107th Congress, 1st Session – – – – – – – – – – – – – House Document 107–73

U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE 2001 COMPREHENSIVE REPORT OF THE PRESIDENT ON U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN/AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT

MAY 22, 2001.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

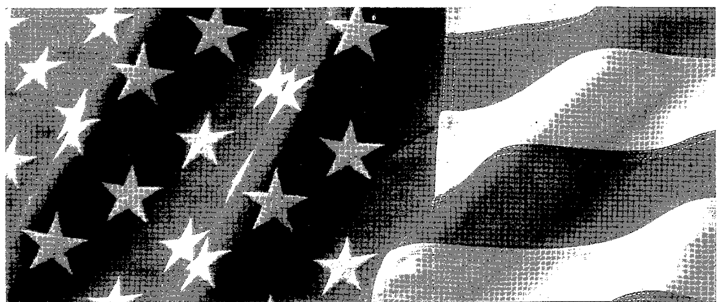
89–011 WASHINGTON : 2001

To the Congress of the United States:

As required by section 106 of title I of the Trade and Development Act of 2000 (Public Law 106–200), I transmit herewith the 2001 Comprehensive Report of the President on U.S. Trade and Investment Policy toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 18, 2001.*



2001 Comprehensive Report of the President of the United States on

U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act

A Report Submitted by the President of the United States to the United States Congress

Prepared by the Office of the United States Trade Representative

The First of Eight Annual Reports

May 2001

2001 Comprehensive Report of the President of the United States on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act
The First of Eight Annual Reports
May 2001

I. Executive Summary and Key Findings

I am pleased to submit to the Congress the first President's Comprehensive Report on U.S. Trade and Investment Policy Toward sub-Saharan Africa and Implementation of the African Growth and Opportunity Act (AGOA). The report contains a section on potential free trade agreements with sub-Saharan African countries as required under Section 116 of the AGOA.

In May 2000, the Trade and Development Act of 2000 containing the AGOA was passed by the Congress and signed into law. The AGOA establishes a new framework for U.S. trade, investment and development policy for sub-Saharan Africa. The Administration plans to fully implement the AGOA and to broaden and deepen U.S. relations with the countries of sub-Saharan Africa. The Administration will pursue a strategy to expand free markets, trade, and economic growth in sub-Saharan Africa. Achieving these objectives will benefit the United States and sub-Saharan African countries by helping to create healthier more stable economies, stronger, more democratic governments in Africa, and expanded markets for U.S. exports. Expanding trade with Africa supports the values and policy objectives of this Administration, to promote economic development and political freedom and stability in the poorest regions of the world. The interdependence of economies should help us all to appreciate that global prosperity in the long-run will be more secure if broadly shared. In working toward these aims, the Administration hopes to build on the bi-partisan Congressional support for the AGOA to create an Executive-Congressional partnership on Africa trade, investment and development policy.

There also is a recognition that U.S. policy toward Africa can best be pursued in cooperation with sub-Saharan African countries, with our initiatives and efforts fostering, supporting, and complementing their work and objectives. The Administration is encouraged by the actions of many-sub-Saharan African countries that are implementing difficult economic, political, and social reforms and seeking to strengthen trade relations and business ties with the United States. African leaders have a new sense of ownership of their future and how to achieve that vision. A number of leaders have taken new responsibility for moving their countries forward, acknowledging problems and challenges but realizing that they, Africans, must lead the way. Governments are acknowledging that corruption and governance issues must be tackled and that it is their responsibility to do so. At the same time, they are looking to the United States, and to others, for assistance in helping them achieve their visions for a more stable, economically sound, and democratic region. The United States welcomes this new dynamic.

The AGOA reflects the United States' recognition of the significance of sub-Saharan Africa. Over one-tenth of the World's population lives in sub-Saharan Africa. The United States exported more to sub-Saharan Africa in 2000 than to all of the former Soviet Union (including Russia) combined. Sub-Saharan Africa supplies 18% of U.S. oil needs. Sub-Saharan African countries represent the largest bloc of WTO Members; thirty-eight sub-Saharan African countries are Members.

The AGOA is also a tangible demonstration of the United States commitment to assisting sub-Saharan African countries, among the poorest in the world, to develop and participate more fully in the global economy. The United States, as part of the WTO's efforts to renew confidence in the WTO after the 4th Ministerial meeting in 1999, is committed to providing increased market access to least-developed countries. The AGOA, along with the Caribbean Basin Trade Partnership Act, are a major part of the United States' efforts to provide this access.

Since May 2000, the United States has taken key steps to implement the AGOA. These steps include designation of 35 AGOA beneficiary countries, designation of 1,835 additional products for duty-free market access to the United States when exported from beneficiary countries, extensive technical assistance to sub-Saharan African countries, and widespread outreach efforts. Full implementation of the AGOA will remain a priority.

Implementation of the AGOA is serving as an important tool in encouraging and supporting countries as they undertake economic and political reforms. While sub-Saharan African government interest in obtaining the AGOA benefits varies by country, most are keenly interested. Many countries implemented or strengthened economic and political reforms and committed to improving labor or human rights situations during the AGOA country eligibility review process and the ensuing bilateral consultations. A number of governments either committed to tackling corruption or instituted new laws, procedures, or commissions to do so. Countries are strengthening and reforming their business and trade laws and updating their intellectual property regimes. Other countries are working to improve their customs procedures, streamline their tax systems, and accelerate privatization. Governments also have implemented or made commitments to implement reforms related to worker rights, child labor, and human rights. U.S. companies as well as sub-Saharan African firms that are investing in and trading with these countries also are serving as proponents of reform. In a number of instances, governments have sought U.S. technical assistance to address concerns raised during bilateral consultations on AGOA eligibility.

The AGOA also has led to increased dialogue among ministries within sub-Saharan African governments and among sub-Saharan African governments and their private sectors. Many sub-Saharan African businesses have become advocates for economic and political reform because of their interest in the AGOA. The U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, which is planned for this year, will provide an opportunity for increased dialogue on economic reform and on conditions for generating enhanced trade, investment, and growth. Many studies have shown that the rule of law, open markets, transparency, and elimination of corruption are critical to generating economic growth. The Administration will continue to promote the AGOA as a mechanism to encourage reforms in these and the other areas.

The AGOA is not only encouraging and supporting reform, it is also starting to generate new trade and investment. While only limited data are available, preliminary statistics, anecdotal evidence and reports from various governments indicate that in many countries the AGOA has generated a strong trade and investment response. This has included new U.S., African, and other investments in manufacturing facilities as well as numerous expansions and rehabilitation of existing factories. U.S. industry has reported new sourcing contracts with African suppliers and inquiries from African firms seeking joint ventures or U.S. expertise and inputs. As trade and investment flows increase, so should U.S. exports. In 2000, both U.S. exports to sub-Saharan Africa and imports from sub-Saharan Africa increased, by 6% and 67% respectively.

While the AGOA is a cornerstone of U.S. trade, investment, and development policy for sub-Saharan Africa, there are many other facets of this policy. The challenges facing sub-Saharan Africa are many. Although economic growth in the region has improved, it still lags behind that of other regions of the world. Many sub-Saharan African economies continue to depend on exports of a few commodities for the vast majority of their export earnings, making their economies more vulnerable than those of other developing countries with more diversified economies. In 2000, rising oil prices helped some countries while others faced deteriorating terms of trade. Sub-Saharan African countries are still in the process of implementing the reforms necessary to create a fully open and market-based economic system. Corruption and governance issues, inadequate infrastructure, as well as conflict remain major impediments to both domestic and external investment as well as trade. Adding to these issues is the devastating impact of the HIV/AIDS pandemic and other infectious diseases.

Most sub-Saharan African countries will still need assistance to take advantage of trade opportunities such as those offered by the AGOA. As the volume of global trade tripled in the past two decades, sub-Saharan Africa's volume of trade and share of world trade continued to decline, increasing Africa's marginalization in the global economy and excluding the region from growing world prosperity. Intra-African trade is well below averages for other regions of the world. Capital flight as well as a drain of experienced and skilled workers remain problems as does the low level of savings and investment in almost all sub-Saharan African countries.

Almost every U.S. Government department and agency has initiatives and programs with sub-Saharan African countries to address these challenges and issues. These initiatives include Trade and Investment Framework Agreements, technical assistance, capacity building programs, and HIPC debt relief, with its associated emphasis on creating effective poverty reduction strategies. Initiatives are aimed at addressing critical needs in areas ranging from trade reform to infrastructure development to combating HIV/AIDS.

The Administration is committed to engaging actively with African countries on trade, investment, and development. The Administration's programs and initiatives will be further developed and enhanced to most effectively target the challenges facing sub-Saharan Africa and to support sub-Saharan African efforts. The Administration will explore means of further liberalizing trade with sub-Saharan African countries, including the possibility of free trade agreements, new Trade and Investment Framework Agreements, promotion of AGOA opportunities, and enhanced and targeted technical assistance and capacity building programs. The Administration strongly supports the AGOA and a vigorous trade policy approach toward

Africa. It is committed to ensuring that the AGOA provides maximum benefit to both Americans and Africans.

Key Findings

AGOA Implementation

- Implementation of the AGOA is a priority for the Administration. Cabinet members have engaged African leaders on the AGOA. Thirty-five sub-Saharan African countries have been designated as AGOA beneficiaries. Over 1,800 products were designated for duty-free access to the United States under the AGOA. As of the end of April, five sub-Saharan African countries had been designated for AGOA apparel benefits with eight other countries in the process of meeting the requirements. The Administration is continuing its work to address concerns related to full implementation of the AGOA apparel benefits.

- The Administration is committed to extensive domestic and foreign outreach to strengthen the AGOA. Implementation efforts have included: over ten regional and national AGOA implementation seminars; production and distribution of a comprehensive AGOA implementation guide and an AGOA video; conduct of a U.S. Customs training seminar for officials of 24 sub-Saharan African countries; visits of customs teams to five countries; substantial guidance to countries on requirements for AGOA apparel benefits including a model visa arrangement. U.S. Embassies also have conducted intensive outreach campaigns, and speakers on the AGOA have been sent to 25 countries.

- An internet site, www.agoa.gov, has been created to provide information on the AGOA.

AGOA-Related Reforms and Results

- African government and private sector leaders have demonstrated strong interest in the AGOA and many have formed new inter-ministerial committees to implement the AGOA. The AGOA also has generated new public-private sector partnerships with African governments working with their industry to identify measures to assist them in meeting the AGOA requirements and to identify opportunities under the AGOA.

- The United States conducted extensive consultations with sub-Saharan African countries on the AGOA eligibility criteria. Many AGOA beneficiary countries are implementing economic reforms or have made commitments to implement economic reforms. Countries such as Botswana, the Central African Republic, Chad, Eritrea, Madagascar, Kenya, and Tanzania have taken steps to accelerate privatization, deregulate their economies, liberalize trade, and strengthen their intellectual property and labor law protections.

- A number of countries are implementing measures to combat corruption and to improve transparency. Benin, Cameroon, Chad, Guinea, Madagascar, Nigeria, Senegal, and Tanzania are among the countries that are implementing anti-corruption measures or that made commitments to do so.

- Many AGOA beneficiary countries have ratified ILO Convention 182 on the elimination of the worst forms of child labor including: Botswana, the Central African Republic, Ghana, Mali, Malawi, Mauritius, Rwanda, Senegal, Seychelles, and South Africa.

- Countries also are working to change, or have changed, laws on child trafficking or on worker rights, including Benin, Chad, Ghana, Guinea, Malawi, and Uganda. Swaziland was designated as an AGOA beneficiary in January 2001 after implementing a new Industrial Relations Law that conforms with international standards for worker rights.

- In many instances, African governments have sought U.S. technical assistance to help them in their efforts to deal with U.S. concerns. The Administration is working to identify ways to provide such assistance.

- The trade and investment response to the AGOA has been mixed, with results largely depending on a country's infrastructure, regulatory and political environment, production capacity, and potential.

- The AGOA is expected to help countries diversify their exports and to assist them in building a manufacturing base to support long-term economic growth.

- While few trade and investment statistics are available, anecdotal evidence indicates that in many countries, AGOA has led to substantial new investment, jobs, and trade. These countries include Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, South Africa, Senegal, Tanzania, Uganda, and Zambia.

