

TITLE

CAN THE AFRICAN GROWTH AND OPPORTUNITY ACT
(AGOA)
INITIATIVE BETWEEN THE USA AND ELIGIBLE SUB-
SAHARAN AFRICAN COUNTRIES BE CONSIDERED A
SUCCESS?

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A DISSERTATION

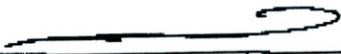
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This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

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DISSERTATION PRECIS

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PRECIS

(104 words)

The African Growth and Opportunity Act (AGOA) is a US initiative, supposed to be a vehicle for growth for Sub Saharan African (SSA) countries through trade. This program has been implemented for the past 5 years. The debate is whether this initiative will result in higher economic growth for eligible SSA countries. The program was from a US perspective. The author considers the issue from not only the SSA perspective but also takes a look at economic success stories in other regions and argues for a model encouraging export oriented direct investment in order to ensure the success of AGOA as a tool for economic growth.

PREFACE

Sub-Saharan African (SSA) economies continue to lag behind those of other countries the world over. Different strategies have been used before to assist individual African countries but the problem of poverty still persists. This is so despite the abundance of natural resources in a number of these countries. A lot of the countries' economies have been very insular, and protective in their economic outlook. Economic growth remains stunted. This has been aggravated by governments that are in a number of cases undemocratic and have no focus on economic policies that promote economic growth. There is little trade interaction with other countries of the world. At times it has been due to the lack of international trade experience exposure.

To improve their own situation, SSA countries can emulate and copy countries like India, China and the South East Asian countries which decades ago suffered a high level of poverty and have now reduced their poverty levels.

The US government sought to address the Sub-Saharan economic problems by using the African Growth and Opportunity Act (AGOA) as a vehicle for economic growth and

to encourage democratic institutions in these countries. AGOA has been in existence for nearly five years. It is time to ask whether this strategy has been a success. It is also important to review and reassess whether there are additional considerations that need to be made by the US and the SSA countries, if initiative objectives are to be realized. It is my observation that there has been some limited success of AGOA.

It is my conviction that there is need to have a blended approach that encompasses not only the opening up of international trade but additional tools in the form of direct foreign investment that is outward oriented. SSA exporters are not all familiar with the requirements of the US market. There are, however, international companies from the US and other countries with ready markets and with international marketing experience, which would enable the full realization of AGOA benefits within a relatively shorter time frame. This has worked in the case of most South East Asian countries, India and to some extent China. Why should it not work for Africa? Of course the underlying assumption is that there will be political will and discipline among the SSA countries as well as a

willingness on the part of the US to promote direct foreign investment to complement AGOA.

My special thanks go to the countries that responded to my questionnaire and gave valuable information to make this report a success. My sincere gratitude goes to Finn Holm-Olsen, Region AGOA Advisor, East & Central Global Competitive HUB and Jed Diemond, Department of Commerce's Office of Africa, Washington DC. who provided me with sources and links of information on AGOA. Many thanks to Marc Salence, my supervisor, who provided guidance. My husband Gedion was extremely supportive throughout the period of research. His encouragement is greatly appreciated. May the good Lord bless him.

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CHAPTER ONE

INTRODUCTION

What Is AGOA?

The African Growth and Opportunity Act (AGOA) was signed into law by former United States of America (US) president Bill Clinton on May 18 2000 and initially intended to cover an 8-year period from 01 October 2000 to September 2008. AGOA establishes a new framework for US trade investment and development policy for Sub-Saharan Africa (SSA), which aims to broaden and deepen US relations with the eligible countries. The US administration strategy is to expand free markets, trade and economic growth in SSA countries by helping to create healthy stable economies, stronger and more democratic governments in Africa. The stated aim of AGOA lies in providing African countries with tangible incentives to continue liberalizing their economies and building free markets. The focus is on trade rather than aid. (Trade and Development of 2000 (the "Act"), Public Law 106-200, 114 Statute 251).

The performance of the SSA economies is lagging behind that of East Asia and Latin America, except in the area of inflation. The most constraining factors to the SSA economies are lack of policy credibility and political instability. These factors are associated with policy reversals, political and social upheavals, weak or non-existent market institutions, and widespread corruption.

Consequently, the cost of doing business in SSA is high, leading to capital flight as well as discouraging foreign

investment capital. The situation in many SSA countries has been further exacerbated by the more recent problem of foreign debt burden. The SSA trade performance has been typified by weak export growth, declining trade shares in the global market and low foreign investment levels.

Given the high reliance on agriculture, SSA countries are very susceptible to natural shocks, such as droughts and floods, which can have adverse effect on the economy. The absence of information and the prevalence of ignorance and misperceptions, make SSA countries susceptible to sudden shifts in market perceptions and they are very exposed to consequent effects.

There have been fears that Africa will continue to be "marginalized" in the process of global integration and formation of a new international order. The weak foundation of many SSA economies can be more vividly shown in the structure of their exports and in their mode of international linkages.

The United States aim to assist in reversing these trends through AGOA, which avails preferential access to US markets for eligible products from designated SSA countries as well as improve access to US credit and technical expertise. Such an opportunity is assumed to bring in economic efficiency and raise incomes, and also help to reinforce domestic reforms, which may lead to greater stability and peace in SSA.

AGOA builds on existing US trade programs and expands the benefits previously available under Generalized System of

Preferences (GSP) program. The expanded GSP benefits consist of an additional 1800 tariff line items beyond the approximately 4600 items that are currently part of the existing GSP. While the eligibility criteria for the GSP and AGOA substantially overlap, GSP eligibility does not imply AGOA eligibility.

AGOA is also encouraging US-African cooperation in the World Trade Organization (WTO), supporting efforts to extend and expand on trade liberalization across the globe. Working together in the WTO, the US AND SSA countries are increasingly recognizing the commonality of their interests in crucial areas such as agriculture, market access for consumer and industrial products, and trade in services.

The act encourages interregional trade among the African countries by allowing cumulation among AGOA beneficiaries. That is AGOA beneficiary countries may include inputs from other AGOA eligible countries in meeting the GSP requirement of 35% value added. Further the act facilitates economic dialogue between African government officials and US.

AGOA Eligibility

The AGOA refers specifically to the 48 countries that make up Sub-Saharan Africa. However, the Act provides for the US president to designate which of the SSA countries qualifies for the benefits under the Act. The requirements of the Act are set forth in section 104 of the Act. The following criteria or tangible progress in establishing such criteria has been used to determine eligibility:

- A market based economy with guaranteed right of private property.
- Economic policies to reduce poverty and increase health care and education.
- Respect for international human rights, rule of law and political pluralism.
- Respect for internationally recognized worker rights.
- Elimination of certain practices of child labour.
- A system to combat corruption and bribery.
- Elimination of barriers to US trade and investment.
- "National Treatment" of foreign corporations.
- Stringent intellectual property rights.
- Refrain from activities that undermine US national security.

However, the Act makes no provision for independent dispute settlement where opinions in these matters differ.

The US is the sole judge as to whether these eligibility criteria have been met or not.

The following countries are eligible for AGOA benefits:

Angola, Benin, Botswana, Cameroon, Cape Verde, Chad, Republic of Congo, Côte d'Ivoire (up to end of 2004), Democratic Republic of Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda and Zambia.

Highlights of AGOA provisions

Apparel Provision gives SSA countries that are already eligible for AGOA duty-free and quota-free access to the US for items made with US fabric, yarn, and thread. In order to be eligible for the apparel provision, SSA countries must be qualified for the General System of Preferences (GSP) and they must have effective visa systems to ensure that illegal transshipment will not occur. In addition, they must have instituted enforcement and verification procedures for customs controls. The apparel provision was extended to September 30, 2007.

Special Rule for Lesser Developed Beneficiary Countries is an additional clause, which allowed countries whose GNP is under \$1,500 per capita to gain duty-free and quota-free access for apparel (no matter the origin of the thread) until September 30, 2007.

Forums

Section 105 of the AGOA legislation requires the US President to establish a US - African Trade and Economic

Forum. The act requires the President to direct the Secretaries of Commerce, State, Treasury, and the United States Trade Representative to host the annual meeting with their counterparts from SSA beneficiary countries. The forum discusses expanding trade and investment relations between US and eligible SSA countries, and implementation of AGOA Act. Discussions further encourage joint ventures between large and small businesses. Civil society organizations are encouraged by the Act to host a meeting with their counterparts in SSA in conjunction with Forum meetings. The importance of these forums accord experts an opportunity to meet and share practical experiences and learn how to avoid pitfalls.

The first AGOA Forum took place in Washington DC October 29-30 2001. The second Forum was held in Mauritius from January 15 to 17 2003, and the third Forum was hosted in Washington DC December 9-10 2003. Two additional forums - one for business and the other for non-governmental organizations (NGOs) were convened separately but in parallel with the government-to-government US-SAA Trade and Economic Cooperation forum.

Regional Hubs

There are three AGOA USAID financed centers in SSA, called Regional Hubs, namely West Africa Trade Hub (WATH) with head office in Accra Ghana, East and Central Africa Trade Hub (ECATH), with head Office in Nairobi Kenya and Southern Africa Trade Hub (SATH) with head office in Gaborone, Botswana, They are established to enhance SSA trade competitiveness in their respective geographic areas.

The regional hubs work as a central point where US government agencies, bilateral and multilateral donors can access information on donor funded trade enhancement, investment and business development activities. They work with their strategic partners to ensure that stakeholders in the region benefit from trade agreements, develop business linkages with international traders and investors, expand competitive export clusters, and understand the international and regional trading environment.

The objectives and goals of each hub are related, but different.

The East and Central Africa Trade Hub (ECATH) has three main areas of focus.

- It strengthens the capacity of African governments to formulate and implement trade policies that create a supportive business environment for African exports.
- It develops strategies to support private sector businesses and thereby increase AGOA trade.
- The hub works to improve the efficiency and reduce the cost of trade-related transportation in the region.

The Southern Africa Trade Hub (SATH) works to:

- Enhance southern Africa's competitiveness in global markets

- Build trade capacity
- Develop AGOA export business
- Facilitate customs and trade capabilities
- Enhance transport corridor efficiency
- Put in place sanitary and phytosanitary measures (SPS)-- to guarantee food safety standards for agricultural trade
- Improve governments' macroeconomic performance
- Promote competition and private investment in infrastructure.

The West Africa Trade Hub (WATH) focuses on areas that will enhance the potential of West African producers to sell to the US market, thereby permitting the region to take greater advantage of the increased trading opportunities provided through AGOA. The main component activities of WATH are:

- AGOA Business Development
- AGOA Support Services
- Trade Capacity Building

- Information Dissemination, Monitoring and Evaluation.

