidies have been removed, although the government still imposes import and export bans on key agricultural commodities and offers subsidized fertilizer to farmers. Zambia continues to work toward lower trade barriers, especially through the COMESA Free Trade Area. Most state-owned companies have been privatized; however, key industries such as power generation, telecommunications, and oil refining remain under government monopoly control. The 2007 budget helped set the stage for increased private sector investment by offering generous incentives to both local and foreign investors.

**Political Pluralism/Rule of Law/Anti-Corruption:** Zambia has held four free,

multiparty elections since 1991. International election observers agreed that the 2006 elections were generally free and fair. At the outset of his presidency in 2001, President Mwanawasa launched an anti-corruption campaign that has resulted in criminal charges against numerous past and current officials, including former President Chiluba. Trials in these cases are underway, and have resulted in two recent convictions, with more expected in 2007. The Zambian government is instituting programs to reduce the rampant levels of administrative corruption. Good governance reforms affecting the full range of Zambian government institutions are underway, including review of the constitution, Parliamentary reforms, elections, and public sector management. The constitution and law provide for an independent judiciary; however, the judicial system was hampered by inefficiency, corruption, and lack of resources. There are lengthy delays before trials. During the year the courts continued to act independently and at times made judgments and rulings critical of the government.

**Poverty Reduction:** In its implementation of economic reforms, the government has shown a consistent commitment to poverty reduction. In the 2007 budget and the recently-announced five-year National Development Plan, the government continued its emphasis on economic growth. It continues to implement its Poverty Reduction Strategy, seeking to diversify the economy and create jobs, with a growing focus on agriculture; but the strategy remains strongly infused with socialist entitlements that continue to hinder meaningful growth and impede the reduction of poverty. HIV/AIDS presents a major challenge to economic development and poverty reduction. The government is leading the response to the epidemic, depending on significant donor support in the health sector.

**Labor/Child Labor/Human Rights:** Unions remain a significant force in civil society and play a prominent role in public debate over political issues. Although workers' rights are legally protected, and an Industrial Relations Court adjudicates complaints, the law governing workers' rights of association and collective bargaining prescribe burdensome procedures. In addition, the enforcement of the labor law generally remains weak. Zambia has ratified all eight core ILO labor Conventions. The legal minimum age for employment is 18 or, with the consent of a parent or guardian, a child may be employed at the age of 16. In practice, however, children under 16 work in agriculture, domestic service, transportation, and in the hospitality industry. Children are also exploited in prostitution and trafficked for commercial sexual exploitation. The government has taken several steps to address Zambia's child labor problem, including supporting several U.S. DOL-funded programs that aim to eliminate the worst forms of child labor in the country. The government's human rights record remained poor in 2006. There were improvements in a few areas, and civilian authorities generally maintained effective control of the security forces. Reported human rights problems included: unlawful killings; torture and mistreatment of detainees; harsh prison conditions; arbitrary arrests and prolonged detention; and intimidation of journalists.

## ZIMBABWE

**Status:** Not eligible, largely for reasons related to political pluralism, economic reform, corruption, rule of law, and human rights.

**Market Economy/Economic Reform/Elimination of Trade Barriers:** The government pays lip service to Marxist economic principles, but has increasingly used ideology to mask growing official corruption. Zimbabwe has become a forbidding place to invest for foreigners and Zimbabweans. Private sector confidence has collapsed as property rights have been seriously eroded and the rule of law ignored. The government's disastrous fiscal and monetary policies have also contributed to the country's economic collapse. The IMF estimates the government's budget deficit at more than 50 percent of GDP, and predicted that inflation would hit 4000 percent by the end of 2007. The Central Bank's decision to fix the exchange rate despite the country's hyperinflation has undermined what is left of the country's export sector and caused foreign exchange scarcity, fueling a parallel foreign exchange market. Zimbabwe's IMF voting rights remain suspended and the government has shown no political will to implement the comprehensive package of macroeconomic policies and structural reforms required for their restoration and to regain eligibility for IMF lending. The country has stopped servicing its large external debt and is falling further into arrears.

**Political Pluralism/Rule of Law/Anti-Corruption:** The government, dominated by President Robert Mugabe and the ruling ZANU-PF party since independence, has resorted to brute force to perpetuate its rule. The opposition and civil society operate in an environment of state-sponsored intimidation and violence. In March 2007 the government banned all rallies and demonstrations. The government used deadly force to break up an opposition gathering, subsequently arresting 50 opposition leaders, who were then beaten while in custody. Recent elections have been stolen by the government and the ruling ZANU-PF party, which controls the electoral machinery. International observers deemed the March 2005 parliamentary election neither free nor fair. The ruling party now controls enough seats to change the country's constitution at will. Despite announcing plans to leave office in 2008, Mugabe and his loyalists proposed amending the constitution to extend his current term until 2010. When opposition to that proposal mounted within the party, Mugabe declared his intention to run for another full term in the 2008 election and was subsequently confirmed as the ZANU-PF candidate. The government and ruling party have closed independent news media. Government efforts to influence and intimidate the judiciary have seriously eroded independence and undermined the rule of law. Senior government officials and police have willfully defied court orders that are not politically acceptable to the ruling party. Corruption in government is endemic. The government has redistributed expropriated commercial farms to the ruling party elite and granted them privileged access to foreign exchange and fuel. The government-appointed Anti-Corruption Commission includes no members from civil society or the private sector and it has yet to register any notable accomplishments. The government prosecutes individuals selectively, focusing on those who have fallen out of favor with the ruling party and ignoring transgressions by favored elite. Lengthy pretrial detention is also a problem.