- Examples of results from AGOA include: a government of Kenya estimate of creation of 50,000 direct and 150,000 indirect jobs resulting from new investments; new investment in Lesotho of $120 million, four times official development assistance to Lesotho; investment plans for a new tuna processing facility in Ghana; and significant increases in apparel exports from countries such as Lesotho, Kenya, Madagascar, and South Africa.

- As sub-Saharan African companies try to develop opportunities under the AGOA, they are seeking U.S. inputs, expertise, and joint-venture partners.

- While imports of apparel from sub-Saharan Africa increased in 2000, they still represented less than 1.5% of U.S. woven apparel imports and less than 1.2% of U.S. knit apparel imports. Sub-Saharan Africa accounted for less than 2% of U.S. merchandise imports in 2000.

Economic Growth, Trade, Economic Integration, Debt, and Investment

- Average economic growth in sub-Saharan Africa was 3.3% in 2000 and is expected to grow to 4.3% in 2001 (although the industrial country slowdown may cause analysts to lower this estimate). This is below the average growth rates for most other regions. There is significant divergence in rates of economic growth among African countries.

- The improving growth rates resulted mainly from stronger economic reforms in many countries that have implemented market-oriented policies to create the conditions for growth. Others have suffered from conflict, poor governance, corruption, and inward looking economic policies.

- The AGOA and the Heavily Indebted Poor Countries Initiative (HIPC) have served as an impetus for economic reform. Many countries are privatizing key sectors, liberalizing currency controls, establishing agencies to promote foreign investment, introducing mechanisms and laws to combat corruption, and implementing more transparent regulatory procedures. However, much more remains to be done.

- U.S. trade with sub-Saharan Africa increased 50% in 2000 to $29.4 billion. U.S. exports to the region increased 6.4% to $5.925 billion while imports from the region increased 67.2% to $23.480 billion.

- The increase in U.S. exports to sub-Saharan was led by exports of aircraft and oil field equipment. The increase in imports was largely the result of increased oil prices.

- Sub-Saharan Africa accounted for less than 1% of U.S. exports and less than 2% of U.S. imports in 2000. However, the United States is Africa's largest single country market.

- Trade with Africa is highly concentrated with a few products and a few countries dominating exports and imports. The United States top four markets -- South Africa, Nigeria, Kenya, and Angola -- accounted for 72% of U.S. sales. Four countries -- Nigeria, South Africa, Angola, and Gabon -- accounted for more than 87% of U.S. imports.

- U.S. exports were concentrated in aircraft and parts, oil and gas field equipment, wheat, motor vehicles and parts, industrial chemicals, computers, peripherals and software, construction machinery and parts, and telecommunications equipment.

- U.S. purchases of oil and platinum group metals accounted for over 70% of U.S. imports from the region.

- Angola and South Africa were the largest sub-Saharan African beneficiaries of GSP, accounting for 80% of total GSP benefits for sub-Saharan Africa. Angola was the third largest beneficiary worldwide; South Africa was the eight largest beneficiary.

- Regional economic integration efforts are proceeding, with progress varying by region. The Common Market for Eastern and Southern Africa and the Southern African Development Community both implemented free trade agreements in 2000. The West African Economic and Monetary Union implemented a customs union with the entry into force of its common external tariff in January 2000. However, in most cases the agreements do not include all member countries and in some implementation is staged over a number of years (especially SADC).

- Sub-Saharan African countries are participating more actively in the World Trade Organization and other multilateral trade discussions but face capacity and human resource constraints. The countries have also called for greater technical assistance and capacity building efforts to help reverse their declining share of in global trade flows and to assist them in meeting WTO obligations. USTR, USAID, and USDA and other agencies have implemented various programs to assist sub-Saharan African countries.

- Under the enhanced HIPC Initiative, 18 sub-Saharan African countries qualified as eligible to receive significant debt relief. Total nominal debt relief for these countries under the HIPC Initiative will amount to more than $25 billion. This action, combined with earlier debt relief initiatives, will reduce the debt of these countries on average by two-thirds.

- Foreign direct investment (FDI) in sub-Saharan Africa rose from $3.9 billion in 1998 to $5.3 billion in 1999 and foreign portfolio investment rose from $4.1 billion to $8.4 billion. South Africa accounted for the majority of the increases. Africa's share of worldwide gross domestic fixed investment (which combined foreign and domestically funded investment) declined from 1.5% in 1975 to 0.9% in 1998.

<u>Development Assistance and Capacity Building</u>

- USAID has active bilateral assistance programs with 24 sub-Saharan African countries and with regional African organizations. Other agencies, such as the Departments of Agriculture, Commerce, Energy, Labor, State, Transportation, and Treasury, and agencies such as the Office of the U.S. Trade Representative, the Environmental Protection Agency, the U.S. Export-Import Bank, and the Overseas Private Investment Corporation have significant programs and initiatives aimed at assisting African countries in implementing economic reform, developing transportation, energy, telecommunications, and environmental infrastructure, developing small business, and building capacity.

- HIV/AIDS is having a devastating effect on the people and economies of sub-Saharan Africa. The Administration is committed to an integrated approach to the HIV/AIDS pandemic. The Administration has created a new high-level task force on HIV/AIDS co-chaired by the Secretary of State and the Secretary of Health and Human Services. In May 2001, the Administration announced that the United States will provide $200 million in seed money for FY2002 for a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. The United States is the largest bilateral donor of HIV/AIDS assistance, providing for nearly 50% of all international HIV/AIDS funding.

- The Administration has informed countries that as they take steps to address a major health crisis like the HIV/AIDS crisis in sub-Saharan Africa, they should be able to avail themselves of the flexibilities afforded by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), provided that any steps they take comply with the provisions of the TRIPS Agreement. Current partnerships among governments, donors, multilateral organizations, NGO's, philanthropic organizations and industry should be expanded and strengthened. Drug therapies should be part of an integrated approach that emphasizes prevention in a continuum of care and treatment.

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

- The Secretaries of Commerce, State, and Treasury, and the U.S. Trade Representative will host their sub-Saharan African counterparts at the first annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to discuss expanding trade and economic relations between the United States and sub-Saharan African countries. The Forum is tentatively planned for Fall 2001.

Potential Free Trade Agreements with Sub-Saharan African Countries

- The Administration is open to the idea of negotiating free trade agreements with sub-Saharan Africa. It is pursuing a phased approach to such agreements and is working to establish conditions conducive to such agreements, including support for African efforts to liberalize trade and open markets. Bilateral and Regional Trade and Investment Framework Agreements are part of these efforts.

Other AGOA-Related Initiatives

- As called for under specific provisions of the AGOA, the U.S. Agency for International Development, the Overseas Private Investment Corporation, the U.S. Export-Import Bank, the Department of Commerce, and the African Development Foundation all have implemented initiatives to support the AGOA and to enhance U.S. economic and trade ties with sub-Saharan Africa.

II. Introduction

The African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, requires the President to submit a report to Congress annually through 2008 on trade and development policy toward Africa and on implementation of the AGOA. The Act also requires the President to submit a report to Congress on potential free trade agreements with sub-Saharan African countries.

This is the first of the reports required under the AGOA. It was prepared by the Office of the United States Trade Representative with input from all relevant federal agencies and offices including the Departments of Agriculture, Commerce, Energy, Labor, State, Transportation, and Treasury, and the African Development Foundation, the National Security Council, the Overseas Private Investment Corporation, the Small Business Administration, the U.S. Agency for International Development, the U.S. Customs Service, and the U.S. Export-Import Bank.

Previously, under the Uruguay Round Agreements Act, the President was directed to provide a report to Congress on U.S. trade and investment policy toward Africa. This report contains information similar to that in the earlier report. In addition, the report contains information on the implementation of the AGOA. The AGOA authorizes the President to designate sub-Saharan African countries as AGOA beneficiary countries provided that the countries meet the AGOA eligibility criteria. A summary of information used as a basis for these designations is included in this report. To date, 35 of the 48 countries potentially eligible for designation as beneficiaries have been designated. The report also provides information on reforms being undertaken by AGOA beneficiary countries and on trade and investment resulting from the AGOA.

The report is organized into eleven sections. Chapter III provides an economic overview of sub-Saharan Africa, U.S. trade with the region, and U.S. initiatives on trade and development. Chapter IV describes the key provisions of the AGOA and includes information on African government and industry views as well as U.S. government outreach efforts. Chapter V describes the AGOA country eligibility review process, provides information, by country, on the country eligibility designations, and describes some of the commitments and reforms made by AGOA beneficiaries. Chapter VI provides information on trade and investment resulting from the AGOA. Chapter VII and VIII describe the U.S.-Sub-Saharan African Economic and Trade Cooperation Forum and provide a plan for potential U.S. free trade agreements with sub-Saharan African countries. Chapter IX describes other AGOA-related initiatives. Chapter X is a list of Internet sites that provide additional information on U.S. trade, investment, and development policy with sub-Saharan Africa and on the AGOA. The annexes include other AGOA-related documents including a standard AGOA apparel visa arrangement.

III. Economic and Policy Overview

ECONOMIC SUMMARY

Economic Summary*	1997	1998	1999	2000E	2001E
Sub-Saharan Africa					
Real GDP Growth	3.4	2.4	2.1	3.3	4.3
Consumer Price Inflation	16.6	10.7	14.9	16.1	10.6
Government Deficit (% of GDP)	3.5	4.1	4.2	1.9	2.2
Current Acct. Deficit (% of Exports)	10.3	20.5	16.9	8.0	11.6
External Debt (% of GDP)	69.4	73.5	76.4	74.1	73.7
Debt Service (% of Exports)1	17.0	18.3	17.8	15.5	19.9
Investment (% of GDP)[2]	18.4	20.4	20.3	20.1	20.7
Except Nigeria and South Africa					
Real GDP Growth	4.0	3.5	2.8	3.5	4.6
Consumer Price Inflation	23.3	13.0	22.3	25.1	13.8
Government Deficit (% of GDP)	3.8	4.1	4.6	3.4	2.7
Current Acct. Deficit (% of Exports)	21.2	29.9	23.9	16.0	18.1

** IMF World Economic Outlook, October 2000; 1. Excludes ST debt & IMF. 2. Investment ratio is for all of Africa.*

A. Economic Growth

While economic growth in sub-Saharan Africa continues to lag behind that of other regions of the world, the region's performance has improved both in absolute and relative terms despite conflicts in several areas, poor governance in a number of countries, adverse movements in commodity prices, and the ravages of the HIV/AIDS pandemic. The main reason for the improvement appears to have been the continuing pattern of economic reform in most SSA countries. The results have included greater macroeconomic stability, more flexible exchange rates, more open and transparent trade/investment regimes, improved fiscal control, and divestiture of many parastatal enterprises. Without these reforms, Africa's recent economic record undoubtedly would have been much poorer.

Average growth in the region in 2000 was an estimated 3.3 percent (3.5% excluding Nigeria and South Africa), and is expected to improve to 4.3 percent (4.6 percent) in 2001. This compares to average population growth of about 2.8%. By contrast, average growth was 6.7 percent in Asia in 2000 (4.8 percent excluding China and India), 4.7% in the Middle East & Europe, and 4.3 percent in Latin America.

Looking at the historical record, average growth in the past ten years (1992-2001) in sub-Saharan Africa was 2.6 percent (2.9 percent excluding Nigeria and South Africa). The corresponding rates were 7.5 percent in Asia (4.5% excluding China and India), 3.7 percent in the Middle East and Europe, and 3.4 percent in the Western Hemisphere.

Sub-Saharan Africa's growth in 2000 was unevenly distributed, with changes in global commodity prices favoring oil exporters while producers of other major export commodities, such as cotton, cocoa, coffee and copper, saw their balance of payments deteriorate substantially;

current prospects are for non-fuel commodities, especially agricultural products, to remain depressed or appreciate only modestly. Weather shocks also affected the distribution of growth, as west Africa enjoyed good weather while the Horn of Africa suffered a drought and Mozambique, Zimbabwe, and parts of Malawi and South Africa were struck by severe flooding. Civil tensions and poor economic management continue to undermine previous economic gains in Cote d'Ivoire, Kenya and Zimbabwe, while military conflict hobbles economies in Angola, central Africa, Sierra Leone, and Guinea.