Modification of ACT (AGOA 111)

By modifying certain provisions of the African Growth and Opportunity Act (AGOA), the AGOA Acceleration Act of 2004 (AGOA III, signed by President Bush on July 12, 2004) extends preferential access for imports from beneficiary Sub Saharan African countries until September 30, 2015; extends third country fabric provision for three years, from September 2004 until September 2007; and provides additional Congressional guidance to the Administration on how to administer the textile provisions of the bill.

AGOA 111 extends AGOA, which gives USA business the certainty they need to consistently include Africa in their global sourcing strategies. It permits the emerging apparel sector in Africa's poorest countries to keep using competitive inputs to access the US Market, while encouraging investment in expanded African textile production.

The Act also includes technical assistance provisions to assist African companies to comply with US agricultural standards. This support is vital towards spreading the benefits of AGOA throughout the continent since agriculture represents the largest employment sector for most African economies.

In summary AGOA III aims to bring the following benefits to SSA countries.

1. Increase agricultural productivity and rural development in the region, including increased technical assistance and capacity building.
2. Encourage investments in infrastructure i.e. roads, railways and ports to facilitate the movement of goods within countries and across borders.
3. Promote increased US investment that is mutually beneficial.
4. Extend the "third country fabric" provision thereby saving tens of thousands of jobs.
5. Facilitate ongoing dialogue between the United States and African governments.
6. Encourage expansion of information and communication technologies.

United States Agency for International Aid (USAID)

In Africa, USAID is responding to the challenge of trade and investment and supporting AGOA through several major programs, particularly the Trade for African Development and Enterprise (TRADE) Initiative.

TRADE is a five-year initiative that promotes US-African business linkages and business development, expands the role of trade in poverty reduction strategies, and builds African capacities for more sophisticated trade analysis. It also leads to improvements in the provision of public services supporting trade (such as customs procedures), strengthens the enabling environment for African business,

and enables African business to take even better advantage of opportunities under AGOA.

TRADE operates primarily through three regional hubs located in Ghana, Botswana, and Kenya. USAID works collaboratively with other US agencies such as the Department of Commerce, the Office of the US Trade Representative, the Department of Agriculture, and the Trade and Development Agency in designing and implementing the programs funded by the hubs.

MAIN HYPOTHESIS

Several development theories have been proposed to help address the development dilemma that many countries in Africa have faced since they attained their political independence. Examples of the theories developed and prescribed for Africa include: modernization, dependency, post modernization, post structuralism and neo-liberal theories.

The proponents of modernization theory include scholars such as, Walter Rostow, W.A. Lewis, Talcott Parsons and Daniel Lerner. According to the modernization theory, a transformation process could solve problems of development facing the newly independent states in Africa among other countries from the developing world. "Modernization makes the claim that Western capitalist values and practices are a basis for modernizing third world countries and helping

them become self-sustaining." (Sorensen, 2001)¹ The theory advocated for the transition of the African countries from tradition to modern societies. Its advocates argue that developing countries' low level of development could be explained in terms of traditional characteristics such as low level of labour, low level of production, and reliability on subsistence agriculture.

According to modernization theory, the main reasons for the underdevelopment of African countries were explained in terms of internal factors, such as African traditions or in the lack of sufficient capital investment resources (Chambua, 1994).² In addition, the proponents of this theory assumed that a linear process existed whereby developing countries in Africa were assumed to progressively become industrialized. This will lead to direct transformation of western values and traditions in Africa. In addition, foreign aid was recommended as a means to provide the financial capital required for investment. When individual choice is lacking especially from the African people, then all planned development is most likely to fail.

The dependency theory on the other hand argued that developing countries are underdeveloped due to structural linkages with the west. The main proponents of the dependency theory include scholars such as Samir Amin, Raul Prebisch, Gunder Frank, Walter Rodney and Fernando Cardoso. According to the theory, the relationship between the

¹ Sorensen L (2001) Modernization and the Third World. Retrieved from [http:// the imperfect planet tripod.com/sorensenportfolio/id10.html](http://theimperfectplanet.tripod.com/sorensenportfolio/id10.html).

² Chambua, S.E. (1994). The Development debates and crisis of development theories. The case of Tanzania with special emphasis on peasants, State and capital, *African Perspectives on Development* (pp37-50) London. James Currey Ltd.

developing countries and developed countries has been that of exploitation. The developed countries exploited the raw materials of the developing countries, making supernormal profits on the manufactured goods produced from those raw materials, while developing countries made very low profits on materials exported. According to the proponents of the dependency theory, for countries from the developing countries to develop, they have to de-link themselves from the international capitalist system. (Samir 1972).³

Given the shortcomings of both theories, the current thinking has moved away from global explanations, with the exception of neo-liberalist trade paradigms. Theories such as postmodernism and post structuralism have been advanced. Postmodernism has been explained in terms of keeping with the idea of (post) which means after modernity. It refers to the incipient or actual dissolution of these social forms associated with modernity. (Sarup, 1993).⁴ In most African countries, development policies and programs have been largely formed by modernization theory, which is supported by the import substitution policies and reliance on foreign aid.

As a result of unimpressive performance of these development strategies, neo-liberal trade theory seeks to bring about economic development in Sub-Saharan Africa through trade, deregulation of capital markets, and less

³ Samir A (1972) "Underdevelopment and Dependence in Black Africa. Origins and contemporary Forms" *Journal of Modern African Studies* P503-524

⁴ Sarup 1993 *An Introductory Guide to Post Structuralism and Postmodernism*, Chapter 6. Atlanta: University of Georgia Press

state involvement in socio-economic affairs rather than through aid. (Chambua,1994).²

Today, a new development deal for Africa is being promoted. Trade liberalization, is a process of systematically reducing and eventually eliminating tariff and non-tariff barriers between countries as trading partners. Liberalization policies aim at creating a level playing field on which economies at different levels of development can fairly compete. Its main foundation is the economic theory of the invisible hand of the free market enterprise and notion that unrestrained markets will lead to efficiency in the production and distribution of goods and services between African countries and the rest of the world.

Trade liberalization is based on the neo-liberal idea, that successful development can only be achieved by adopting the policy of openness to global capital and competitive forces and closer integration with the global economy (World Bank, 1994).⁵ While this sounds quite plausible in theory, in practice it has proved difficult. This can only work if there is fairness in international trade between developing and developed countries. (UNDP Report 2002)⁶

This report further questions why world markets have not benefited the poor nations. Two main reasons are given for that phenomenon, "where world trade is completely free and open as in financial markets, it generally works to the

⁵ World Bank (1994) Adjustment in Africa: Reforms, Results and Road Ahead. Washington DC, The World Bank.

benefit of the strongest. It has been observed that developing countries enter markets as unequal partners and leave with unequal rewards." (UNDP Report 2002)⁶ The second reason given for the world income disparities is that in areas where developing countries have a competitive advantage, such as labour intensive manufacturing or trade in precious minerals such as diamonds, gold, platinum and crude oil, the market rules are changed to prevent free and open competition. The developing country is therefore at the mercy of the developed.

When considering the strategies to promote development in Africa, there exists a dichotomy between outside driven initiatives and internal driven programs. The focus of this dissertation paper is to examine effectiveness of trade liberalization through AGOA in promoting development in Sub Saharan Africa.

The AGOA initiative has been put forward as a vehicle for growth of trade and the economies of SSA countries. This paper seeks to demonstrate whether this goal is being successfully achieved or whether there is a need to further broaden its provisions for the goals to be achieved.

⁶ UNDP (2002) Human Development Report New York, Oxford University Press.

CHAPTER TWO

REVIEW OF LITERATURE

Globalization has been blamed for everything from child labour, environmental degradation to the impoverishment of the developing nations. The critics of globalization range from protectionists in the developed countries who have concerns about effects of global trade on jobs and the environment. The second category is leaders of developing countries who argue that developing countries risk from being marginalized by economic trends towards globalization. They see globalization as a strategy by developed countries to marginalize the developing countries through trade barriers in the form of subsidies given to their local companies at the expense of exports from developing countries.

On the other hand, it is argued that free trade is associated with higher growth and that higher growth is associated with reduced poverty. Jagdish Bhagwati in his book - 'In Defense of Globalization', concludes that growth reduces poverty and he focuses on two countries, India, and China to drive home his point. India and China have the largest pool of world poverty. Both countries shifted to outward orientation of their economies in the 70s. This move contributed to their higher growth in the 1980s and 1990s.

According to World Bank estimates, gross domestic product grew at an average rate of 10% in China and 6% in India

during the two decades ending in 2000.⁷ Today China's challenge is actually to harness the rate of growth as it is considered to be in high gear. According to the Asian Development Bank, the ratio of India's population living below the national poverty line fell from an estimated 28% in 1978 to 9% in 1998 in China.⁸ Official Indian estimates report that India's population living below the national poverty line fell from 51% in 1977-1978 to 26% in 1999-2000.⁹ Whilst Asia's poverty was declining, Africa's poverty was increasing.

It is said that poverty increased dramatically in Africa because African countries did not grow and the question posed by economists is how to make Africa grow. Africa needs to learn from the Asian experience by creating a conducive environment for foreign direct investment.

Outward oriented economies combined with direct foreign investment in those economies tend to promote growth. It was previously presumed that inward looking policies would be welfare enhancing but studies showed the opposite. Bhagwati asks question, "Why?" Briefly he gives the following answers:

1. The outward oriented economies were better able to gain from trade.

⁷ World Bank (2000), India-Policies to Reduce Poverty and Accelerate sustainable Development, Report 19271, Washington D.C., World Bank

⁸ Asian Development Bank (2002) Asian Development Outlook, Manila

⁹ Deaton, Angus (2001), "Adjusted Indian Poverty Estimates for 1999-2000", Department of Economics, Princeton University (mimeo)

2. Economists today appreciate that there are scale economies in production that can be exploited when trade expands markets. He gives the examples of Kenya, Uganda, and Tanzania who after protecting themselves with high tariffs against imports in the 1960s, decided to form the East African Common Market in the 1970s so that they could specialize among themselves and each could produce a lower cost for the larger combined market.

3. There are gains from increased competition. Restriction of trade often is the chief cause of domestic monopolies. Free trade promotes competition. Bhagwati highlights this point by giving the example of Indian cars before trade was opened up. Their quality was extremely poor. But today India is producing high quality vehicles as a result of competition.