**Poverty Reduction:** The government maintains several programs that ostensibly provide food or basic services to the poor. However, the programs are grossly under-funded and their implementation is often influenced by politics, with areas represented by the

opposition disadvantaged. Moreover, the government's economic policies have caused most Zimbabweans to grow progressively poorer. Human development indicators that were once among the best in sub-Saharan Africa have deteriorated sharply. Zimbabweans now have the world's lowest life expectancy and face acute food shortages this year.

**Labor/Child Labor/Human Rights:** The government lacks the commitment and resources necessary to enforce labor standards effectively. It frequently uses repressive laws and intimidation to limit workers' right to organize and hold labor union meetings. The government has stepped-up harassment of the Zimbabwe Congress of Trade Unions (ZCTU) and its leadership. In September 2006, police arrested and severely beat several senior leaders of ZCTU for their role in planning a peaceful demonstration. The government has taken steps to marginalize the traditional unions and the formal labor dispute resolution mechanism. There have been attempts to supplant legitimate labor leaders with hand-picked supporters. Zimbabwe has ratified all eight core ILO Conventions. The government's commitment to children's rights and welfare remains weak. Children work in agriculture, street vending, and as domestic servants. There are reports that an increasing number of girls are involved in prostitution, especially in border towns. Primary education is compulsory; however, it is not free, and an increasing number of Zimbabwean children have fallen out of the education system. The government continues to evict citizens forcibly and to demolish homes; and it uses repressive laws to suppress freedom of speech, press, assembly, movement, and association. Security forces arbitrarily arrested and detained journalists, demonstrators, and religious leaders and reportedly tortured members of the opposition, union leaders, and civil society activists. There were also reports of unlawful killings and politically motivated kidnappings.

## **X. Annexes**

### **A. AGOA-Eligible Countries**

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

\* - qualified for textile and apparel benefits

## **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)).

## **C. Country Memberships in Major Regional Organizations**

- (i) **African Union (AU) Members:** All 53 countries in Africa except for Morocco.
- (ii) **Central African Economic and Monetary Community (CEMAC) Members:** Cameroon, Central African Republic, Chad, Republic of the Congo (ROC), Equatorial Guinea, and Gabon.
- (iii) **Common Market for Eastern and Southern Africa (COMESA) Members:** Angola, Burundi, Comoros, Democratic Republic of the Congo (DRC), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.
- (iv) **East African Community (EAC) Members:** Kenya, Tanzania, and Uganda.
- (v) **Economic Community of Central African States (ECCAS) Members:** Angola, Burundi, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, São Tomé and Príncipe.
- (vi) **Economic Community of West African States (ECOWAS) Members:** Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.
- (vii) **West African Economic and Monetary Union (WAEMU) Members:** Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
- (viii) **Southern African Development Community (SADC) Members:** Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.
- (ix) **Southern African Customs Union (SACU) Members:** Botswana, Lesotho, Namibia, South Africa, and Swaziland.

#### **D. List of Frequently Used Acronyms**

ADF.....	African Development Foundation
AGOA.....	African Growth and Opportunity Act
APHIS.....	U.S. Animal and Plant Health Inspection Service
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
DOE.....	U.S. Department of Energy
DOL.....	U.S. Department of Labor
DOT.....	U.S. Department of Transportation
DRC.....	Democratic Republic of the Congo
EAC.....	East African Community
ECCAS.....	Economic Community of Central African States
ECOWAS.....	Economic Community of West African States
EPA.....	Environmental Protection Agency
EPZ.....	Export Processing Zone
EU.....	European Union
Ex-Im Bank.....	Export-Import Bank of the United States
FAA.....	Federal Aviation Administration
FCC.....	Federal Communications Commission
FDI.....	Foreign Direct Investment
FTA.....	Free Trade Agreement
FY.....	Fiscal Year
GDP.....	Gross Domestic Product
GSP.....	Generalized System of Preferences
HIPC.....	Heavily Indebted Poor Countries Initiative
IDA.....	International Development Association
IEHA.....	Initiative to End Hunger in Africa
IF.....	Integrated Framework
IFI.....	International Financial Institutions
ILO.....	International Labor Organization
IMF.....	International Monetary Fund
IP.....	Intellectual Property
IPEC.....	International Program on the Elimination of Child Labor
LDC.....	Least-developed Country
MCA.....	Millennium Challenge Account
MCC.....	Millennium Challenge Corporation
NEPAD.....	New Partnership for Africa's Development
NGO.....	Non-Governmental Organization
OPIC.....	Overseas Private Investment Corporation
PRA.....	Pest Risk Assessment
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.....	Stand-By Arrangement
SBA.....	Small Business Administration
SME.....	Square Meter Equivalent
SME.....	Small- and Medium-sized Enterprise
SPS.....	Sanitary and Phytosanitary
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