The continuing economic reforms not only have softened the effects of adverse commodity price swings on African growth, but should help promote a faster rebound and return to lower inflation rates in 2001 (after a spike in 1999 and 2000). Economic growth in Mozambique, for example, fell below 5% in 2000 but is projected to rebound significantly in 2001. Per capita income in Madagascar continued to grow despite three devastating cyclones, and 18 sub-Saharan countries reached decision points for debt relief under the Heavily Indebted Poor Countries initiative (see below). Other positive developments in the region in the past year included the cessation of hostilities between Ethiopia and Eritrea, continued strides towards more democratic government in Nigeria, a recent peaceful and democratic change of government in Ghana, and the prospect there may be a cessation of fighting in the Democratic Republic of the Congo. Relatively free and fair elections were both a result of, and contributors to, improved governance in Senegal, Niger and Tanzania in 2000.

B. Trade with the United States

U.S. Trade with Sub-Saharan Africa
($ Millions)

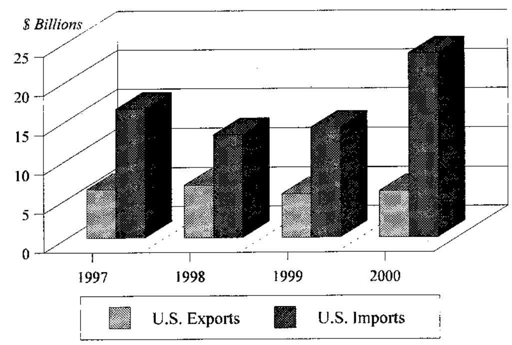
	1997	1998	1999	2000	Change 99-00
U.S. Exports	6,174.9	6,694.0	5,568.5	5,925.8	6.4%
U.S. Imports	16,418.7	13,139.6	14,042.9	23,480.4	67.2%

Two-way trade between the United States and sub-Saharan Africa recovered strongly in 2000 from a lackluster performance in 1999, propelled by surging prices for imported crude oil and modest increases in U.S. exports to South Africa and Nigeria. Total trade (imports plus exports) soared 50%, to $29.4 billion.

- U.S. exports to Africa grew 6.4% to $5.9 billion, although sales did not recover all the ground lost in 1999 from the record 1998 total. The increase was led by sales of aircraft to South Africa and Kenya, and oil field equipment to Nigeria.

- U.S. imports from Africa surged by two-thirds to nearly $23.5 billion, due to soaring prices for crude oil.

U.S. Trade with Sub-Saharan Africa



Total trade had decreased narrowly in 1999, as a dramatic fall in U.S. exports was offset by higher U.S. imports caused by rising oil prices. Average crude prices began to climb in March 1999, and escalated nearly 150% by year-end 2000.

The U.S. merchandise trade deficit with Sub-Saharan Africa doubled in 2000, to $17.6 billion. The cumulative imbalance over the last five years is nearly $52 billion in Africa's favor, but the associated transfer of financial resources benefits only a handful of African countries which supply substantial amounts of crude oil or strategic minerals to the United States.

- Nigeria, Angola, Gabon, and South Africa accounted for nearly 94% of the U.S. trade deficit with sub-Saharan Africa in 2000. The first three were major oil suppliers, while South Africa provided platinum and diamonds.

- As trade has increased between Africa and the United States it has also grown more concentrated, with a small number of African countries accounting for a greater share of the total for both imports and exports.

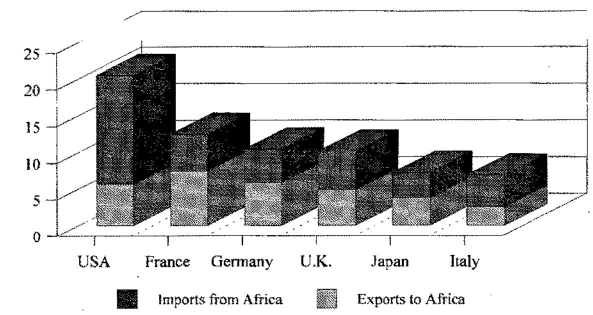
Africa's Global Trade

Sub-Saharan Africa's total imports declined 7.5% in 1999 (the latest year available), to $77.2 billion from $83.5 billion in 1998. The contraction was due in large measure to the delayed impact of the financial crisis which gripped Asia and other emerging markets in 1997-98. The crisis exerted downward pressure on Africa's terms of trade, as world prices fell for most of Africa's export commodities, particularly crude oil, gold, diamonds, and copper. Only oil has fully recovered.

The U.S. share of Africa's total import market was 7.3% in 1999, down from 8% in 1998 due to appreciation of the dollar on foreign exchange markets. The dollar appreciated nearly 5% against the euro in 1999, while the United States slipped from second place to third among Africa's industrial country suppliers behind France with a 9.7% share and Germany with 7.6%. EU suppliers combined enjoyed a 38.6% market share in 1999, virtually unchanged from 39% in 1998. The dollar appreciated still faster in 2000, gaining a further 20% in value against the euro. The trend could have negative implications for U.S.-African trade in years to come.

Africa's Principal Trade Partners, 1999

Industrial Countries



Sub-Saharan Africa accounts for less than 1% of U.S. merchandise exports, and less than 2% of U.S. merchandise imports. In comparison, the region accounts for 3.6% of global exports and 3.7% of total imports for the European Union (EU). However, the United States is Africa's largest single market, purchasing 19% of the region's exports in 1999. The United Kingdom was second at 6.8%, and France third at 6.4%. The EU combined absorbed 40% of Sub-Saharan Africa's exports.

Sub-Saharan Africa's Principal Industrial Country Suppliers
($ Billions and Market Share)

	1998	*% Share*	*1999*	*% Share*
France	*7.8*	*9.4*	*7.5*	*9.7*
Germany	*5.8*	*7.0*	*5.9*	*7.6*
United States	*6.7*	*8.0*	*5.7*	*7.3*
United Kingdom	*5.6*	*6.7*	*4.9*	*6.4*
Japan	*4.1*	*4.9*	*2.5*	*3.3*
Italy	*4.1*	*4.9*	*3.8*	*4.9*
Total EU	*32.8*	*39.0*	*29.8*	*38.6*

Source: Derived from IMF Directions of Trade Yearbook, 2000

U.S. Merchandise Exports in 2000

U.S. merchandise exports to sub-Saharan Africa were $5.9 billion in 2000, a 6.4% increase from the 1999 total. The expansion was led by sales of oil and gas field equipment to Nigeria, and aircraft to South Africa and Kenya. Exports had contracted sharply in 1999, due to dramatic declines in sales to the three largest U.S. markets in the region: South Africa, Nigeria, and Angola.

- Sales of aircraft and oil field equipment tend to be volatile, suggesting that export growth may not be sustainable in the longer term.

- In 1998, exports of aircraft and parts to South Africa and oil field equipment to Angola pushed U.S. exports to their highest total ever. A dramatic decline in these items in 1999 caused a large fall in total U.S. sales.

The 6.4% increase in 2000 shipments to sub-Saharan Africa lagged behind gains in exports to most other regions, with the exception of Eastern Europe where exports were flat and the Middle East which fell 9%. U.S. exports increased 21% in East Asia, 9.7% in the former Soviet republics, 7.4% in Central and South America, and 12.6% worldwide.

Despite the relatively slow growth, U.S. exports to sub-Saharan Africa were 78% greater than those to the Newly Independent States of the former Soviet Union, and 86% greater than to Eastern Europe.

- U.S. exports to South Africa alone were a third greater than our sales to Russia, whose population is more than 3.5 times as large.

As U.S. exports to sub-Saharan Africa grow, they become increasingly concentrated among a small number of countries. The top four markets -- South Africa, Nigeria, Kenya, and Angola -- accounted for 72% of U.S. sales in 2000, with South Africa accounting for 52%, Nigeria for 12%, Kenya for 4%, and Angola for 3.8%. In 1999, the top four markets represented less than two-thirds of total exports.

EU exports to Africa are also highly concentrated among a small number of countries, although less so than those of the United States. Seven countries -- South Africa, Nigeria, Liberia, Cote d'Ivoire, Ghana, Senegal, and Gabon -- accounted for more than two-thirds of EU exports to Sub-Saharan Africa in 2000.

Leading U.S. Export Markets in Sub-Saharan Africa

Country	***2000 Export Value ($ Millions)***
South Africa	***3,084.7***
Nigeria	***718.5***
Kenya	***238.0***
Angola	***226.0***
Ghana	***190.8***
Ethiopia	***165.2***
Equatorial Guinea	***94.9***
Cote d'Ivoire	***94.9***

Leading U.S. Exports

U.S. exports contribute significantly to building and modernizing infrastructure in sub-Saharan Africa. The principal U.S. merchandise exports included the following product categories: aircraft and parts; oil and gas field equipment; motor vehicles and parts; industrial chemicals; computers and peripherals; construction machinery and parts; telecommunications equipment; and agricultural machinery.

Leading U.S. Exports to Sub-Saharan Africa

Item	***2000 Export Value ($ Millions)***
Aircraft and parts	*780.5*
Oil and gas field equipment	*343.0*
Wheat	*309.8*
Motor vehicles and parts	*257.5*
Industrial chemicals	*231.9*
Computers, peripherals, and software	*219.3*
Construction machinery and parts	*189.3*
Telecommunications equipment	*139.5*
Agricultural machinery	*68.5*
Used clothing and textiles	*60.7*

U.S. Merchandise Imports in 2000

U.S. purchases from sub-Saharan Africa totaled $23.5 billion in 2000, a 67% increase from the1999 total, due to sharply higher prices for crude oil and a 40% increase in imports of platinum group metals.

- Crude oil accounted for $16.3 billion, or 69% of U.S. imports from the region. In 1999, U.S. imports of crude oil from sub-Saharan Africa were $8.1 billion, or 58% of total imports.

- Although crude oil imports from Sub-Saharan Africa doubled in value terms in 2000, the increase in total barrel volume was only 16%. The average price per barrel escalated more than 73% during the year, to $28.79.

- Sub-Saharan Africa supplied 18% of U.S. crude oil imports by value in 2000, up from 16% in 1999. In comparison, Persian Gulf suppliers provided 25% of U.S. imports, unchanged from 1999.

- Nigeria, the fifth largest U.S. oil supplier, provided $10 billion of crude oil to the United States, 11% of total imports. Angola was the eighth leading supplier, at $3.4 billion. Gabon ($2.1 billion), Congo-Brazzaville ($348 million), Congo-Kinshasa ($168 million), and

Equatorial Guinea ($107 million) also ranked among the United States' top 25 suppliers of crude oil.

The second leading U.S. import, platinum group metals, constituted 6.5% of purchases. This category also includes iridium, palladium, and rhodium, among others. Partially refined petroleum products represented 4.1% of U.S. imports from the region.

Leading U.S. Imports from Sub-Saharan Africa

Item	*2000 Import Value ($ Millions)*
Crude oil	*16,289.8*
Platinum group metals	*1,528.8*
Partially refined petroleum products	*969.4*
Woven or knit apparel	*748.1*
Iron and steel products	*494.9*
Diamonds	*433.4*
Ferro- and nonferrous ores	*399.1*
Cocoa beans and products	*311.0*

After crude oil, platinum, and diamonds, imports of woven and knit apparel experienced the strongest expansion in 2000, growing 28%. The upsurge came before the apparel provisions of AGOA were in force but anecdotal evidence suggests that much of this increased activity occurred in anticipation of the AGOA benefits. As more countries become eligible to export apparel to the U.S. under the AGOA, the apparel sector could become an export growth engine in Africa.

U.S. imports from Africa remained highly concentrated among a small number of suppliers, even more so than U.S. exports. Four countries -- Nigeria, South Africa, Angola, and Gabon -- accounted for more than 87% of U.S. purchases. Three were major crude oil suppliers, while South Africa was an important supplier of platinum, diamonds, and steel.

EU imports from sub-Saharan Africa were only slightly more diversified. The six leading suppliers -- South Africa, Nigeria, Cote d'Ivoire, Cameroon, Angola, and Ghana--accounted for 70% of EU imports from the region, with crude oil constituting nearly 19% of the total, diamonds 11%, and gold 6%.