4. Countries with an outward orientation normally use strategies that stabilize inflation.

5. Direct foreign investment thrives in the absence of trade restrictions in outward oriented economies.

The investment rate in the Far East was exceptionally productive because it was focused on export earnings. Investment was in capital equipment with advanced and productive technology. In many cases these companies had ready markets. It therefore became easier to market their products and hence increase export earnings for the host country.

George S. YIP commenting on Thailand in his book 'Asia Advantage - Key Strategies for Winning in the Asia Pacific Region', says because of the country's import substitution policy during the 1960s and 1970s, the region concentrated on production for the protected domestic market. A shift in government emphasis from import substitution toward an export orientation and changes in the Board Of Investment promotional criteria in 1983 to compliment the new government policy, led to a higher inflow of export-oriented foreign investment. Between 1980 and 1988, direct foreign investment more than tripled. By the end of 1994 net inflows of foreign direct investment in Thailand were US 1 Billion dollars. These inflows have shifted more to the production of labour-intensive products for export to Northeast Asia, United States, and Europe. The sectors that have benefited from foreign investment in terms of value are food, textiles, metals, electrical appliances, and construction.

Foreign direct investment has benefited most of the so-called Southeast Asian Tigers. Of-course the different countries used different strategies to promote foreign direct investment. Whilst countries like Thailand, Malaysia

and Singapore depended heavily on foreign multinationals for capital and new technology, the South Korean government preferred the channel of borrowing from international banks and foreign government institutions. For technology transfer South Korea utilized the market mechanism of technology licensing mainly from United States and Japan. This enabled South Korean companies to be more dominant in its economy in comparison to the multinational companies.

Whatever strategy each Southeast Asian country has used to attract foreign investment, there has been a deliberate focus on export oriented investment. Malaysia has become the world third largest producer and exporter of electronic products and component parts behind only United States and Japan. This industry is now Malaysia's largest in terms of sales.

It can be argued based on the experience of the Southeast Asian Tigers that foreign direct investment directed towards export oriented products has an overwhelming impact on the growth of developing countries. The easing of trade conditions alone is not adequate to ensure growth of developing economies. A lot of lessons can be learnt from the experiences of Southeast Asia. Many multinational companies have ready markets in the US. Some of these

companies may be US based or from Europe or Asia. Many African countries have taken considerable strides in human resource development. In addition, given the vast resources the continent has in terms of strategic minerals, land, oil, and many others, there is still an opportunity to turn AGOA into a successful vehicle for growth.

On May 11 2004, the House Committee on international Relations subcommittee on Africa held hearings on AGOA. In his report, David Beckmann, the President of Bread for the World Institute contained what the opponents to AGOA say:

- AGOA is fundamentally flawed because it is based on questionable "trickle-down" economic theory and lacks an institutionalized role for civil society.
- Opponents argue that AGOA imposes stringent eligibility requirements in spite of the fact that nearly 80 percent of sub-Saharan African countries have already been granted AGOA eligibility status.

Other arguments offered against the legislation are:

- It offers African countries inherently unequal trading relationships with the United States, and parallels the World Trade Organization's (WTO) efforts to secure unlimited access in developing countries for lucrative banking and insurance interests in exchange for limited market access.

- AGOA provides multinational corporations with unhindered access to African markets, whereas fledgling African companies are not well equipped to take advantage of new opportunities offered by AGOA.
- The US Congress and US non-governmental organizations have been ineffective in implementing mechanisms to monitor AGOA.
- Africa's textile and apparel sector will never survive the onslaught from China, India and other Asian countries after the expiration of the WTO Agreement on Clothing and Textiles (ACT), eliminating worldwide apparel quotas in 2005.
- Without the parallel removal of domestic US agriculture subsidies and other trade distorting practices, AGOA will never be able to unleash the economic potential of the African agriculture sector.

According to the US government, AGOA is conducive to promoting economic relationships between African countries and US that are based on "shared values" and equal responsibilities.¹⁰ The goal is to enhance SSA economic growth by increasing trade with the US. Moreover, the US law advocates democracy and good governance as a requirement for AGOA eligibility.¹¹

¹⁰ <http://www.whitehouse.gov>

¹¹ <http://www.agoa/agoaforum>

Critics reply that AGOA neither impacts the macro-economies of SSA countries in a positive manner nor brings any meaningful change in the economic conditions of the workers. SSA governments question reliance on trade as the primary means for equitable or sustainable growth, especially when so many conditionalities define the trade.

Role of Trade in the Development Process

There are many factors that affect the development process in an economy. Trade, however, remains the main engine for growth and development. When a country is engaged in international trade, in-flows from exports enhance its wealth. The extent to which countries cease opportunities in the globalization process is never the less not an even game given their unequal economic capacities. Quite often due to structural handicaps, developing countries like those in the SSA region are at a disadvantage in their efforts to capitalize on the contribution of trade to the development process.

According to the Trade and Development Report, Geneva 15 Sep 2003, the process of adjustment and development in SSA is inevitably slow. A pragmatic rather than a dogmatic approach is required. The debate concerning the best ways of adapting adjustment programmes to the needs and realities of these countries need to remain open. However, participation of governments in the initiation and design of development programmes has so far been limited, and their commitment to and ownership of the programmes weak.

Trade Capacity Building for Development

Trade capacity building is critical for development. If developing countries are to realize the full benefits from international trade, market access, which is of critical importance to them must be accompanied by domestic policy reforms and capacity building strategies. Developing countries such as those in sub-Saharan Africa need to diversify and add value to their chains of production. Instead of exporting commodities they must endeavor to export processed items. They must raise quality standards, improve infrastructure, rationalize transportation systems and simplify customs procedures. Trade capacity building according to a broad definition provided by Organisation for Economic Co-operation and Development (OECD), enhances the ability of policy makers, enterprises and civil society in developing countries to:

- Collaborate in formulating and implementing a trade development strategy embedded in a broader national development strategy. This means establishing a trade policy process with broad stakeholder participation that can set agendas and identify clear objectives.
- Increase the volume and value added of exports, diversify export products and markets and increase foreign investment to generate jobs and exports. This involves strengthening trade policy institutions, as well as raising the potential of enterprises to seize trading opportunities as they emerge.

- Participate in and benefit from - the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce. This requires active participation in the WTO and other trade negotiation forums to promote the country's own trade interests.

A more complete approach to trade is necessary as individual measures focusing on overseas marketing or on trade reform alone are important, but not sufficient to strengthen a country's capacity to trade.

CHAPTER 3

METHODOLOGY

The dissertation is based on different instruments of research, which include the questionnaire (sample attached) and research on US government websites dealing with statistics of the different SSA countries as well as other websites dealing with international trade. As much as possible national data for purposes of comparison was used where and when such comparisons were necessary. The thrust for the research was to capture as much as possible the role played by both the country and US to promote trade between the two parties. The questionnaire also attempted to identify challenges faced and issues that can address sustainability and growth of exports in the different countries.

Telephone interviews were held with the following SSA trade representatives in US regarding items on the questionnaire: Angola, Benin, Botswana, Cameroon, Cape Verde, Chad, Republic of Congo, Côte d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Senegal, South Africa, Swaziland, Tanzania, Uganda and Zambia. Trade missions were chosen because the author of this dissertation resides in US. Dealing with trade missions in US was considered to be cost effective.

In drawing up the questionnaire certain aspects were considered essential to understand the AGOA operations of

the different countries. The countries covered range from those producing agricultural commodities to those producing consumer goods like foods and clothing. It was also necessary to find out if any US companies were investing in Africa as happened in Latin and Central America.

Policy makers at times are not aware of the challenges that are encountered by those responsible for their implementation. It was considered necessary to find out what the major challenges facing the SSA countries' exporters were. These may include US customs and documentation requirements; rule of origin on exports like textiles and market identification in light of the complexity and size of the US market.

In addition it was important to find out what product strategies i.e. adaptation or standardization was necessary.

In light of the tight US visa requirements, the questionnaire sought to find out the extent to which this is a challenge for the exporters who travel often for business to US.

Given the fact that most SSA economies are dependent on one or two major commodities each, trade missions were asked the extent they had gone in pursuing and promoting diversification in approaching the US market under AGOA. At the same time with the easing of US import quotas on textiles in 2005, exports of textiles to the US from SSA countries and other developing economies are under serious threat from countries like China and India. Even with no

tariffs on these exports into the US, Chinese products are likely to be brought into the US at a fraction of the cost to the SSA countries' products. One of the questions on the questionnaire asked whether SSA countries had strategies to face this challenge.

SSA countries need technical assistance to produce 'export ready goods.' Trade missions were asked if they had received any assistance from the US in the form of technical assistance to realize this goal. The questionnaire also asked whether US had implemented any capacity building initiatives through agencies like USAID.

As a complementary to AGOA, trade missions were asked whether they had any investment policies in place to encourage foreign direct investment in export oriented industries and whether AGOA had presented an opportunity to investors from other parts of the world to invest for re-export to the US.

Timely delivery of products to customers is essential particularly to maintain a competitive edge and maintain customer confidence. Yet the roads in most Sub Saharan African countries are in a sad state of repair.

Trade missions were asked the extent of the infrastructure support of the economic activity particularly the export activities. Where there has been increase in exports to the US, trade missions were asked what they had seen as the main drivers for the increase.

Timely communication between the exporters and the AGOA regional hubs is critical. The questionnaire asked how

effective this communication is and whether the exporters are availing themselves to the facilities and services of the regional hubs.

HIV/Aids has wrecked havoc in SSA. Aids has killed thousands of people and this has affected the productive age. The efforts to improve skills in African countries have been seriously undermined by the pandemic. The questionnaire asked SSA countries the extent Aids is perceived as a threat to the realization of the AGOA goals.

International marketing strategies may differ depending on whether the product is a consumer or industrial product. Industrial products normally lend themselves to a standardization strategy, as they are not usually affected by cultural differences as compared to consumer products. The questions asked was whether that held true for most of the products from the SSA countries.

Finally the questionnaire asked whether there has been a growth in GDP in the SSA countries since the implementation of AGOA.

COUNTRY ANALYSES

After examining trade data of all SSA economies, AGOA had substantially increased exports to the US from mainly the following SSA economies: Kenya, Lesotho, Mauritius, Malagasy Republic, Cote d'Ivoire, Nigeria, South Africa and Swaziland.

A detailed country economic analysis was carried out focusing on Mauritius, Uganda, South Africa and Gabon to review how AGOA initiative is being implemented in these specific countries. This is followed by a summary of the individual countries that are also trading with US under AGOA. Most of the data and statistics were taken from the World Fact book 2004 and the respective countries websites except where quotations are provided.