Principal Sub-Saharan African Suppliers to the United States	
Country	***2000 Import Value (\$ Millions)***
Nigeria	***10,548.5***
South Africa	***4,204.2***
Angola	***3,557.0***
Gabon	***2,208.9***

Generalized System of Preferences

Duty-free importation of goods from Africa under the U.S. Generalized System of Preferences (GSP) jumped 54% in 2000, to $2.4 billion. However, the increase was largely the result of increased oil shipments from Angola, Congo-Kinshasa, and Equatorial Guinea.

- Angola moved to third place among GSP beneficiary countries worldwide from fifth place in 1999.

- South Africa was the eighth leading beneficiary largely due to a 30% jump in shipments of ferro-chromium.

- For the second straight year, these two countries accounted for 80% of total GSP benefits in the sub-Saharan region. Five countries accounted for more than 94% of GSP utilization in Africa.

- Angola, Democratic Republic of the Congo, and Equatorial Guinea benefitted from a measure first implemented in 1997 that made imports of crude oil and partially refined oil products from least developed beneficiary countries GSP-eligible.

Leading GSP items from Africa in 1998 were: crude oil, partially refined petroleum products, ferro-chromium, and cane sugar.

Leading Sub-Saharan African GSP Beneficiary Countries	
Country	***2000 GSP Benefits (\$ Millions)***
Angola	***1,378.8***
South Africa	***582.9***
Congo-Kinshasa	***146.2***
Equatorial Guinea	***136.3***
Zimbabwe	***61.3***

C. Economic Reform

The economic reform record across sub-Saharan Africa (SSA) is decidedly mixed, as to be expected from a diverse collection of 48 countries across several distinct climates and at different levels of development. A handful of less developed African countries has been very successful in sustaining market led reforms that have created the conditions for growth. Economies in a number of other countries have been virtually destroyed by conflict, poor governance, and bad policy choices. Overall, the last year has seen some important progress around the continent -- in some part driven by the requirements of the Heavily Indebted Poor Countries Initiative to reduce debts -- although a number of important countries failed to meet expectations. Regional economic integration efforts, engagement with the IMF and World Bank, and the AGOA have been positive forces in encouraging countries to lower tariff barriers and institute more market-oriented fiscal and monetary policies. There should be recognition as well of the potential for reform that exists because of the continued expansion of democratic governance in the region. In addition to the relatively well-conducted elections that were held in 2000 in countries as diverse as Niger, Senegal, and Tanzania, Ghana completed a peaceful transfer of power in March 2001 to a newly-elected president from an opposition party.

Many countries are actively working to create an environment for increased trade and investment. Privatization efforts are ongoing in the majority of countries with the extent and pace of privatization varying widely. Sectors being fully or partially privatized include telecommunications, energy, transportation, and mining. A large number of sub-Saharan African countries have created agencies to promote and facilitate foreign investment. At least sixteen countries have stock exchanges with South Africa's being the largest and most active.

The International Financial Institutions (IFIs) have been catalysts for change across the continent. The majority of sub-Saharan African countries now work closely with the International Monetary Fund -- 28 are now on IMF funded or non-funded programs, and several more are currently in negotiations to establish some type of Fund program. These programs tend to focus on sound fiscal management, establishment of credible monetary policy in those countries not part of regional currency systems, rationalization of tariff and non-tariff barriers, and privatization of state owned enterprises as a means of improving efficiency and reducing the burden on state resources.

In addition, there is a growing recognition on the part of African governments that systemic structural reforms are needed to spur economic growth. Increased focus on the rule of law, improved transparency and governance, a better environment for private enterprise, and decreased tolerance for corruption at all levels play an important role in creating the kind of business climate that encourages both foreign and domestic investment. The IMF and World Bank, along with the African Development Bank and bilateral donors (including the United States) have provided resources and technical assistance across Africa in an effort to encourage, directly and indirectly, the development of anti-corruption bodies, transparency in government accounting and contracting, and more predictable, fair, and independent legal systems.

Significant progress has been made on debt reduction for the most Heavily Indebted Poor Countries (see separate section). The United States has played a key role in designing and implementing the HIPC Initiative thus far and will continue to play an important role in monitoring and advocating country compliance with the HIPC program's economic reform and poverty reduction requirements. Through our Embassies and in high level discussions with both beneficiaries and other donors, the U.S. will continue to promote growth-oriented economic reforms. Tracking public expenditures to ensure that resources freed through debt reduction are applied effectively to poverty alleviation programs continues to be a top priority of HIPC and related programs.

The African Growth and Opportunity Act signed by the President in May 2000 is a valuable tool in promoting economic development and the diversification of African exports by providing duty-free U.S. market access for products from countries that are making economic reforms and meet certain political criteria. AGOA also mandates the creation of a U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to strengthen overall economic relations and trade and investment between the United States and sub-Saharan Africa countries. This Forum will serve to enhance U.S. engagement with SSA countries on policy and strategies to achieve economic growth, implement reform, and deepen U.S.-Africa economic relations. The Forum will also provide the venue to consult with AGOA eligible countries on AGOA implementation and mechanisms to facilitate Africa's integration into the global economy.

While progress has been made, important challenges still face many African countries. Corruption and non-transparent policies (especially in government procurement), weak institutions, poor infrastructure, low levels of education and public health, a worsening AIDS pandemic, high tariffs, inadequate protection of intellectual property rights, cumbersome customs procedures, and inadequate legal systems, continue to hinder economic development in many countries. The U.S. will continue to support African country efforts to address these policy challenges.

D. Regional Economic Integration

The United States has encouraged and supported regional economic integration efforts in sub-Saharan Africa as a means of stimulating economic growth by improving economies of scale and reducing transactions costs for the region as well as for international businesses. A first stage in this effort must be a substantial expansion of trade among African nations: in 1999, only $11 billion of a total of $80 in billion in African exports was destined for other African markets -- a much lower proportion than is seen in more rapidly developing areas of Asia or Latin America. According to data from the World Trade Organization, the share of intra-regional trade flows in each region's total trade was 10% for Africa, 16% for Latin America, 35% for North America, 70% for Western Europe, and 46% for Asia in 1999. The United States has worked to facilitate and promote regional economic integration through the Africa Trade and Investment Policy program (ATRIP) and technical assistance to organizations such as the West African Economic and Monetary Union (WAEMU), Southern African Development Community (SADC), the East African Community (EAC), the Intergovernmental Authority on Development (IGAD), and the

Common Market for Eastern and Southern Africa (COMESA).

In order to encourage regional economic integration and to strengthen trade and investment relations with the region, the Office of the United States Trade Representative is in the process of negotiating and concluding regional Trade and Investment Framework Agreement's with COMESA and WAEMU. USTR also hopes to negotiate a TIFA with SADC. The Department of State coordinates a regular dialogue with SADC through the U.S.-SADC Forum and works extensively with the other regional organizations. USAID has substantial assistance programs to assist COMESA, SADC and other organizations to accelerate integration and to support the organization's efforts to increase member countries participation in the global economy and the WTO. A number of U.S. Government agencies are now planning a major technical assistance symposium with WAEMU commissioners and trade and finance ministers to recognize progress made and accelerate on-going regional economic integration efforts. The Administration's trade and investment policy will give focused attention to technical assistance to strengthen trade capacity in SSA. USG trade capacity and technical assistance programs are described in the sections on development assistance and Africa's integration into the global economy.

The AGOA also promotes regional economic cooperation and trade between the countries of sub-Saharan Africa by allowing cumulation among AGOA beneficiary countries, i.e. AGOA beneficiaries may include inputs from other AGOA beneficiaries in meeting the GSP requirement of 35% value-added.

While economic integration in Africa has not proceeded as rapidly as some had hoped, considerable progress was made on a number of fronts in 2000. Factors making progress difficult include: the lack of necessary transportation and communication infrastructure; varying levels of development, policy orientations, and political priorities; and, overlapping and sometimes conflicting regional entities. The status of integration efforts by various regional organizations as well as additional information on U.S. support for their efforts is detailed below.

COMESA: The Common Market for Eastern and Southern Africa (COMESA), whose membership overlaps considerably with the Southern African Development Community (SADC), has always focused more heavily than SADC on trade liberalization, and its efforts have been far reaching and effective. On October 31, 2000, nine of the twenty COMESA member countries ratified the Free Trade Area, bringing the tariffs to zero among those members (others are expected to join when they are able). This was an important step toward the customs union planned for 2004. In addition to eliminating tariffs on much of members' intra-regional trade, COMESA has had considerable success in simplifying rules of origin and establishing a single customs structure. COMESA also aims for further cooperation in customs management and the harmonization of trade documents and procedures. COMESA has seen intra-regional trade grow over the past decade, expanding roughly nine-fold.

The United States has provided a variety of assistance to COMESA's integration efforts, including through: technical assistance on trade and the WTO; identification of barriers to investment and development of regional solutions; private sector capacity building;

telecommunications harmonization; facilitation of cooperation with SADC; and study of rules of origin as related to the WTO, World Customs Organization, SADC and other organizations.

EAC: The East African Cooperation (EAC), a successor to the former East African Community that sought to link Kenya, Uganda, and Tanzania in an economic union, came into being when the treaty establishing it entered into force in July of 2000. Technical and non-trade issues, including harmonization of labor standards and promotion of labor mobility through a common passport, have taken priority for the time being over trade integration objectives, which will be the subject of future negotiations. The Treasury Department is providing technical assistance to the EAC on harmonization of securities laws and trading, and will place an advisor in the EAC under the ATRIP program later in 2001 to work on facilitation of cross-border financial asset trading. Treasury also is providing technical assistance on banking sector reform in Uganda.

ECOWAS: The Economic Community of West African States (ECOWAS), which has had an active political role in the region, has seen little if any progress toward integration of markets since its inception in 1975. However, a new office on regional integration has been established at the Secretariat and a strategy has been adopted to accelerate the integration process by creating a single regional market based on trade liberalization, common external tariffs, and harmonized economic and financial policies. There are also plans for harmonizing ECOWAS policies with those of the West African Economic and Monetary Union (WAEMU), including work aimed at an eventual ECOWAS merger with the WAEMU monetary zone.

The United States has supported integration in the ECOWAS region through a number of means, including technical assistance to the West African power pool and the West Africa gas pipeline project described in the section on Energy Infrastructure Development. The United States has also provided technical assistance to the ECOWAS fund, providing, for example, seminars on public private partnerships and the World Trade Organization.

SADC: The Southern African Development Community (SADC) launched its Free Trade Area (FTA) on September 1, 2000. By March 2001, 11 signatories had ratified the agreement and 8 had submitted their instruments of implementation indicating their readiness to offer the tariff reductions. The FTA will be phased in over a lengthy period, with free trade within SADC on all goods by 2012. SADC negotiators are continuing to work on remaining unresolved issues critical to the FTA's success. The lack of clarity and coordination with respect to trade policies in organizations with overlapping membership, such as COMESA, EAC and the Southern African Customs Union (SACU), has challenged the integration process.

The United States-SADC Forum, a regular process for consultation, has sponsored activities supporting regional integration, including technical assistance to the Secretariat and SADC member states on implementation of the SADC Free Trade Area and regional capacity building on trade policy issues, including sanitary and phyto-sanitary issues.

WAEMU: The West African Economic and Monetary Union (WAEMU), sharing a common language (except for Guinea Bissau), a common French-backed currency and similar administrative and regulatory traditions, has made significant progress in its regional economic integration efforts. In January 2000, WAEMU's common external tariff, with rates not to exceed 20 percent, took effect, although adherence to the tariff structure is not uniform throughout the region. WAEMU also has established a common accounting system, periodic review of member states' macroeconomic policies based on convergence criteria, and a regional stock exchange, as well as the legal and regulatory framework for a regional banking system. Nevertheless, intra-regional trade does not appear to have greatly expanded. The investment environment in most WAEMU countries remains troubled and investors cite lack of predictable rule of law and current employment laws as impediments.

In support of WAEMU's regional integration efforts, USAID has established a regional mission in Bamako. The Treasury Department has provided a resident advisor at the regional Central Bank (BCEAO) since 1999, working with the Bank and member country finance ministries on problems of debt issuance, debt management, and creation of a region-wide debt securities market for the eight WAEMU member countries. Treasury also is providing technical assistance in budgeting to the government of Senegal.

As mentioned earlier, various agencies of the U.S. Government also are planning to host a technical and policy symposium in Washington for WAEMU commissioners and member country trade and finance ministers. The symposium will include technical assistance and consultations on further policy reforms and requisite initiatives to realize WAEMU's goal of full economic integration and on policy reforms to promote trade and investment between the U.S. and the WAEMU member countries. The Administration also plans to conclude a regional Trade and Investment Framework Agreement (TIFA) with WAEMU this year, which would establish a U.S.-WAEMU Council on Trade and Investment. When concluded, this agreement will represent the first U.S. regional TIFA in sub-Saharan Africa.

E. Africa's Integration into the Global Trading System

Supporting Africa's integration into the global economy is one of the pillars of the Bush Administration's Africa trade policy of free markets, expanded trade, and economic growth. The Administration will aim to strengthen its work with African countries through technical assistance. The goal of these efforts will be to strengthen the capacity of African countries to participate more fully in the WTO and to enhance U.S.-African cooperation in the multilateral trading system.

The United States has welcomed and encouraged increased participation by sub-Saharan African countries in the WTO and multilateral trade discussions. Africa made fewer commitments during the Uruguay round than any other region and as a result, African countries in general have higher tariffs and fewer market access commitments (especially in the services sector) than countries in other regions. For example, only one African country is a signatory to the Information Technology Agreement. This has impeded African countries ability to attract investment and to increase trade, competitiveness, and economic growth.

During the past few years, African countries have become more active in World Trade Organization (WTO) discussions and in other multilateral discussions of trade and economics. Thirty-eight sub-Saharan African countries are WTO members, representing 27% of all WTO membership. Four other sub-Saharan African countries have observer status. Members of African delegations to the WTO have also assumed important positions within the WTO. One of the WTO's five Deputy Directors General is from sub-Saharan Africa. A member of the Lesotho mission is chairperson of the Goods Council Committee on Technical Barriers to Trades and a member of the Zimbabwe delegation is chairperson for the Council for TRIPS. Uganda is chairperson of the Committee on Trade and Development.

Sub-Saharan Africa WTO Members

Angola	Mali
Benin	Mauritania
Botswana	Mauritius
Burkina Faso	Mozambique
Burundi	Namibia
Cameroon	Niger
Cental African Republic	Nigeria
Chad	Rwanda
Dem. Rep. of the Congo	Senegal
	Sierra Leone
	South Africa
Rep. of Congo	Swaziland
Cote d'Ivoire	Tanzania
Djibouti	Togo
Gabon	Uganda
The Gambia	Zambia
Ghana	Zimbabwe
Guinea	
Guinea-Bissau	**<u>Observers</u>**
Kenya	Cape Verde
Lesotho	Ethiopia
Madagascar	Seychelles
Malawi	Sudan

As part of the WTO's Built-in Agenda, during 2000 and early 2001, WTO Members tabled proposals on agriculture and services. Of the almost fifty proposals submitted on agriculture, African countries authored or co-authored about one-third. African countries also participated in the Services negotiations that have been held in Geneva.

USTR, USAID, and the Departments of State, Treasury, and Agriculture, as well as other agencies, have provided technical assistance to African governments to increase their capacity to deal with issues related to the WTO. In addition, USTR, State, Agriculture, and others have enhanced their dialogue with sub-Saharan African countries on WTO issues.

As part of these efforts, in May 2000, USTR organized and sponsored a WTO Consultative and Technical Assistance Forum for African Trade Ministers. At USTR's invitation, eight African trade ministers and leaders from five African regional economic organizations participated in the Forum. During the Forum, U.S. cabinet and sub-cabinet members as well as Members of Congress and leading academic experts engaged in an extensive dialogue with the African trade ministers on issues ranging from the importance of continued liberalization of agriculture and services, to the benefits and challenges of e-commerce, to the requirements and benefits of WTO membership.

USTR also worked with USAID to provide funding to allow the WTO to develop computer-based training modules on WTO agreements that will be made available on the Internet and on CD-ROM and to fund two WTO seminars for African countries in anglophone and francophone countries. To assist countries in meeting their obligation to implement the Customs Valuation Agreement, USTR has worked with USAID to provide funding for technical assistance on customs obligations.

In FY 2001, USTR and other agencies obtained $820,000 in funding through the ATRIP program to continue WTO-related technical assistance and training including a series of workshops throughout Africa on specific areas of the WTO including agriculture, telecommunications and e-commerce, market access, and intellectual property rights. A number of the workshops will focus on the Agricultural Market Access Database, a comprehensive collection of public data on WTO market access commitments and their implementation. The initiative will also sponsor the participation of 20 sub-Saharan African trade officers in a three-week comprehensive course in Geneva. The course is designed to explain the trade policy context of the WTO as well as its key functions.

USDA regularly engages with African countries on a wide variety of issues including the need for improved market access for agricultural products, liberalization of the trade in agriculture, and how to handle sanitary and phyto-sanitary (SPS) requirements. USDA is working to promote African understanding of U.S. policies, and engage African countries on the trade policy implications of sanitary-phytosanitary (SPS) international standards-setting bodies, including CODEX Alimentarius (Codex), the Office International des Epizooties (OIE), and the International Plant Protection Convention (IPPC). The objective is to ensure a better understanding of WTO-consistent approaches to implementing food safety and other SPS measures affecting trade. Interest in understanding and meeting SPS requirements in the international market has increased among many African countries, especially as they realize the need to manage SPS requirements in order to taking advantage of trade opportunities enhanced by reductions in tariffs.

Before trade benefits can be realized, science-based policies on food safety and animal and plant health need to be addressed. USDA has participated in special WTO conferences in Africa, describing new WTO and SPS requirements and obligations. USDA has provided technical expertise to African countries on how to bring SPS systems into compliance with WTO rules and how to meet U.S. standards for imported products. USTR also has actively engaged African countries in bilateral and multilateral fora on SPS and related issues.

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

As part of its efforts, USDA conducted a 5-day conference on WTO agricultural policy issues for Southern African Development Community (SADC) member countries in Botswana, March 4 -

9, 2001. The effort promoted policy coordination between ministries on their WTO obligations, and provided perspectives on U.S. policy. USDA will hold an additional conference in October 2001 to provide training on SPS risk assessment issues for SADC countries.

USDA will conduct similar conferences on WTO agricultural policy issues for the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (WAEMU) countries in April and May 2001, respectively. In addition, USDA will hold conferences in October 2001 (COMESA) and January 2002 (WAEMU) to provide training on SPS risk assessment issues for all member countries.

These efforts are intended to encourage positive engagement in international trade and international standards-setting organizations and will help identify and foster areas for cooperation between the United States and sub-Saharan African countries.

Increased African economic reform, stabilization, and development are essential to promoting trade. Stronger African economies create greater export opportunities for U.S. agriculture. The Administration's three main agricultural trade objectives are: increased market access for U.S. agricultural products, support of bilateral trade agreements and Administration trade initiatives, and the promotion of an increased dialogue between USDA, USTR, and agricultural ministries in Africa.

Although many countries in Africa have made advances in agricultural trade liberalization, there is significant room for improvement. USDA has approached Africa, both bilaterally and multilaterally, to better ensure the market access necessary for trade expansion. USDA has examined common multilateral trade interests and concerns with African countries in an effort to work together to improve market access for agriculture during the next round of WTO negotiations. The United States' trade liberalization goals have been articulated at several levels in bilateral discussions with individual African countries and regional trade blocs, as well as in multilateral fora such as the WTO. The Administration will continue to encourage increased liberalization through tariff reductions, elimination of non-tariff barriers, and development of market-oriented trade policies. The Administration will continue a broad array of initiatives designed to help African countries to better appreciate the truism that protectionism results in significantly higher prices for African consumers while eliminating the incentives for innovation and greater efficiency among domestic producers.

F. Debt Relief, the Heavily Indebted Poor Country Initiative, and IFI Reform

A majority of sub-Saharan African countries have developed serious debt problems. Of the 41 countries designated by the international community as "Heavily Indebted Poor Countries" (HIPCs), 33 are in sub-Saharan Africa. In 1980, the Net Present Value (NPV) of external debt owed by all the HIPCs was $45 billion; by 1999, this figure had tripled, reaching nearly $150 billion. There was a general recognition that, despite earlier efforts by creditor countries to provide debt rescheduling and partial debt reduction for countries undertaking economic reforms, many of the poorest ones still faced severe debt burdens that had become obstacles to development and growth.

In 1996, therefore, the international community, with strong U.S. leadership, agreed to launch the original HIPC debt relief program -- a comprehensive approach to the debt problems of these countries. For the first time, the HIPC program required international financial institutions such as the IMF and World Bank to participate in debt reduction.

There was widespread concern, however, that the original HIPC program took too long to implement, was too narrow in scope, and did not create a sufficiently strong link between debt relief and poverty reduction. Again with strong U.S. leadershop, an enhanced HIPC initiative was launched in 1999, designed to provide deeper, broader, and faster debt reduction in return for demonstrated commitment and performance on economic reform and poverty reduction. HIPC beneficiaries are required to use savings from HIPC debt relief on such poverty reduction programs as basic education and health. Indeed, all poor countries that receive IFI support, including HIPCs, now are expected to develop Poverty Reduction Strategy Papers (PRSPs) with public participation (see following section), to guide the use of debt savings and to set priorities for new development programs.

Under the enhanced HIPC initiative 22 countries, including 18 in sub-Saharan Africa, qualified in 2000 to begin receiving significant debt relief. The African beneficiaries were Benin, Burkina Faso, Cameroon, The Gambia, Guinea, Guinea-Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome/Principe, Senegal, Tanzania, Uganda, and Zambia. Total nominal debt reduction under the HIPC initiative for these 18 countries will amount to more than $25 billion. When combined with earlier debt relief initiatives, this action will reduce the debt of these countries on average by about two-thirds. Additional sub-Saharan countries are likely to become eligible for enhanced HIPC treatment in 2001.

Debt reduction by the U.S. Government, covering 100% of the obligations owed by these countries to the United States, will total nearly $500 million; the U.S. government also is helping to finance the cost of reducing the debts owed by African HIPCs to the African Development Bank.

Sustained performance under the HIPC framework by beneficiary countries should result in stronger growth, better fiscal management, improved climates for private investment, better records on corruption/governance, and a commitment to rising levels of investment in health and education. Following are some examples of country programs that HIPC debt relief will help to finance:

- Mozambique plans to expand the stock of basic medicines in government clinics, increase primary school enrollment rates by 1-2 percentage points a year, and reduce the grade repetition rate.

- Uganda used debt relief from the original HIPC program to eliminate school fees for grade school students -- a major impediment to expanded enrollment. Enhanced HIPC will help Uganda extend the country's successful HIV/AIDS awareness program.

- Senegal has pledged to hire 2,000 teachers per year for the next few years.

- Tanzania will increase immunization levels among children, and eliminate elementary school fees this year.

- Madagascar plans to recruit new teachers and help fund its anti-HIV/AIDS campaign.

IFI Reform

A critical feature of the enhanced HIPC framework, and the Poverty Reduction Strategy Paper (PRSP) process that it has generated, is to put poverty reduction at the center of operations of the International Financial Institutions (IFIs) in poor countries. The framework provides for a clearer division of labor and better cooperation between the IMF and World Bank, and strengthens the policy link between growth and poverty reduction. It also aims to channel the savings provided under HIPC specifically toward priority poverty alleviation programs. In this context, the beneficiary country develops a Poverty Reduction Strategy Paper that is assessed by the Boards of the Bank and Fund and becomes the framework for debt relief and continued concessional lending. There also are indications that bilateral donors have begun to adapt their lending programs to better reflect the development priorities identified by the PRSPs.

In recognition of the changes, the Fund has defined a new instrument for long-term concessional financial support of the poorest countries, called the Poverty Reduction and Growth Facility (PRGF), replacing the former Enhanced Structural Adjustment Facility (ESAF). The Bank, for its part, is developing a new instrument, the Poverty Reduction Support Credit (PRSC), that will provide a macroeconomic and financial framework within which future programs can be agreed and implemented with the recipient country. The two facilities are to be complementary.

While the PRSP process is relatively new -- instituted only in the fall of 1999 – and is still evolving, initial experience is positive and has encouraged the strong engagement and support of the donor community. Positive developments include (1) the extension of the process to all poor countries, (2) stronger ownership of programs by the countries themselves, (3) more transparency and public participation in designing and implementing such programs, (4) better control and tracking of expenditures to ensure that resources are effectively used, (5) greater flexibility and prioritization in IFI programs, (6) more carefully sequenced reforms, and (6) streamlined IFI conditionality that is more realistic and improves prospects for compliance. Early results in countries such as Mozambique, Uganda, Senegal, and Tanzania suggest that the PRSP process is becoming an increasingly important tool for improving the use of development resources.