MAURITIUS

Since independence in 1968, Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of the period, annual growth has been in the order of 5% to 6%. This remarkable achievement has been reflected in:

1. More equitable income distribution, increased life expectancy.
2. Lowered infant mortality.
3. A much-improved infrastructure.

Sugar cane is grown on about 90% of the cultivated land area and accounts for 25% of export earnings. The government's development strategy centers on expanding local financial institutions and building a domestic information telecommunications industry.

According to data provided by the US International Trade Commission, the textile industry in Mauritius has benefited greatly from AGOA. However, this increase in exports has not benefited all equally; factory owners have begun relocating labour-intensive tasks to other countries, namely, the Malagasy Republic, while wages and employment have stagnated in Mauritius.

AGOA extended US GSP to Mauritius for eight years until 2008. Under AGOA, all apparel products manufactured in Mauritius, regardless of the country of origin of fabric, will qualify for quota-free access to the US. Furthermore, apparel made in Mauritius from thread produced locally, in the US, or in any other eligible African country, will be admitted duty-free into the US market.

Mauritius' labour laws and the Industrial Expansion Act of 1993 regulate labour in the EPZs. Labour is relatively well-paid and well-regulated in comparison to other Sub-Saharan African countries. A 45-hour workweek is standard, with up to 10 hours of compulsory overtime. Paid maternity leave and termination pay is standard. Bonuses and overtime in the textile industry add to the minimum wage to bring average wages to \$67-\$167/month (2,000-5,000 rupees/month), compared to \$60-\$70/month for the overwhelmingly non-unionized textile workers in Malagasy. However, jobs in the textile industry remain among the lowest paying jobs in Mauritius, and there is little opportunity for advancement.¹²

¹² Clean Clothes Campaign: Mauritius September 2002

Diversification

After several years of reliance on the sugar industry, Mauritius set out to diversify its economy at independence in 1968 by encouraging the establishment of export-oriented companies within its Export Processing Zones (EPZ). It has thus moved successfully from a narrowly based economy to a more diversified one, with manufacturing, tourism, and financial and other services playing prominent roles.

- Manufacturing is the largest sector in Mauritius and it contributes up to 23 percent to the country's gross domestic product (GDP).
- The transport, storage and communication sector contributes 14 percent, and the financial sector, 10 percent. Agriculture and tourism contribute six percent each to the GDP.
- The tourism sector is the third largest employer in the country after the manufacturing and transport sectors. This sector has grown as an important service sector and continues to be an important foreign exchange earner. Tourist arrivals have increased by 75 percent since 1994 giving an increase of more than 200 percent in tourism earnings over the same period.

Role Of Trade Policy In The Development Process

Trade facilitation remains a key component of trade policy in Mauritius. It is high on the list of trade policy

priorities. Mauritius is modernizing their trade rules and administrative methods to align them with the needs and exigencies of global trade.

AGOA has prompted six projects currently under development, of which four are Chinese and Indian investments in spinning mills, notably the Chinese-owned mill, Tianli Spinning.¹³ At the end of 2003, there were five spinning mills operating in Mauritius producing 40000 tons of cotton yarn for local and regional markets. AGOA has prompted investment in spinning mills, and, consequently, vertical integration of the textile industry in SSA.

Despite being a small island country, Mauritius has implemented effective trade policies for the promotion of exports and the support of various sectors of the economy. Mauritius has attracted more than 9000 offshore entities, many aimed at commerce in India and South Africa, and investment in the banking sector alone has reached over \$1 billion.

Mauritius, with its strong textile sector and responsible fiscal management, has been well poised to take advantage of the Africa Growth and Opportunity Act (AGOA). Although Mauritius remains a net importer of goods, it has increased its exports of textiles and apparel. Textiles and apparel have increased from 42 percent of total exports in 2002 to 50 percent in 2003 and another 50 percent in 2004.

¹³ Representative of Mauritius Board of Investment, USITC staff interview, Mauritius, Feb 24, 2003.

Indian and Chinese textile companies flocked to Mauritius after the Act. In the 1980s, the majority of EPZ production was from foreign-owned firms; today, exports are primarily from national firms. In 2000, there were 518 enterprises in Mauritius' EPZs, 251 (48%) of which were involved in the manufacture of garments. More than 65% of the manufacturing companies in Mauritius were locally owned as of 2000.¹⁴

Impact On GDP

Over the past five years since 2000, the country has recorded an average annual growth rate of 5.7 percent. In 2004, the Mauritius' economy grew by more than 5 percent, surpassing the average world forecast of 4.6 percent.

These developments have improved the welfare of the island's diverse population of about 1.2 million with an annual per capita GDP of almost US\$4000.

Mauritius' achievements have been underpinned by the strength of public institutions, good governance, respect for the rule of law, a stable democratic system and a transparent regulatory environment - elements that will continue to serve the country well as it confronts future economic challenges.¹⁵¹²

Mauritius has been in the forefront with regard to implementation of AGOA and serves as a beacon to many other SSA countries.

¹⁴ Clean Clothes Campaign: Mauritius September 2002

¹⁵ SARDC - Democracy Factfile - Mauritius: *The Official SADC Trade, Industry and Investment Review 2004*; and Website for the 2004 SADC Summit - www.sadcmauritius.mu

SOUTH AFRICA

South Africa is a middle-income, emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; a stock exchange that ranks among the 10 largest in the world; and a modern infrastructure supporting an efficient distribution of goods to major urban centres throughout the region.

However, growth has not been strong enough to:

1. Lower South Africa's high unemployment rate
2. Daunting economic problems remain from the apartheid era, especially poverty and lack of economic empowerment among the disadvantaged groups.
3. High crime.
4. HIV/AIDS infection rates, which deter investment.

Economic and Trade Policy

South African economic policy is fiscally conservative, but pragmatic, focusing on targeting inflation and liberalizing trade as means to increase job growth and household income.

The objects of South Africa trade policy is to actively:

- Increase foreign direct investment through targeting investors in particular, and in general enhancing government policies and processes that impact on SSA countries' investment attractiveness.
- Increase export of goods by increasing the number of exporters through specific export development programs and enhancing national supply chain processes so as to make selected export industries more competitive.

Economic Structure

South Africa has the most sophisticated free-market economy on the African continent. The country represents only 3% of the continent's surface area, yet it accounts for approximately 40% of all industrial output, 25% of gross domestic product (GDP), over half of generated electricity and 45% of mineral production in Africa. Most of South Africa's economic activity occurs in the four main metropolitan areas (which together represent about 3% of the total land area) namely the Witwatersrand area surrounding Johannesburg in the Gauteng Province, the Durban/Pinetown area in KwaZulu-Natal, the Cape Peninsula, and the Port Elizabeth/Uitenhage area in the Eastern Cape.

Imports, Exports and Free Trade Areas

Most of South Africa's exports to industrialized countries consist of primary and intermediate commodities. A large proportion of exports consists of unprocessed raw materials, with the mining industry contributing the

greatest proportion to the country's total exports. More of South Africa's raw materials are, however, now processed in South Africa before being exported.

Imports include mainly capital goods, certain raw materials, intermediate goods as well as sophisticated consumer goods.

South Africa maintains formal trade relations with most industrialized countries and trade with Africa, Latin America and Asia is growing. At a regional level, South Africa is a member of the Southern African Development Community (SADC) (along with Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe) which is committed to forming a free trade area. Africa's oldest trade grouping, the Southern African Customs Union, comprises South Africa, Botswana, Lesotho, Swaziland and Namibia.

Diversification

South Africa is a major exporter of gold, diamonds, platinum, wool, sugar, manganese and chrome ores, asbestos, atomic energy materials and base minerals such as coal, antimony, copper and iron ore. The country is also an exporter of deciduous and citrus fruit as well as animal hides and skins. Exports of chemicals, metal products, machinery, transport equipment and manufactured goods have increased, particularly to Africa, in recent years.

Trade with US

US exports to South Africa far exceed US exports to any other country from Sub-Saharan Africa (SSA), emphasizing the importance of access to the South African market. In terms of SSA exports to the United States, South Africa's exports rank second after those of Nigeria, with Gabon's exports being in third position. However, the latter two countries' AGOA exports consists virtually only of energy-related products (mostly oil), whereas South Africa's AGOA exports are highly diversified.

Under transportation equipment category, the export of motorcars has become one of the largest single product categories that are exported from South Africa to the US. A further product that has achieved wide export success (falling under minerals and metals category) is ferromanganese.

AGOA seems to have benefited the following sectors: agriculture, vehicle manufacturing, textiles and apparel. The agriculture sector increased exports of South African wines and canned fruit to United States.

The research indicates that most industries are using domestic resources within South Africa, except for the textile sector. In that sector, some companies, such as OTK, a South African agriculture service company, is contracting a cotton gin in Uganda to supply South African spinners with raw materials to fully exploit AGOA opportunities.

Although revitalization of the automotive sector has attracted major European investors, Western transnational corporations (TNCs) remain overwhelmingly interested in mineral exploitation.

There are about 900 United States firms doing business in South Africa, up from approximately 250 since the mid-1990s. The US is the largest foreign investor in South Africa since 1994. Under AGOA, new US companies are investing in the South African apparel sector, including Levi Strauss, Sara Lee, Victoria Secret, and Nordstrom.

In 2002, BMW SA invested R200 million to upgrade a plant, and has exported approximately 22000 units to the US under AGOA program. BMW is the largest local beneficiary under AGOA in South Africa.

DaimlerChrysler SA plans to invest in the ability to assemble left hand-drive cars at its East London plant. If the group's SA arm wins the contract, foreign investment to SA could total R2 billion for retooling requirements at the East London plant, with additional investment of up to R6 billion for supplier operations.¹⁶ Nissan SA hopes to begin exporting locally assembled bakkies to the global market.¹⁷

Regional Integration

On regional integration, AGOA does seem to increase possibilities for regional trade between South Africa with

¹⁶ Carli Lourens "SA Vies for a Bigger Slice of Daimler Chrysler Pie" Business Day-Johannesburg, May 26 2003.

¹⁷ John Fraser, "Nissan SA Eyes Global Market", Business Day-Johannesburg, Feb 6, 2003

other African countries. For instance, South African fabric exports to Mauritius have dramatically increased as a result of Mauritian clothing producers buying fabric in South Africa.