G. International Financing including FDI and Capital Flows

Comprehensive data on capital and investment flows in sub-Saharan Africa are only available through 1999, and they present a mixed picture. While the balance on the capital account grew from $2 billion in 1998 to $4.2 billion in 1999, the balance on the financial account plummeted from $17.3 billion in 1998 to $5.3 billion in 1999. Much of the change in the balance on the financial account can be attributed to the large increase in forward dollar liabilities by the South Africa Reserve Bank (SARB) during the Asian and Russian financial crises in 1998, and the subsequent unwinding of the SARB's positions since the fall of 1998. Ethiopia, Kenya, and Nigeria also experienced significant financial outflows in 1999, due presumably to the war with Eritrea in Ethiopia's case and to economic uncertainties in the other two countries.

For the region as a whole, foreign direct investment (FDI) rose from $3.9 billion in 1998 to $5.3 billion in 1999 while foreign portfolio investment rose from $4.1 billion to $8.4 billion. South Africa accounted for the majority of the increase in both categories. The United States was the leading source of FDI in sub-Saharan Africa for the period 1994-1998, followed by France and the United Kingdom.

While sub-Saharan Africa has about 11 percent of the world's population, it attracts a much smaller and apparently still declining share of global investment flows: in 1975, Africa's share of gross domestic fixed investment (GDFI), combining foreign and domestically funded investment, was 1.5%, but in 1998 it was only 0.9%.

Average investment rates in African countries are only about 20 percent of GDP, compared to above 25 percent in low- and middle-income countries as a group. Higher investment rates will be necessary for achieving sustainable long-term reduction in unemployment and poverty. .

H. Development Assistance, Sustainable Development and the Environment, Labor, and Capacity Building

USAID is the primary agency within the U.S. government involved in providing development assistance to sub-Saharan Africa. However, many other agencies are providing technical and capacity building assistance through use of their own resources or with funding from USAID. Additional assistance is provided by international financial institutions to which the United States is a major contributor.

Development Assistance

USAID has missions with active bilateral assistance programs in 22 countries in sub-Saharan Africa and also is active with African regional organizations. Its approach to development assistance is based on promoting broad-based economic growth through policy analyses, technical assistance and training. In addition, emergency relief is structured to help nations make the transition to sustainable development.

USAID emphasizes a number of strategic objectives in its program for Africa, from agricultural development, to health (including HIV/AIDS), to basic education, and economic growth. In the latter set of programs, most of the activities are geared toward promoting economic reform and private sector development, to help create a supportive environment for trade and investment. Examples of USAID development assistance are included below and in other sections of this report.

- In Uganda, USAID is providing technical assistance to the government in matters of legal, judicial, tax, and trade policy reform. The assistance includes technical experts, training, and some limited commodity procurement. The project is also working to institutionalize the role of the private sector in the formulation of the government's trade policy and negotiating positions.

- In Nigeria, at USTR's request, USAID is funding a project to assist in developing the gum arabic sector. The project will provide a tangible dividend to countries which are implementing economic and political reforms while also benefitting U.S. companies which are trying to reduce their dependence on Sudan as their source for gum arabic. The project also will support the AGOA objective of helping countries to diversify their economies.

- In Zambia, USAID provided training, technical assistance and selected equipment to help export-oriented Zambian government agencies work toward a better trade and investment environment, in line with their obligations to the WTO, SADC, COMESA and other trade organizations. Technical assistance addressed issues related to the COMESA Free Trade Area, the Cotonou agreement (the successor to the Lome agreement), and the WTO.

- In Madagascar, USAID is implementing a program called Effective Integration into the Global and Regional Economy. This program aims to support Madagascar's integration into the WTO by providing WTO awareness training and WTO-related policy analysis. It is also assisting Madagascar in compliance with its regional commitments to trade liberalization within COMESA and in developing expanded trade links with the United States. The program seeks to cultivate the strong participation of the private sector and other segments of civil society to help create an improved trade and investment regime.

- USAID is implementing a program in Eastern and Southern Africa to support the establishment of a policy and regulatory infrastructure for the development, trade, and commercial application of agricultural technologies derived from modern biotechnology. The goal of this program is to promote regulatory policies and procedures that will facilitate the use of new biotechnology-derived crop varieties (often referred to as Genetically Modified Organisms or "GMOs") by providing a framework for phytosanitary, environmental, and food safety assessments and management of agricultural biotechnology.

- In Mali, the Malian Government and the private sector have combined efforts for a third year in analyzing priority policy issues constraining Mali's economic competitiveness in the West Africa region and promoting greater private sector participation in the policy reform process.

Furthering its policy reform agenda, USAID has assisted the Ministry of Industry, Commerce and Handicrafts and Mali's private sector in conducting analyses of constraints to key sub sectors where Mali is considered to have comparative advantages in the West Africa region and where increased regional competitiveness can be gained. The program aims to enhance the capacity of the Mali's private sector to become more effective in advocating business interests and in providing a stronger institutional counterpart to the Mali Government in the formulation of policies related to trade, investment, business law and other issues that concern the business community.

- USAID/Senegal has assisted the West Africa Enterprise Network (WAEN), a regional association of 300 business men and women from 13 countries, in improving the number and quality of partnerships between West African entrepreneurs and prospective U.S. business partners in order to build direct commercial linkages (exports, joint ventures, etc.). This project has included identification of high-potential business opportunities, sharing of business and market information via a newsletter and a business-oriented computer database, training, the preparation of comprehensive guides, and organization of visits and exchanges between West African and US businessmen and women.

- As part of a multi-year effort to address policy and administrative constraints that affect Mozambique's business and investment climate, USAID has been assisting business leaders and their alliance of business associations (CTA) in an active dialogue over removal of red tape between the private sector, the Ministry of Industry, Commerce and Tourism (MICTUR), and other ministries. The USAID Mission supported the 1999 introduction of Mozambique's VAT through assistance to CTA in evaluation and comments to the government regarding the implementation regulations for the VAT. USAID also developed a manual for the Ministry of Finance to distribute, accompanying the introduction of the VAT. The project has strengthened business organizations and helped CTA to become more effective.

Sustainable Development and the Environment

The Environmental Protection Agency (EPA), as well as other agencies such as the Department of Commerce and USAID, are implementing projects and initiatives to assist African countries in protecting the environment and promoting sustainable economic development. The EPA developed a strategy for sub-Saharan Africa in 1998 based on urban/industrial issues with a focus on urban environmental health, and is implementing the following activities under this strategy.

- Phase-out of lead in gasoline: EPA has begun to plan a technical assistance and public outreach program for South Africa and is working with the World Bank on a major sub-Saharan Africa wide conference on the subject.

- Promotion of the sound management of pesticides and other chemicals: The project provides computers, Internet access and training to chemicals management officials and other stakeholders. The pilot phase in Mali, Nigeria, Tanzania and Cote D'Ivoire has been completed and it is being expanded to other countries in the region.

In addition, EPA is assisting South Africa to develop national and provincial environmental capacity. Activities include community-based solid waste management programs in target townships, support for community-based environmental organizations, training on environmental impact assessments and environmental management for the mining sector and increased access to environmental information.

Other activities EPA is pursuing under its sub-Saharan Africa Strategy include its Microbiologically Safe Drinking Water Initiative, a web-based International Cleaner Production Cooperative, an African Climate Technologies Information program and a study focused on the public health and other benefits of taking climate change actions in South Africa.

The National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce, also has a number of projects involving African countries, including:

- The GLOBE Program (www.globe.gov) with 15 sub-Saharan African Countries: GLOBE, a school-based international science and education program, is an inter-agency U.S. government program led by NOAA. There are currently 96 GLOBE countries with more than 10,000 schools involved worldwide, including 15 countries in Sub-Saharan Africa. They are: Benin, Cameroon, Cape Verde, Chad, the Gambia, Ghana, Guinea, Kenya, Madagascar, Mali, Namibia, Senegal, South Africa, Tanzania, and Uganda. Students at GLOBE schools all over the world take a core set of environmental measurements that have been selected by the world science community as providing useful data for their research. The data is then archived for use by scientists and also turned into vivid global environmental images (maps and graphs) comprised of data from GLOBE schools around the world. These images are provided back to GLOBE schools for use in the classroom. In addition, the GLOBE Program provides extensive environmental education materials.

- Global Climate Change with Nigeria and Others: Two Nigerian scientists are participating in research at NOAA on global climate change. NOAA also has conducted scientific exchanges with various organizations in Nigeria to advance marine research, including the UNDP-funded Gulf of Guinea Large Marine Ecosystem (LME) Project. Although the first phase of the project has ended, extension of the project to the entire geographic area from Angola to Guinea is now starting, with funding from the World Bank's Global Environmental Facility. Nigeria is a leader in the project, and NOAA will provide in-kind support. Benefits to the United States from its cooperation with Nigeria include the ability to conduct studies in the Niger River Delta, an area with similarities to the Mississippi River Delta with common issues such as oil and living marine resource impacts and erosion. The project is important to Nigerian fisheries for food security, exports of shrimp to the United States, imports of fish, coastal ocean management and controlling beach erosion in urban areas, and the link between oceanography and oil.

- Exchange Program for Marine Protected Areas, Staff Training with South Africa: The project is a collaborative effort between the United States and South Africa to develop guidelines for the establishment of Marine Protected Areas in South Africa. The objective is to introduce South African MPA managers and administrators to management structures at the National Marine Sanctuary Program in the United States through on-site training visits.

- African Process for the Development and Protection of the Coastal and Marine Environment with Ghana, Kenya, Mozambique, Nigeria, Seychelles, and South Africa (and Cote d'Ivoire): The objective of the project is to assist sub-Saharan African countries in achieving sustainable management of their coastal and marine environmental resources by identifying hot spots and sensitive areas, establishing root causes, and designing a program of interventions.

- Cooperative Air Sampling Network with Namibia and the Seychelles: The NOAA Climate Modeling and Diagnostics Laboratory (CMDL) cooperative air sampling network effort began in 1967. Today, the network is an international effort which includes regular discrete samples from the 4 NOAA CMDL baseline observatories, cooperative fixed sites, and commercial ships.

- Mozambique Flood Support with Mozambique and South Africa: The worst flooding in 50 years from cyclones Eline and Felecia occurred in Mozambique in February and March 2000, killing over 200 people and displacing over 800,000 in Southeast Africa. NOAA's National Weather Service (NWS) provided operational support to Mozambique and South Africa as well as to federal agencies (e.g., the Department of State and USAID) that provided assistance and relief to the victims. The NWS National Center for Environmental Prediction (NCEP) Climate Prediction Center (CPC) provided long range rainfall forecasts and the NWS Office of Hydrology provided flood forecast support for the Zambezi River.

- World Area Forecast System (WAFS/ISCS) with Niger and South Africa: NOAA/NWS, in cooperation with the International Civil Aviation Organization (ICAO) and the World Meteorological Organization (WMO), has installed meteorological workstation/communications systems in Niamey, Niger (at the African Center of Meteorological Applications for Development – ACMAD) and at the South Africa Weather Bureau in Pretoria, South Africa. These systems provide their primary source of hydro-meteorological data. The system, composed of a VSAT satellite receiving system and a PC workstation, provides output from our meteorological computer models on which forecasts and warnings are based. The systems are two-way, allowing the countries to transmit their hydro-meteorological observations back to the United States as input to our global models.

- African Center of Meteorological Applications for Development (ACMAD) with 53 African countries: ACMAD is a focal point strengthening the partnership between 53 African countries and the world in climate and environmental concerns related to sustainable social and economic development. Inclusive in ACMAD's vision is reducing vulnerability to droughts, cyclones and floods. Through extensive training programs at the Center in Niamey, Niger, ACMAD focuses its efforts on improving the National Hydrologic and Meteorological

Service's early warning capability and on developing better applications of their products for use in agricultural production, food security issues, water resources management, and public health and safety.

Labor

The Department of Labor implements or funds implementation of a number of programs aimed at assisting sub-Saharan African countries with labor-related issues including industrial relations, as well as programs to help governments combat child labor including the worst forms of child labor. DOL programs providing over $3.5 million in general labor related technical assistance are operating in: Malawi (on HIV/AIDS in the workplace); Nigeria and South Africa (on veterans employment training); and Tanzania (a labor exchange center). DOL funded programs with assistance of approximately $5 million are administered by the International Labor Organization (ILO) in Kenya, Tanzania and Uganda (strengthening labor relations) and Nigeria (improving industrial relations). The DOL also provides $14 million in funding for specific programs administered by the ILO on eliminating child labor in Africa, including the worst forms of child labor. These include country specific programs in Ghana, Nigeria, South Africa, Uganda, Zambia, a nine country regional project to address trafficking of children for exploitative labor in West and Central Africa, and a regional project to address child labor in commercial agriculture in five countries in Eastern and Southern Africa.

Trade Capacity Building

Developing the capacity of sub-Saharan African officials to implement economic reforms and to utilize new technology is a major component of U.S. initiatives with sub-Saharan Africa. African countries often cite capacity problems, including the lack of human and financial resources, as a major impediment to economic and political reform and to meeting WTO obligations. Capacity building, in the form of short- and medium-term technical assistance and training activities is an integrated part of the United States' development assistance efforts with the goal of improving and strengthening local capacity of governments, private sector, and civil society, in areas of economic management, reform process, human development, health care delivery systems, protection of the environment, and democracy and governance. Many of the USAID programs and initiatives described above under development assistance include capacity building components. Agencies such as USDA, USTR, and DOT, also are actively involved in capacity building initiatives. Examples of these efforts include:

- USTR and USAID are funding production of WTO training materials and seminars. The materials will include a number of CD-ROMS on WTO agreements. The information will also be made available over the internet to ensure wide dissemination. With funding from the United States, the WTO will conduct two seminars in Africa (for anglo and franco-phone officials) on WTO agreements, obligations, and benefits and will also provide scholarships for African officials to attend seminars in Geneva.

- ATRIP is funding WTO awareness seminars to increase understanding of WTO Agreements, commitments, and benefits. These seminars are being held in African countries and are aimed at reaching a wide range of African trade officials as well as private sector leaders and academics.

- USDA is providing seminars on carrying out risk assessments in order to meet importing countries' SPS requirements and conform to WTO rules.

- USAID in collaboration with the Federal Communications Commission (FCC) is implementing a training and development project for telecommunications policy. This activity focuses primarily on the promotion of effective, pro-competitive regulatory capacity in sub-Saharan Africa. In the first phase, the project is based in three countries: Uganda, Ghana and South Africa, and technical assistance takes the form of staff training in critical regulatory areas such as frequency management, cost-based tariffing, and dispute resolution, in three components of telecommunications policy: telecommunication sector restructuring - liberalization and privatization; electronic commerce and related policies; and, the provision of pro-competitive regulatory oversight.

- The United States Coast Guard provides assistance to a number of African nations through U.S. resident training and Mobile Training Teams. These training teams focus on areas such as maritime law enforcement, search and rescue, marine environmental protection, and port safety and security.

- The FAA provides classroom and on-the-job training to aviation officials from numerous African countries through its International Training Services Center (ITSC) at the FAA Academy in Oklahoma City. A variety of safety-related aviation courses are offered at the ITSC, including air traffic control training, maintenance and installation of equipment, compliance and enforcement procedures, and civil aviation security.

I. Infrastructure Development

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

The AGOA specifically encouraged OPIC to create one or more private equity funds for up to $500 million. OPIC currently has four (4) funds dedicated to investing in sub-Saharan Africa. Three are active and one is in the formation stage. In addition OPIC has three (3) global funds that can invest a portion of their capital in sub-Saharan Africa.

In June 1999, OPIC's Board of Directors approved the creation of a $350 million infrastructure fund for investments in privately sponsored infrastructure projects in countries of sub-Saharan

Africa. The original fund managers selected were unable to raise the required private capital within the agreed time frame. OPIC is in the process of conducting an open call for proposals to select a replacement manager.

Transportation

The Department of Transportation (DOT) has been a leader in working in cooperation with the governments of sub-Saharan Africa to develop the infrastructure needed for a competitive and healthy economy. DOT's efforts have included several visits to the continent by the former Secretary of Transportation, the Safe Skies initiative, and a substantive package of technical assistance and training. DOT has worked with a wide range of government agencies and non-governmental organizations -- including the Organization of African Unity, World Bank, Overseas Private Investment Corporation, Trade and Development Agency, U.S. Agency for International Development, Constituency for Africa, and Corporate Council on Africa -- to explore possibilities for cooperative efforts and to look at how DOT's programs in Africa can complement those already in place. In 2001, DOT will continue a broad range of initiatives to support infrastructure development in sub-Saharan Africa. Projects include:

Nigeria Transportation Project: DOT has formulated a program of technical assistance and training to support Nigeria's efforts to improve its transportation system. The Department received $4.3 million from the U.S. Agency for International Development to carry out the Nigeria project. The project involves aviation safety and security, assistance in privatizing port services, port training, and technical assistance to develop an oversight system. Implementation efforts have involved visits of two aviation teams, one oversight team, and a maritime team (port privatization). The efforts have proved to be extremely successful, resulting in the lifting of the aviation security ban in December 1999, the signing of an open skies agreement, and a Memoranda of Cooperation with Nigeria's Aviation and Transportation Ministries in August 2000. In January 2001, DOT approved the South Africa Airways/Nigeria code share flight from Nigeria to New York. This resumption of direct service is a major development, as there has not been direct service since 1992.

Safe Skies for Africa Initiative: The purpose of the Safe Skies for Africa initiative is to promote sustainable improvements in aviation safety and security in Africa and to create the environment necessary to foster the growth of aviation services between Africa and the United States. The initiative recognizes that safe skies are a prerequisite for increased trade and investment and long-term economic development in Africa. The initiative also complements U.S. Government efforts to conclude "open skies" agreements with key African countries and promote code share agreements between U.S. and African airlines. Specific goals include: increasing the number of sub-Saharan African countries that meet ICAO safety standards; improving airport security at airports within the region; and improving regional air navigation services. The U.S. role is as a technical advisor and facilitator of actions to be taken by African countries, in partnership with the private sector, regional institutions and international civil aviation organizations.

An interagency working group composed of the Departments of Transportation, State, and

Defense selected the first eight countries to participate in the Initiative: Angola, Cameroon, Cape Verde, Cote d'Ivoire, Kenya, Mali, Tanzania, Zimbabwe, and Namibia. These countries will receive focused assistance over the term of the Initiative. Safety and security surveys were conducted in all Safe Skies' countries except for Angola and Zimbabwe by September of 2000. The Department of Transportation is bringing aviation officials from Cameroon, Cape Verde, Kenya, Mali, Namibia, and Tanzania to take Federal Aviation Administration training courses.

The U.S. Government has sent teams to conduct surveys of the aviation needs of the selected countries and is assisting them in developing work plans to improve their aviation infrastructure. African countries are also encouraged to work with international organizations and the private sector to implement these plans. The U.S. will continue to work with other African countries outside of this group, through FAA technical assistance and training programs. Furthermore, all African states will be encouraged to participate in ICAO events to improve and maintain aviation safety, security and air navigation services by working together and learning from each other.

Partner Agency Activities: DOT has worked extensively with other agencies to implement a number of transportation related initiatives and projects. These include:

- The Trade and Development Agency (TDA) and the Department of Transportation are involved in a joint project to bring officials of some of the Safe Skies countries (Kenya, Tanzania, Namibia, and Cape Verde) to the United States to develop work plans based on the surveys of their aviation sectors. The officials of these countries also visit U.S. airports and aviation facilities and meet with vendors and contractors of aviation-related services.

- TDA provided a grant to fund the services of a Civil Aviation Advisor to develop and establish a restructuring strategy for Cameroon's airports.

- TDA provided a grant for a feasibility study for the modernization and expansion of the Bamako-Senon Airport. The study is scheduled to begin this Spring; the Safe Skies team inspected Bamako-Senon Airport in 2000.

- The Immigration and Naturalization Service is providing training for Nigeria and Ghana.

- DOT is working with the World Bank in its efforts to assist the nations of Africa to improve aviation safety and security on a regional basis. Senegal is the initial country for this effort. With the assistance of World Bank funding, DOT has completed a safety and security survey of that country's aviation sector and is now in the process of planning to implement the recommendations of the survey team.

Transportation Technical Assistance and Technology Transfer

The U.S. government has been implementing programs to provide training, technical assistance, and technology transfer to sub-Saharan African countries in order to assist them in strengthening their transportation infrastructure.

- The Federal Highway Administration (FHWA) has established a technology exchange center in South Africa and Tanzania for local officials to select technologies that meet their specific needs in building and maintaining their roads. The center provides a venue to promote U.S. highway technology, to develop linkages between the U.S. and South African private sectors, and to train specialists from both countries, who can learn from the technology and expertise of their counterparts.

- The Federal Transit Administration (FTA) is working in South Africa to establish training programs in urban and inter-urban passenger transport. FTA also plans to work with South Africa's Department of Transportation to develop a series of regional coordinated transportation systems through providing training, technical assistance, and professional exchanges.

- The Federal Railroad Administration (FRA) has also become involved in technology sharing programs in Africa. Currently, FRA is working to arrange on-site advisory teams and technical assistance programs for the southern Africa rail association under the auspices of a U.S. rail association or a railroad. In the longer term, FRA plans to assist African railroads in obtaining an automatic rail freight car identification and fleet management system.

- The U.S. Coast Guard, working with the US Navy International Programs Office and the Defense Security Cooperation Agency (DSCA), under the Excess Defense Articles (EDA) program identified vessels that were available to be transferred to Nigeria and Ghana. The arrangements were finalized for Ghana to receive one of these vessels.

- The Research and Special Programs Administration (RSPA) is offering technical assistance to African countries in the areas of hazardous materials transportation safety and safe transport of goods by pipeline. Such assistance would have several important benefits, including increased safety, harmonization of transportation regulations with international requirements, and greater market access for U.S. businesses. In addition, RSPA is exchanging information on transportation research and development projects with African countries in an effort to enhance the cost effectiveness of research programs.

- The National Highway Traffic Safety Administration (NHTSA) is developing a plan to support low-cost safety measures in African countries to decrease the current high rates of road accident-related injury and fatality. In addition, NHTSA is exploring the possibility of providing technical assistance to African nations in the areas of driver and pedestrian safety, emergency medical services, and data collection.

- In light of the recent success by Malawi in its concession of the railways to private management, USAID/Malawi is implementing a program to promote the development of public-private partnerships for other infrastructure projects. The underlying objectives of this program are to analyze the causes and potential remedies of factors that contribute to very low industrial labor productivity and exceptionally high transport costs in Malawi; and to promote a more effective dialogue and problem-solving channels between the government and the private sector; and to strengthen regional business associations that do not currently have adequate voice in the capital.

Communication Infrastructure

Inadequate telecommunications and Internet infrastructure, the high cost of phone and Internet service, and low penetration of phone service in many countries, has been a significant impediment to economic growth and the ability of firms to become competitive in the international marketplace. In many cases, government monopolies control the telecommunications sector limiting the opportunities for innovation and technology transfer that competition normally brings. In other cases, government restrictions on the sector have limited competition and investment. World Bank data for 1994-1998 indicate that the average number of telephone lines per 1,000 persons was 11. However, the situation is changing. More governments are privatizing their telecommunications parastatals, cellular service has allowed companies to reach more people, and competition is bringing prices down while availability is increasing. U.S. Government agencies will continue to be strong proponents of liberalization and privatization of these sectors. USAID and the FCC, have provided technical assistance and training in support of U.S. and African policy objectives to improve the communications infrastructure in Africa.