UGANDA

Uganda has substantial natural resources, including fertile soils, regular rainfall, and sizable mineral deposits of copper and cobalt. Agriculture is the most important sector of the economy, employing more than 80% of the work force. Coffee accounts for the bulk of export revenues. Since 1986, the government - with the support of foreign countries and international agencies - has acted to rehabilitate and stabilize the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages.

Trade Policy

Uganda continues to benefit from strong economic growth, declining poverty, low inflation, and rising per capita income. During a decade of privatization that has significantly benefited the economy, 74 businesses have been taken out of state hands and another 85 have been slated for privatization.

The policy changes are especially aimed at dampening inflation and boosting production and export earnings. During 1990-2001, the economy turned in a solid performance based on continued investment in the rehabilitation of

infrastructure, improved incentives for production and exports, reduced inflation, gradually improved domestic security, and the return of exiled Indian-Ugandan entrepreneurs.

Uganda is fairly open to foreign investment. Foreign investors may form 100 percent foreign-owned companies and majority or minority joint ventures with local investors with no restrictions. The government allows foreign investment in privatized industries, including the partially privatized telecommunications sector. Most barriers to foreign investment, such as corruption, an inefficient bureaucracy, and inconsistent application of regulations, are informal. There are no restrictions or controls on payments, transactions, or transfers. Resident foreign nationals may purchase land, but non-resident foreign nationals may only lease land for up to 99 years. Solid growth in 2003 reflected an upturn in Uganda's export markets.

However, corruption within the government and slippage in the government's determination to press reforms raise doubts about the continuation of strong growth.

Trade with US

The total value of bi-lateral trade flows between Uganda and the United States was valued at close to \$ 40 million in 2002, down from approximately \$ 50 million in the previous year.

The vast majority of Uganda's exports to the US consist of agricultural products, while imports into the country from the US are made up of a wider range of product categories. These include mainly electronic products, agricultural products and chemical products.

Although Uganda qualified for the wearing apparel provisions on October 23, 2001, by year-end 2002 it had not yet exported any goods under this rule. Total AGOA-eligible exports were still insignificant as of full year 2002 trade data. For AGOA purposes, Uganda is classified as a lesser developed country, providing it with an opportunity of utilizing non-qualifying third country textile inputs in the manufacture of AGOA-eligible apparel exports (until September 30, 2007).

The Ugandan government has led the way in Africa in combating the spread of AIDS; the HIV rate of infection actually fell from 6.9 percent in 1999 to 6.1 percent in 2002. Overall, however, nearly a million Ugandans died of the disease between 1982 and 2002, reducing life expectancy to just 38 years by 1997.

Doing business in Uganda is still difficult, particularly for local small businesses. Obstacles include corruption, inefficient government services, and mismanagement.

GABON

Gabon is one of the countries with a high value of trade with the US mainly because of oil. The key points relating to this country are as follows:

- Gabon enjoys a per capita income four times that of most nations of sub-Saharan Africa.
- Because of high-income inequality a large proportion of the population remains poor.
- Depended on timber and manganese until oil was discovered offshore in the early 1970s. The oil sector now accounts for 50% of GDP and accounts for 80% of income. Gabon continues to face fluctuating prices for its oil, timber, and manganese exports and must contend with diminishing reserves.
- Despite the abundance of natural wealth, poor fiscal management hobbles the economy. The rebound of oil prices in 1999-2000 helped growth, but drops in production hampered Gabon from fully realizing potential gains.
- The exploitation of forest products and the mining of manganese, which formed the backbone of the economy until oil became predominant, remain relatively important today. The country's most significant forest products are okume (a softwood used in making plywood), mahogany, and ebony. Other minerals extracted are uranium ores, gold, and iron.

The chief manufactures of Gabon's industrial sector include refined petroleum, food and beverages, timber and plywood, cement, and textiles. Despite this economic activity, the

majority of Gabonese people are engaged in subsistence farming, with cassava, plantains, taro, and sugarcane the chief crops. However, food must be imported to meet the country's needs. Cocoa, coffee, and palm products are produced for export. Few animals are raised, partly because of the prevalence of the tsetse fly.

Gabon's main exports are crude petroleum, forest products, manganese and uranium ores, and cocoa; the principal imports are foodstuffs, chemical and petroleum products, construction materials, and machinery.

The leading trade partners are France, the United States, Côte d'Ivoire and Japan. Gabon's limited transportation network was improved with the construction (1986) of the Trans-Gabon railway, which links the new deepwater port of Owendo with iron ore and manganese deposits. Gabon is a member of the Franc Zone.

Under AGOA, more than 95% of the country's exports to the US consisted of energy-related products (mainly oil), the rest consisting mainly of minerals, metals and chemicals. In 2002, more than \$1 billion in exports of energy-related products to the US were AGOA-eligible, which is an equivalent of approximately 70% of the value of all Gabon exports to the US. In 2002, Gabon had the third highest value of AGOA eligible exports to the US, after Nigeria and South Africa. This was mainly because of oil exports. In 2004 Gabon exported \$1.5 billion worth of goods to US.

The rest of SSA countries recorded varying levels of trade with US under AGOA in the past four years. A summary of trade and events for each country is given below.

KENYA

Kenya qualified for the AGOA wearing apparel provisions on January 18, 2001, being one of the first Sub-Saharan African countries to do so. Kenya's exports of textiles and apparel to the US, have now become that country's dominant export category to the US. In fact, more than 95% of Kenya's exports of textiles and apparel comply with the AGOA provisions. In addition, Kenya is regarded as a lesser-developed country, allowing it the use of third country textile inputs until September 30, 2007.

Other export categories to the US include agricultural products, electronic products and miscellaneous manufactures. US exports to Kenya are dominated by transportation equipment.

LESOTHO

AGOA has impacted the Lesotho scene in grand fashion. Few African countries illustrate the contradictions of AGOA-inspired textile exports more clearly than Lesotho. In 2001, the US imported \$129.6 million worth of products from Lesotho, primarily garments. This number represents 60% of Lesotho's total exports. Figures from the 2002 US Government AGOA report claim the addition of 15000 new jobs since AGOA implementation. In 2004 to September, Lesotho

exported goods worth \$343 million to US an increase of more than 50% in the past four years.

MADAGASCAR

The Malagasy Republic became eligible for export benefits in March 2001 at the same time qualifying for the AGOA special rule, which allowed it to import fabric from anywhere in the world until September 2007.

Although agriculture has been a primary force economically in exports, there has been a decline in global demand for Malagasy products such as coffee, vanilla, and spices because of competition from other countries. Soil erosion and other environmental factors have also caused the agricultural exports to decline.

SWAZILAND

In 2001, under AGOA, Swaziland's duty-free exports, comprising primarily of textiles, apparel and agricultural products, to the US were assessed to be \$14.8 million. This country has witnessed a considerable growth of investment in textiles and apparel, mainly from Taiwan. In 2001, eight textile and apparel factories increased their operations, leading to the opening of 11000 new jobs. Moreover, there is also a scope for additional new ventures that are under consideration.

About 80% of the goods that are manufactured in Swaziland, are exported. The principal items are sugar-based concentrates and blends, paper products, garments,

textiles, and sweets. The Swaziland Investment Promotion Agency (SIPA) expects economic growth to increase to 6% per year from the present 2.5%.

MOZAMBIQUE

A very large proportion of Mozambique's exports to the US in 2002 consisted of agricultural products, most of which were exported under the provisions of AGOA. Mozambique's imports consist predominately of agricultural products, which increased fourfold in the 2001-2002 period.

Umar Textiles, a Pakistan company, began operations in November 2002, and has been exporting exclusively to the US under AGOA.¹⁸

Mozambique qualified for the wearing apparel provisions on February 8, 2002. The country has been slow in exporting qualifying garments. This is notwithstanding the fact that there is evidence of substantial new investment in this sector. In fact, very little exports to the US take place in the textiles and apparel category, and it is unclear when Mozambique will start taking advantage of this window of opportunity, which is set to expire at the end of 2007.

BOTSWANA

Although the country had no problems becoming eligible for AGOA, only five textile companies in Botswana have qualified. This is because Botswana is classified as

¹⁸ "Despite AGOA, Clothing Industry Still in crisis" *Agencia de Informacao de Mozambique*, May 2, 2003

middle-income economy and is excluded from some of the generous aspects of AGOA such as the freedom to source raw materials it needs from competitive suppliers. Because the American market is highly competitive and the quality standards are high, companies that have qualified have not been able to export much to the US. To secure the raw materials it needs, Botswana can buy from the US at high costs or grow cotton, which is not a good option as the country's soil is not suited for cotton production.

On the downside, the government must deal with high rates of unemployment and poverty. Unemployment officially is 21%, but unofficial estimates place it closer to 40%. HIV/AIDS infection rates are the highest in the world and threaten Botswana's impressive economic gains.

COTE D'IVOIRE

The backbone of the Ivory Coast's export performance to the US lies in its trade in agricultural products, followed by energy-related products. On the whole, exports from the country are relatively diversified, covering a large range of product categories. Thus far, exports under AGOA are taking place mainly in energy-related product categories.

The effective date for the Ivory Coast's AGOA eligibility was deemed to be May 16, 2002, rather than October 2, 2000. Significant scope thus existed for an expansion of AGOA-eligible exports in the years to come. However Cote d'Ivoire will cease to be eligible for AGOA benefits from January 01, 2005 in line with an announcement made by the US government on December 23, 2004.

GHANA

Ghana's main export categories to the US consist of forest products, agricultural products, energy-related products minerals and metals. Exports eligible under AGOA consisted mostly of energy-related products. On March 20, 2002, Ghana qualified for the wearing apparel provisions. It is also classified as a lesser-developed country in terms of AGOA, thus reaping the associated rules of origin benefits. Although exports of textiles and garments are insignificant vis-à-vis the country's other exports to the US, there are indications that AGOA-eligibility will stimulate this sector in future.

NIGERIA

US exports to Nigeria have been increasing steadily in recent years, although they are still far outweighed by US imports from that country. Of all SSA countries, Nigeria's exports to the US rank first, ahead of those from South Africa. However, exports are not very diversified, and are concentrated in energy-related products (mainly oil and natural gas).

THE REPUBLIC OF CONGO

The Republic of Congo is an important trade partner of the United States, and enjoys a significant bi-lateral trade surplus with the US. In 2002, the Republic of Congo exported more than \$200 million worth of goods to the US, while imports amounted to \$52 million. While the country's

imports from the US have remained fairly stable, its exports to the US in 2002 decreased by more than half.

Exports falling under AGOA amounted to \$130 million in 2001, the first full year of operation of the US trade Act. This decreased to just over \$100 million in 2002. In 2002, almost 50% of the Congo's exports to the US were AGOA eligible, notwithstanding the lower export base. Of all SSA exports under AGOA, the value of Congo's exports surpassed those of the majority of other AGOA-eligible countries and ranks within the Top 10.

However, the country's AGOA exports were entirely made up of energy-related products (mostly oil).

TANZANIA

Tanzania's exports to the US are dominated by two product categories, agricultural products and minerals and metals, which together accounted for more than 84% of the country's exports to the US in 2002. Imports to Tanzania consist of a variety of products, including transportation equipment, electronic products, textiles, apparel, chemicals and related products.

Tanzania is among 37 sub-Saharan African countries eligible to export more than 6000 items to the US duty-free under AGOA, including agricultural commodities, handicrafts, manufactured goods, and many other items. So far Tanzania has only exported minimal quantities of textiles, handicrafts, seaweed, tea, coffee, pigeon peas and non-processed cashews.

Tanzania has the potential to do more, especially in agro-business. Tanzania has not found exporting Agro-business products to the American market easy. Tanzania has to compete in the difficult US market by raising the quality of exported goods up to the American standards. The word 'compete' means Tanzania has to meet standards, it has to diversify its products and produce the quality and quantity needed as well as be able to market.

Ironically, while Tanzania has met the wearing apparel provisions of AGOA, 2003 trade data shows very little exports to the US of textiles and apparel. Tanzania qualified for the wearing apparel provisions on February 4, 2002, and in terms of AGOA is also classified as a lesser-developed country.

ANGOLA

Angola is the third-largest source of imports to the US of all AGOA-eligible Sub-Saharan African countries, after Nigeria and South Africa. However, these imports are concentrated in the energy-related sectors, since Angola is an important producer of oil. In fact, during 2002 energy-related goods shipped to the US from Angola accounted for 99% of Angola's total exports to that country.

In terms of imports, Angola sources mainly transportation equipment from the US, followed by agricultural products and a host of manufactured goods.

No AGOA specific trade and investment coordinating entity has been set up yet for Angola. The National Agency for Private Investment (ANIP) is the agency directly charged with investment promotion. This agency has representations in some industrialized countries including the US. The ministries of commerce, planning and finance as well as national and commercial banks play a role in investment matters.

SENEGAL

Senegal's exports to the US consist predominately of agricultural products, as well as miscellaneous manufactures. Senegal does not have a major textile and clothing industry to speak of, and as such is a net-importer in this category from the US. However, having qualified for the wearing apparel provisions on April 23, 2002, that may provide an incentive for the development of especially the garment-manufacturing sector.

BENIN

Little two-way trade occurs between Benin and the US. While exports from Benin to the US are negligible, the country currently imports approximately \$ 35 million worth of goods from the US. Imports from the US have in recent years been on a declining trend. Of all AGOA-eligible SSA countries, trade volumes between the US and Benin fall within the bottom quarter.

By the end of 2002, none of Benin's exports included product categories that are AGOA-eligible. Benin's

negligible exports to the US consist mostly agricultural and forestry products.

MALAWI

The total \$-value of bi-lateral trade between Malawi and the US has over the past few years remained fairly constant. Trade between the two countries is skewed towards net exports from Malawi.

Malawi's exports to the US consist almost exclusively of agricultural products, followed by textiles and apparel. Of the apparel exports, all are currently exported to the US under AGOA. Due to the concentrated nature of goods exports from Malawi to the US, two thirds of the country's goods qualify for the duty-free benefits of AGOA.

CAMEROON

Cameroon exports some of its output duty-free to the US under AGOA, although these exports consisted almost solely of energy-related products (e.g. oil). In 2002, more than 80% of Cameroon's energy-related exports to the US were AGOA eligible (up from 40% the previous year), while this category accounted for approximately 80% of Cameroon's total exports to the US during 2002.

ETHIOPIA

Exports eligible under the newly added AGOA product categories consist exclusively of textiles, apparel and agricultural products. Ethiopia met the Rules of Origin

requirements for wearing apparel on August 2, 2001, in addition to being classified as a lesser-developed country, providing a window of opportunity for sourcing third country textile inputs for the production of AGOA-eligible garments.

CAPE VERDE

Of the negligible exports to the US, textiles and clothing accounted for more than 90% of the total, with year-on-year data revealing growth in this category.

No exports under the provisions of AGOA occurred during 2001 or 2002. However, on August 28, 2002, the Republic of Cape Verde was recognized as having the necessary requirements under the wearing apparel provisions, in addition to being declared a lesser-developed country and thus qualifying for the rules of origin exemption until September 30, 2007. The possibility thus exists that the Cape Verde will in due course start exporting garments under AGOA.

Below is a summary of the Exports by AGOA eligible countries to the US by country for period 2002 to 2004.

Exhibit 1 Source: US International Trade Commission USITC, based on US Department of Commerce.

**Exports to the US (Total, AGOA/GSP) by Country, Year-to-Date (January - September)
(37 AGOA eligible countries only) (in descending order AGOA incl GSP 2004 ytd) (Updated
November 2004)**

**Unit: '000 US dollars, Customs Value (Source of Data: US International Trade Commission USITC,
based on US Dept. Commerce)**

	Total Exports to US	Total Exports to US	Total Exports to US	Total Exports to US	AGOA (incl GSP)	AGOA (incl GSP)	AGOA (incl GSP)	AGOA (incl GSP)
	2002	2003	2003 YTD	2004 YTD	2002	2003	2003 YTD	2004 YTD
Nigeria	5,819,603	10,113,618	7,628,665	11,427,117	5,409,660	9,356,012	7,003,970	10,732,897
Angola	3,231,266	4,176,429	3,308,572	3,205,713	0	0	0	3,052,090
South Africa	4,235,974	4,887,962	3,584,092	4,335,633	1,342,594	1,668,573	1,197,223	1,248,002
Gabon	1,622,021	1,927,715	1,338,939	1,568,040	1,145,627	1,177,458	803,088	1,121,005
Lesotho	321,475	393,056	282,731	343,309	318,029	372,674	267,832	325,861
Chad	5,700	22,434	4,077	380,992	0	14,478	40	307,693
Congo (ROC)	223,824	407,186	279,553	454,024	106,633	340,790	214,704	240,981
Madagascar	215,923	383,329	275,729	354,771	79,728	187,879	124,281	215,742
Kenya	189,156	249,137	191,620	253,943	129,210	184,441	142,170	204,167
Cameroon	172,057	193,319	142,519	229,774	115,804	147,011	106,874	166,661
Swaziland	114,464	162,033	112,882	142,944	81,252	133,975	90,549	126,834
Mauritius	280,433	298,096	237,774	205,215	114,292	143,077	113,389	120,846
Namibia	57,353	123,249	76,583	166,678	1,717	46,755	25,973	107,090
Cote d'Ivoire	381,860	490,248	336,993	554,695	49,733	88,037	39,231	77,817
Congo (DROC)	189,692	173,867	120,331	74,120	0	119,471	87,191	64,005
Malawi	68,109	80,076	49,885	59,532	46,904	59,256	34,886	49,112
Ghana	115,641	83,603	70,514	87,605	34,830	40,586	36,499	48,725
Guinea- Bissau	35	1,912	1,843	26,531	0	0	0	26,131
Botswana	29,732	13,642	9,670	54,184	4,578	6,324	4,354	15,548
Ethiopia	25,659	30,496	25,959	32,280	2,320	2,885	2,208	4,104
Uganda	15,197	34,883	26,016	19,780	32	1,509	909	3,991
Tanzania	25,343	24,234	17,030	17,197	1,293	1,569	1,127	2,357
Cape Verde	1,811	5,640	4,607	2,027	51	2,465	1,444	1,671
Zambia	7,790	12,469	9,023	21,859	83	510	322	1,485
Mozambique	8,160	8,711	2,541	2,703	5,916	7,917	2,172	1,188
Senegal	3,799	4,326	2,667	2,340	499	720	578	468
Sierra Leone	3,833	6,478	5,213	8,878	217	75	69	323
Benin	680	602	442	830	0	0	0	215
Guinea	71,600	69,226	52,672	46,861	68	194	151	64
Mali	2,583	2,394	1,773	3,156	342	262	148	61
Djibouti	1,915	615	422	880	23	27	9	52
Niger	897	4,034	3,539	13,976	22	63	61	28
Gambia	0	134	80	316	0	20	17	18
Rwanda	3,086	2,623	1,959	1,942	10	6	4	8
Seychelles	26,291	15,324	14,447	3,804	0	3	3	3
Sen African Rep	2,004	1,959	1,444	0	192	43	0	0
Sao Tome & Prin	391	91	80	73	0	0	0	0
Mauritania	929	929	805	6,979	35	3	0	0
Eritrea	369	251	199	0	11	0	0	0
Total	14,055,698	20,229,905	14,915,321	24,110,700	8,991,705	14,105,065	10,301,475	18,267,243

Below is a summary of the Exports by AGOA eligible countries to the US by Product Sector for period 2002-2004.

Exhibit 2 Source: US International Trade Commission USITC, based on US Department of Commerce.

Total Exports to the US under GSP and AGOA by Product Sectors, Year-to-Date (Jan. - Sept.)										
(AGOA eligible countries only, updated November 2004)										
Unit: '000 US dollars, Customs Value (Source of Data: US International Trade Commission USITC, based on US Dept. Commerce)										
	AGOA + GSP	AGOA + GSP	AGOA + GSP	AGOA + GSP	AGOA + GSP	GSP	GSP	GSP	GSP	GSP
	2001	2002	2003	2003 YTD	2004 YTD	2001	2002	2003	2003 YTD	2004 YTD
Agricultural products	153,515	212,436	240,931	160,436	197,365	94,525	103,523	119,243	68,844	96,041
Forest products	21,728	29,792	33,370	24,118	23,883	21,662	29,536	33,110	23,914	23,628
Chemicals and related products	128,083	136,164	176,786	130,372	156,616	124,271	131,459	167,319	124,513	139,309
Energy-related products	6,827,424	6,824,776	11,223,684	8,244,141	15,787,590	n/a	2,826,108	119,220	87,058	2,479,568
Textiles and apparel	359,469	803,333	1,202,077	870,090	1,159,053	3,564	3,639	4,807	3,294	4,357
Footwear	242	300	800	513	774	0	0	0	0	0
Minerals and metals	319,134	372,961	412,519	296,471	489,836	227,927	234,429	293,364	205,631	392,466
Machinery	22,988	17,828	11,140	8,257	9,559	22,976	17,820	11,137	8,254	9,553
Transportation equipment	300,539	544,711	731,636	519,560	387,609	59,339	61,358	97,251	66,604	81,979
Electronic products	13,174	8,832	12,934	8,205	11,820	13,174	8,828	12,834	8,139	11,805
Miscellaneous manufactures	33,049	40,595	59,188	39,313	43,138	32,749	39,715	57,372	38,078	40,759
Total	8,179,346	8,991,729	14,105,065	10,301,475	18,267,243	n/a	3,456,225	915,656	634,331	3,279,465

FINDINGS

Using frequent distribution percentages, the results from the questionnaire can be summarized as follows: (See appendix 1 for summary of results)

a. Product Category

It is observed that in a number of cases the countries export more than one category of products. The percentages are based mainly on the total sample size of 25. 84% of the countries export consumer products, 68% export commodities, while 16 % export industrial products.

Oil accounted for 80% of exports to US in 2003 and 87% in 2004.

b. Export Industry Category

76% of the countries export agricultural items. 56% export minerals and metals, which include oil. 40% export textiles and another 40% export other manufactured items. 36% export other products including forestry.

Generally it is observed that the failure to diversify export structure and attract foreign direct and portfolio investment flows leaves the African continent virtually bypassed by the dynamic forces that sweep the international trading and financial systems.

c. Infrastructure

48% have an infrastructure that supports export trade. However, the majority of the SSA countries have a challenge regarding their infrastructure.

d. Challenges

All the countries have a problem with market identification. More than 96% consider their products to require improvement of quality to meet expectations of the US market. 12% of the countries do not qualify to export fabric to US under the rule of origin.

e. Technical Assistance required

100% of the countries indicated that they needed technical assistance to meet the US requirements on their exports.

f. Communication with Regional Hub

Communication with the regional hubs was considered generally good, but requires improvement.

g. Investment from US

Only 20% of the countries have received investment from US companies in support of AGOA initiative. The value of investment in those countries remains insignificant.

h. Other foreign direct Investment

8% of the countries have received foreign investment from Singapore, and another 8% from Hong Kong. Other foreign investors, which have taken advantage of AGOA include Pakistan, China, Japan, Germany, India and Israel.

i. Capacity building

The majority of the countries require assistance regarding capacity building programs.

j. Main drivers

The main drivers for the AGOA activity include support mainly from US through the HUB. The aggressiveness of exporters from the SSA countries remains low. There is absence of export culture in most of these countries.

k. HIV/AIDS Risk

All the companies considered HIV/AIDS as a risk and a long-term threat on the success of AGOA.

l. Constraints

The major constraint was considered to be access to capital followed by knowledge of the market and lack of technology. Geographical location of the country was considered the least constraint.

Based on the results of this survey, little is known about the American Market in terms of consumer behavior and trade practices, yet these are the basic elements to be considered before any market entry decisions are made.

m. Regional Integration

A few of countries have started regional integration programs allowed for within the framework of AGOA.

OBSERVATIONS

Market opportunities under AGOA have created a lot of interest among the SSA business community, more than any other market to the extent that AGOA is becoming a household name. For a long time many SSA countries have wanted to trade with the US but could not. The US is viewed as the major economic power with high purchasing power and thus presents an inexhaustible market. Therefore from the time AGOA was signed into law, a lot of enquiries have been received at the US trade missions, Department of Commerce's Office of Africa, Washington DC and at the regional hubs by companies in the SSA looking for potential importers from the United States.

However, the measure of success of AGOA depends with whose perspective one is looking at the issue, whether US or SSA countries point of view. For the SSA countries the simplest way is to use growth in the value of exports to US. On the other hand from the US perspective, the eligibility criteria set out by the US has to be looked at closely.

Just to recap, the determining eligibility criteria set by US demand that a country " has established or is making continual progress toward establishing," the following:

- A market based economy that protects private property rights.

- The rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law.

- The elimination of barriers to United States trade and investment.
- Economic policies to reduce poverty, increase the availability of health care and educational opportunities,
- A system to combat corruption and bribery, and
- Protection of internationally recognized worker rights, including the right of association.
- Refrain from activities that undermine US national security.

The eligibility criteria used by the US identifies some of the most common problems of the Sub Saharan region. There are continued conflicts in many parts of the region, weak institutions and leadership disunity among different ethnic and religious groups, corruption and poor governance. Much as some progress has been made in some countries to establish democracy, a lot still remains to be done. It is therefore difficult to comprehend how some of the countries have qualified and others been removed from the list. In the 2001 US Trade Representative's report (USTR), the President of the United States, on US Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act, lists numerous abusive practices by recipient countries. Cases cited include Burkina Faso, Cameroon, Chad, Guinea and Kenya who are well

known for their human rights abuses but are on the list of eligible countries.

Consistency and eligibility

To some extent it can be argued that the US has not been consistent in its eligibility criteria. This therefore weakens the success of the initiative. Sub-Saharan Africa is full of sharp contrasts and some of the cases are striking when looked at within the context of AGOA eligibility.

Most sub-Saharan countries have performed neither brilliantly nor awfully *vis-à-vis* AGOA eligibility and must therefore be analyzed with great scrutiny. The records of a few states, though, are so obvious that they speak for themselves. Two examples on opposite sides of the spectrum are Botswana and Liberia. Botswana, despite being the country with the highest HIV/AIDS infection rate in the world, boasts a great record on transparent, democratic governance and offers not only universal health care and anti-retroviral therapy to all of its AIDS patients, but also receives strong marks on respect for human rights and labour rights. Economically, it maintains a highly stable market economy and financial policy. It is arguably the least corrupt country in Africa and has correctly been rewarded with AGOA eligibility, including textile and apparel benefits.

Liberia is on the other end of the spectrum. A repressive, war-mongering political leadership has enriched itself and

brought death and misery to its own citizens and its neighbours, fueling conflicts in Sierra Leone and Cote d'Ivoire. Human rights are seemingly non-existent, a formal economic system has collapsed, and despite President Taylor's departure, the country remains far from securing a sustainable peace.

Evaluating AGOA eligibility for Botswana or Liberia is easy. In most other cases, though, the picture is less clear. Four examples: Burkina Faso, Cameroon, Chad, and Eritrea serve as an illustration of the reprehensibly cynical manner in which the US government applies AGOA's criteria to countries that have received less media attention.

Burkina Faso failed to obtain AGOA eligibility in 2003. Yet, the US government's official evaluation is full of praise for recent political developments in this West African state. It applauds the country's market reforms and good governance, which includes democratic elections and a severe reduction of corruption and poverty. In fact, Burkina Faso has been the recipient of IMF loans as part of its poverty reduction strategy and has graduated from "Highly Indebted Poor Country" status. It would thus appear that Burkina Faso meets the stated conditions of AGOA.

However, because of its alleged involvement in the rebel insurgency in neighbouring Cote d'Ivoire and arms shipments to Liberia, the US government declined to certify its eligibility for AGOA in 2003.

Cameroon on the other hand, continues to face internal political challenges. The government rules an undemocratic, de facto one-party state and frequently obstructs political meetings and harasses journalists. The government has failed to stop forced and child labour, and has ignored agreements after entering into them with unions, thereby precluding any formal collective bargaining from taking place since 1996.

Despite this condemning indictment of Cameroon's political and human rights policies, the country is eligible for AGOA, including textiles and apparel benefits. In 2002, Cameroon exported duty-free products worth \$116 million to the United States -- overwhelmingly oil. The country receives high marks on its treatment of international investors.

A US company is said to have made the largest investment in sub-Saharan Africa in the Chad-Cameroon pipeline project. It appears that the primary consideration in this case is the strategic interests of the US rather than adherence to the criteria set out by the US itself in the AGOA provisions.

AGOA provides the SSA countries with the benefit of market access if they adhere to the criteria set out by the US. However, because of cases such as Cameroon and Chad where the criteria has been conveniently overlooked, the success of the initiative and the credibility of the US itself is undermined.

The Apparel Provision

The apparel provision gives unlimited duty free exports of textiles and apparels only if they are produced with American raw materials. It is, however, argued that the raw materials from the US are more expensive than those from Asia. The rules of origin therefore have the effect of limiting the full potential of many countries.

Foreign Investment

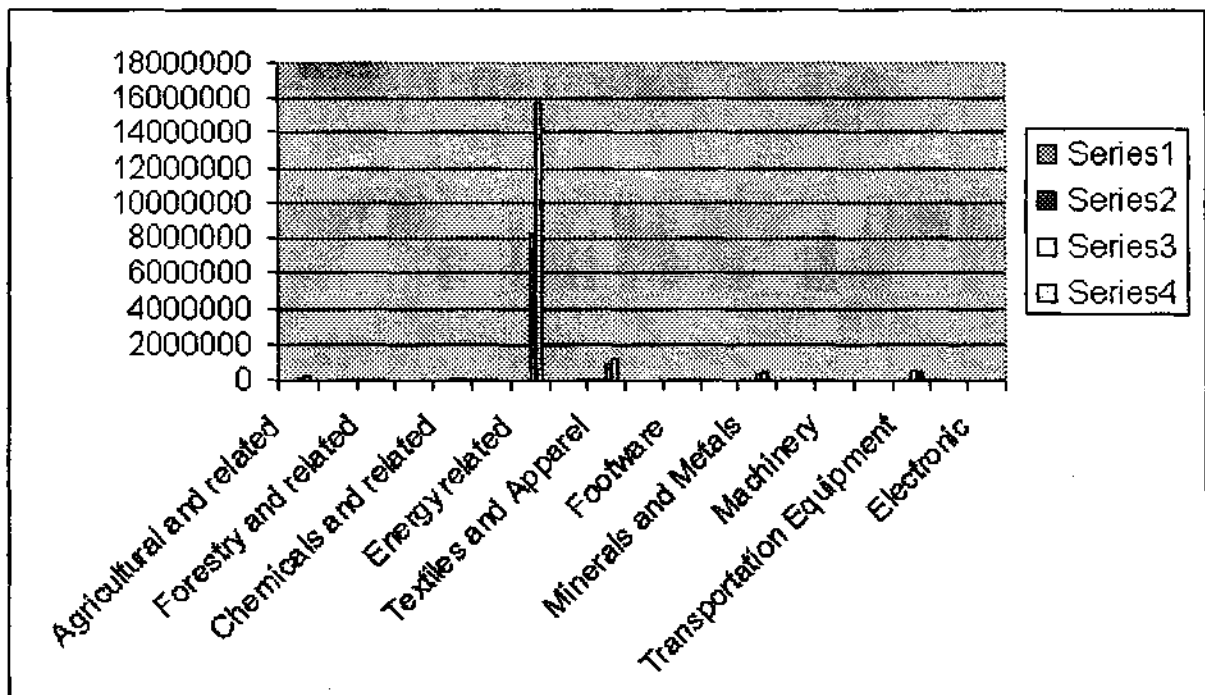
The US president can use safeguard mechanisms to slow down a complete opening of textile and clothing trade and invoke the provision where he can suspend duty free imports if they threaten US domestic industry. This provision has the negative effect of creating uncertainty in the minds of investors as they face an uncertain future. As mentioned elsewhere in this paper, foreign direct investment is important for the success of the AGOA initiative. However lack of meaningful foreign direct investment is one major area of disappointment. Market access alone without accompanying foreign investment will hardly bring any change in the welfare of SSA countries. Unfortunately the SSA governments themselves have not created conducive environments for increased foreign investment.

It is true that almost every eligible country has exported some goods to US under AGOA. It was deemed necessary to further analyze the figures to show the extent to which exports to US have grown and to see inferences that can be drawn.

Exhibit 3

Analysis of Exports to US By Products 2003 and 2004

	Exports to US 2003 and 2004 (AGOA eligible countries)			
	\$'000		2003	
	YTD Sept 2003	YTD Sept 2004	2003	2004
Agricultural and related	160436	197365	2%	5%
Forestry and related	24118	23883	0%	0%
Chemicals and related	130372	156616	1%	1%
Energy related	8244141	15787590	80%	87%
Textiles and Apparel	870090	1159053	8%	6%
Footwear	513	774	0%	0%
Minerals and Metals	296471	489836	3%	3%
Machinery	8257	9559	0%	0%
Transportation Equipment	519560	387609	5%	2%
Electronic	8205	11820	0%	0%
Total	10262163	18224105	100%	100%



It is observed that energy related exports and textiles accounted for at least 88% of total exports for the 9 months ended September in 2003, and at least 93% for the same period in 2004. It is noted that there are only seven oil producing countries in Sub Saharan Africa. These are Angola, Cameroon, Republic of Congo, Equatorial Guinea, Gabon, Nigeria and Chad. It is further noted that US is removing the quota system on textile imports and opening the doors to China and India who are likely to flood the market and push everyone else aside. China's argument that it will tax its exporters cannot give any comfort to SSA countries.

The poorest economies in Africa, for example, already enjoy a range of duty-free benefits under the Generalized System of Preferences (GSP) rules, and AGOA does not add much to this. The value of AGOA for these economies is negligible if they do not have a clothing industry and oil; and conversely, most of the African countries with clothing industries are not those classified as least developed.

CHAPTER 4

RECOMMENDATIONS

The following are the recommendations that are put forward by the author for the SSA countries to benefit under AGOA.

1. Agriculture

In Africa, agriculture is a key sector for promoting economic development and reducing hunger and poverty. Most poor people in Africa live in rural areas and depend largely on agriculture. Expanding AGOA to include agriculture would have a significant impact on reducing hunger and poverty.

Sub Saharan African Countries should consider a number of possibilities in their endeavor to diversify trade even when they are commodity dependent. They can increase the efficiency of agro-based business firms, freeing up capital and labour that can be used to develop non-traditional exports. Significant technological advances in packaging, transport, and huge changes in food consumption patterns in developed countries such as the US and others over the past two decades have opened up new opportunities for agricultural trade, with fresh food products becoming a significant part of the global agro-food trade.

The processing of primary commodities and the production of new types of commodities, such as off season and specialty fresh vegetables or cut flowers have already generated some

success stories in African countries with low labour costs and appropriate agro-ecological conditions.

For this to succeed, however, there has to be a long-term diversification strategy by the SSA countries combined with support from US in financing the trade capacity building initiatives. In addition there must be a reassessment of the list of products that can qualify under AGOA to accommodate new types of products arising from the agro-based industries.

2. Foreign Direct Investment

There is strong evidence that countries in other regions of the world that have adopted a strategy of inviting foreign direct investment which is export oriented have had tremendous growth in their economies. The SSA countries may therefore be well advised to consider taking the same route. In many cases the investing companies will assist in producing products that are export ready. Foreign Direct investment should be taken as a joint effort between the US and SSA countries to enable the SSA countries to produce export ready products.

The AGOA initiative must be blended with foreign direct investment in export-oriented industries. The SSA governments need to learn from countries that were developing countries a few decades ago, and which have transformed themselves into economic powerhouses. It is recommended that SSA countries should implement this approach if these countries are to realize the full benefits of AGOA.

SSA countries must create a conducive environment for foreign direct investment. There is competition for foreign direct investment in Eastern Europe, China, Asia and Latin America. Africa has taken up this issue through the New Partnership for Africa's Development initiative (NEPAD). However there is need for SSA countries to buy into NEPAD in order for them to realize its full benefits.

3.US Investors

The US should deliberately encourage its investors to consider SSA countries as a viable destiny for investment to complement the provisions of AGOA. The US policy makers must take a step further and consider providing tax incentives for US companies to make trade, agriculture and infrastructure investments in Africa. Politically it may be a tough sale in the US but it may yield long-term strategic benefits. This is subject to further research and study.

4.Regional Integration

SSA countries must continue to review the idea of regional integration and identify complementarities among themselves and work together to achieve maximum benefit from AGOA. Regional integration must be pursued vigorously. Regional market integration is necessary to allow for economies of scale. This will help those countries with less experience in trade with US to ride on the back of their regional neighbors.

Significant moves have been made through groupings such as Southern African Development Community, (SADC), Common Market for East and Southern Africa (COMESA) and Economic Community for Western African States (ECOWAS). However, much as these groupings have been in existence for a number of years, there is room for further integration.

5. Technical Assistance

The US is a massive and complex market. The US government needs to intensify its efforts to provide technical assistance to adequately prepare the SSA country exporters for this market. SSA companies need training to meet the challenges of producing "export-ready" goods. The US agencies such as USAID could provide assistance in this regard in order for the SSA companies to meet the US standards.

6. US Investment Balance

The US investments in SSA region are skewed towards oil. The US must aim to balance investments given the fact that the majority of countries in this region do not have oil production. There is a need to balance between the US trade agenda and the needs of the SSA countries. It is perceived by many that the US looks at issues from its own perspective without regard for the interests of the African countries.

7. Diversification

Most African countries remain dependent on one or two products to carry their entire economy. Unless African countries diversify their economies, they will remain highly vulnerable to severe economic upheavals and will be the first countries to suffer in a depressed international economy.

8. Infrastructure Development

Many African nations lack the basic infrastructure to efficiently move their products to regional or global markets. Roads, storage facilities and reliable transportation need strengthening in order to get the products to the market as quickly as possible.

9. HIV/AIDS

The societies need to work together to address HIV/AIDS epidemic. This is not just a health program. It requires a sustained multi-sectoral response including participation of the private sector to mitigate the impacts of AIDS and create an environment where prevention and care programs can succeed.

10. SSA Governments' Commitment

There is need for strong government commitment as well as a national consensus about the role of trade in development SSA. All stakeholders must be brought on board in

appreciating the importance of the trade policies and strategy. There is need to coordinate the trade policies with industrial and private sector policies within the overall strategy of poverty reduction.

CONCLUSION

There are some achievements that have been made under AGOA. There are, however, challenges that lie ahead for both the US and the SSA countries.

There is no single growth formula that guarantees success and no single model to emulate for all SSA economies. Some of the recommendations made above have stood the test of time. If these recommendations are combined with the benefits under AGOA, then there is real potential for growth for the SSA economies.

Finally, unless US demonstrate that its interests go meaningfully beyond the oil in the African countries and vigorously lead in investment in other areas other than oil, AGOA remains a pipe dream.

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KEY ABBREVIATIONS

AGOA.....	African Growth and Opportunity Act
EPZ.....	Export Processing Zone
FDI.....	Foreign Direct Investment
GDP.....	Gross Domestic Product
GSP.....	Generalized System of Preferences
OECD.....	Organisation for Economic Co-operation and Development
SSA.....	Sub Saharan Africa
TRADE.....	Trade for African Development and Enterprise
USAID.....	US Agency for International Development
WTO.....	World Trade Organization

Appendix 1

Can The African Growth And Opportunity Act (AGOA)
Initiative Between The US And Eligible African Countries Be
Considered A Success?

Name of the Country _____

1.Type Of Exports to US:

Industrial	16%
Consumer	84%
Commodities	68%

2.Exporters' Industry Category:

Agricultural	76%
Minerals	56%
Textiles	40%
Manufacturing	40%
Other (Specify)	36%

3.Infrastructure geared for increased exports

YES	NO
48%	52%

4.Challenges facing Exporters

US customs and documentation	
US visa requirements	
Rule of Origin	12%
Market Identification	100%
Quality of goods	96%
Product adaptation	
Other (specify)	

5. Technical assistance received from US on agricultural exports to meet standards

YES	NO
100	

6. How effective is the communication between your exporters and your regional Hub?

Excellent	12%
Very Good	32%
Good	40%
Fair	16%
Poor	

7. New investment received from US to promote AGOA.

YES	NO
20%	80%

8. New foreign direct investment from other

countries to promote AGOA

China	4%
Pakistan	4%
Japan	4%
Malaysia	
Germany	4%
United Kingdom	
India	4%
Taiwan	8%
Hong Kong	8%
Singapore	4%
Israel	4%
Other	

9. Capacity building initiatives

YES	NO
40%	60%

10. Main drivers for increase in trade under AGOA.

Support from US	100%
Aggressiveness of exporters	28%
Support from regional AGOA HUB	100%
Support from country trade mission	28%
Others (Specify)	

11. How satisfied are you with the service offered by Regional Hubs?

Highly satisfied	12%
Satisfied	88%
Dissatisfied	
Highly dissatisfied	

12. Is HIV/AIDS a risk in the achievement of AGOA benefits?

YES	NO
100	

13. Rank the following constraints in order of importance to your country on a scale of 1-6. 1 for most important and 6 for least important.

Access to capital	47
Access to markets	67
Lack of technology	127
Demand for products	71
Skills shortages	112
Geographical location	101

NB. Figures show Access to capital as the Most important.

14. Percentage growth over last 4 years?

YES	NO
92%	8%

15. What would you recommend for AGOA to succeed
in your country?

Various

AGOA eligible Countries

Appendix 2

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

* - qualified for textile apparel benefits