The Leland Initiative, a five-year, $15 million USAID project, is part of the U.S. Government's effort to bring the benefits of the information revolution to the people of Africa. The project has used public-private sector alliances (with companies such as Cisco Systems, Hewlett-Packard, Lucent, Avaya, Sun, etc.) between Africa and the United States to bring full Internet capacity to twenty-one sub-Saharan African countries. The Leland Initiative helps countries adopt pro-competitive policy and regulatory approaches, promote sustainable, private sector-led delivery of Internet access services, and introduce modern Internet user applications in business, government and the non-profit sectors. Since the launch of the initiative in 1996, 21 partner countries have adopted major changes in their telecommunications systems (e.g., cost-based tariffing has resulted in price reductions of up to 80% for Internet access and more than 100 private Internet service providers have commenced operations in Leland countries). Under the Initiative, experts have installed high-speed national Internet gateways in 11 countries (Mali, Mozambique, Madagascar, Malawi, Eritrea, Uganda, Rwanda, Guinea, Cote d'Ivoire, Ghana, and Benin) and connected scores of user institutions. Modern, transparent information practices (e.g., E-mail citizen corruption hotlines) are being adopted by the Offices of the Presidency in several leading countries. Leland Initiative trainers have trained more than 1,500 user institutions and tens of thousands of Africans now use the Leland Internet to realize their business objectives, promote democracy and openness and join their peers in the world of free-market democracies.

In addition to the Leland Initiative, the Department of Commerce has developed a free information technology (IT) and e-commerce software tool to help businesses, particularly in developing countries, assess their IT usage and plan future projects. The tool was created to help stimulate demand for U.S. IT products and services in developing country markets. It was distributed at an IT and e-commerce conference in Lagos, Nigeria March 15, 2000 and also at a major IT conference in Johannesburg, South Africa May 2, 2000. Speakers were drawn from prominent U.S. IT companies, U.S. Government officials, and local public- and private-sector representatives. The theme for these events centered on maximizing IT usage and development via appropriate regulatory reform and business strategies.

Other distribution events and workshops in Africa are in the planning stages. Possible venues include Nairobi, Kenya and Dar es Salaam, Tanzania. Appropriate multiplier organizations will be involved at all locations to help facilitate timely and efficient distribution of the product. Work on an upgraded, Web-based version of the software tool is in progress. This new version should broaden the reach of the product to more of the continent.

Energy Infrastructure Development

The U.S. Department of Energy (DOE), in conjunction with other U.S. agencies and organizations, is promoting the adoption of regimes that will facilitate non-discriminatory access to foreign energy service providers across the entire value-chain of energy services. Energy services involve a wide range of activities, from exploration of energy resources to generation, transmission and distribution, to marketing and trading of energy, to services promoting the clean and efficient use of energy necessary to obtain, convert, and deliver an energy resource to end users. As the U.S. economy has expanded, deregulation and privatization has led to unbundling energy services in many states and to greater increases in the energy services sector. The potential for enhancing this sector for future international trade is limited by the barriers that prevent equitable access and cultivation of foreign energy systems and their natural resources for a win-win trade relationships.

The U.S.-African Energy Partnership was organized to integrate DOE's bilateral and multilateral energy cooperation with African countries and organizations, including the Southern African Development Community and the Economic Community of West African States. Cooperation encourages interaction among African energy ministers to increase the availability of the required energy technology and investment through policies and cooperation, which will help promote economic prosperity in African nations and benefit both Africans and Americans. With the increased economic viability of the African continent and a conducive regulatory and investment climate, U.S. businesses will be better positioned to increase exports of goods, services and technology for a growing energy region.

Since 1995, DOE has sponsored many projects with South Africa that promote energy infrastructure development, policy and regulatory reforms, and increased access to energy services, especially in rural communities or areas previously not served. Cooperation is conducted principally under the Sustainable Energy Committee of the U.S.-South Africa Binational Commission.

In 2000, DOE worked with Nigeria, primarily through an interagency agreement with the U.S. Agency for International Development (USAID) on energy reform issues, including the privatization of national utilities to promote open markets and expanded energy resource exploration and development and energy services. DOE continued and initiated cooperation with Ghana, Mozambique and Senegal on energy policy and rural electrification activities to promote sustainable economic and energy development. Also, DOE participated in technical consultations is exploring possible cooperative opportunities with Botswana and Uganda on various energy issues.

Multilaterally, the Department has been working principally through the Energy Ministerial dialogue process, which has included two meetings (Tucson, Arizona in 1999 and Durban, South Africa in December 2000). The Ministerial Meetings have drawn participation from 30 AGOA beneficiary countries and from other governmental, private, and non-governmental organizations.

USAID also is involved in a number of energy related projects, principally through the ATRIP program. At the request of the Zambian Government, USAID is assisting the Zambia Privatisation Agency (ZPA) to study options for private sector participation in the Zambia Electricity Supply Corporation (ZESCO). The project has involved evaluating the need and urgency for restructuring/privatization and identifying options; developing an institutional, legal and regulatory framework; conducting an asset survey and market valuation; assessing social impact issues (retrenchments etc.); identifying major environmental issues; and developing an action plan.

Also through ATRIP, the USAID regional mission in West Africa is collaborating with ECOWAS to work toward the formation of a West Africa power pool (WAPP), as mandated by the ECOWAS Heads of State at their annual meeting in Lome, Togo in December 1999. In 2000, USAID assistance to WAPP is geared toward data collection and analysis of future investment needs, with the use of generation/transmission planning model constructed by Purdue University in 1999; logistical support for the ECOWAS/WAPP Project Implementation Committee, selected training in the U.S., and workshops in West Africa (on subjects such as lessons learned from the Southern African Power Pool); and studies and technical assistance from short- and/or long-term advisors (including an experienced power pool manager), to assist the ECOWAS Secretariat, the PIC, and the inter-utility project development committee with the initial design of the power pool through actual establishment of the WAPP.

In its second year, the West Africa Gas Pipeline Project implemented by USAID/Ghana and ECOWAS has resulted in workshops to help the four countries (Ghana, Nigeria, Benin, and Togo) to resolve important tax, tariff, and environmental issues, allowing them to conclude negotiations with a private commercial group for construction of a regulated gas pipeline. The project has also mounted a successful public relations campaign to garner local support for the gas pipeline. The pipeline, to be financed principally by U.S. and European investors, will deliver offshore Nigerian gas, now being flared, to power-generating stations in Ghana and elsewhere.

J. HIV/AIDS

HIV/AIDS is a significant problem throughout sub-Saharan Africa, and particularly in Southern Africa. The HIV/AIDS pandemic is expected to have devastating consequences for economic growth as well as for the social structure of Africa. According to the World Bank, Africa needs to invest $1.5 to $3 billion each year on AIDS treatment and prevention. Twenty-five million Africans are infected, disproportionately women and adolescents. HIV prevalence is higher than 5% in 24 countries, higher than 20% in 7 countries -- with a severe impact on life expectancy, savings, growth and the social fabric on a continent where 30% already live in absolute poverty. Some countries (Uganda, Senegal) have seen rates of new infections decline through concerted educational programs. For too many others, the stigma of HIV/AIDS has continued to hamper effective prevention and the high cost of treatment is a significant obstacle.

The Administration will continue to give a high priority to HIV/AIDS in its Africa development and trade policy. The United States is the largest bilateral donor of HIV/AIDS assistance, providing for nearly 50% of all international HIV/AIDS funding. President Bush has directed the Office of National AIDS Policy to have an increased focus on the international components of the disease and to work closely with the Departments of State and Health and Human services on policy recommendations on the international front due to the growing global health crisis of HIV/AIDS. The President also created a new high-level task force co-chaired by the Secretary of State and the Secretary of Health and Human Services, and including the White House Domestic Policy Advisor and the National Security Advisor. In May 2001, the President announced that the United States will provide $200 million in seed money for Fiscal Year 2002 for a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. The Administration will work with the G-8 and private foundations, corporations, faith-based groups, and other organizations, to generate additional support for this global effort.

In addition to the $200 million commitment to the Global Fund, the President's Fiscal Year 2002 budget allocates $480 million in funding to fight the international HIV/AIDS epidemic, an 8% increase from Fiscal Year 2001 and a 113% increase from Fiscal Year 2000. It also dedicates $10.2 billion in the Health and Human Services budget to fight HIV/AIDS, and provides $2.5 billion for the National Institutes of Health for HIV/AIDS research.

In 2000, USAID doubled its financial assistance for HIV/AIDS for 13 high prevalence countries in Africa under an initiative called LIFE (Leadership and Investment in Fighting an Epidemic). More recently, USAID has developed an expanded response to the epidemic. This response calls for scaling up the programs in three countries that have made successful efforts in curtailing and containing the epidemics: Kenya, Uganda and Zambia. In addition, USAID will intensify its technical and financial support for another 18 high prevalence countries and for regional programs. The program in other countries with USAID presence will be maintained at the current levels.

USAID has adopted a multi-sectoral approach for prevention, care and support and for mitigation of the impact of HIV/AIDS. It has developed toolkits and briefs available for sectors such as education, health, agriculture, finance and planning and others to encourage HIV/AIDS prevention and treatment. Education ministries have taken lead in the application of these toolkits and have assessed the impact of the epidemic and prepared a response in several countries.

USAID also has been promoting public-private and non-governmental partnerships to address the HIV/AIDS issue. It organized a private sector roundtable discussion on the role of the private sector in HIV/AIDS in late 1999 as part of a Consultative Meeting on HIV/AIDS as a Development Crisis. Half a dozen large private companies and business councils attended. A follow-up meeting is planned for June 2001.

One of the Regional Offices of USAID based in Kenya undertook a study of best practices in work place programs and policies on HIV/AIDS among the private businesses. Two other regional programs for Southern and West Africa have supported cross-border initiatives that focus on policies and programs in border areas to help prevent the epidemic.

At the country level, considerable efforts are underway to mobilize the private sector to deal with HIV/AIDS e.g. South Africa, Zambia and Malawi. USAID's South Africa office commissioned a study by Boston University on the impact of HIV/AIDS on six firms. In a number of countries the US Ambassadors and USAID Directors have been speaking on the issue of the impact of HIV/AIDS on private business.

Other agencies such as the Department of Commerce, the Department of Labor, the Department of Transportation, and the U.S. Export-Import Bank also have HIV/AIDS related initiatives. Commercial Service offices in Africa have actively engaged with U.S. firms and local business organizations to establish HIV/AIDS educational and prevention programs for their employees. The offices have organized seminars on the subject to encourage businesses to do more counseling and prevention activities. An example of such an activity is Kenya, where the Commercial Service office organized a panel discussion with management from Eveready, FedEx and General Motors to discuss HIV/AIDS in the workplace. The Commercial Service has also assisted firms to replicate effective programs and promote good corporate citizenship practices.

The U.S. Maritime Administration also recently became a member of the Civil-Military Alliance to Combat HIV-AIDS. This organization works in Africa and other parts of the world to fight the spread of the AIDS epidemic among highly susceptible populations, such as military and transportation personnel and their families. Recently, the Advisory Group of the Maritime Alliance on HIV-AIDS was formed with the goal of educating seafarers and port operatives on the dangers of AIDS and informing them of proper prevention methods.

On the trade front, USTR has actively engaged African countries and the U.S. NGO community. The Administration has informed countries that as they take steps to address a major health crisis like the HIV/AIDS crisis in sub-Saharan Africa, they should be able to avail themselves of the flexibilities afforded by the WTO Agreement on Trade-Related Aspects of Intellectual Property

Rights (TRIPS), provided that any steps they take comply with the provisions of the TRIPS Agreement. The Administration is equally committed to a policy of promoting intellectual property protection, including for pharmaceutical patents, because of its critical role in the rapid innovation, development, and commercialization of effective and safe drug therapies. Financial incentives are needed to develop new medications. No one benefits if research on such products is discouraged. We believe that an integrated approach is needed to deal with the AIDS crisis. To deal with serious health problems, countries need to stress education and prevention. The cost of drugs is but one of many important issues that must be addressed. Effective drug treatment necessitates urgent action to strengthen health management systems--especially with regard to the means and methods of drug distribution. Other needed measures include: the development of appropriate drug selection policies and standard treatment guidelines; the training of care providers at all levels; an increase in the availability of adequate laboratory support to diagnose and monitor these complex therapies; and ensuring that the right drugs are used for the right purpose and in the right amount.

In other words, AIDS care, and not just AIDS drugs, must be delivered. This can only be accomplished through a broad partnership among governments, donors, multilateral organizations, NGO's, philanthropic organizations and industry. The current partnerships need to be strengthened and expanded. Drug therapies must be part of an integrated approach that emphasizes prevention in a continuum of care and treatment. We want to contribute to solutions in ways that continue to encourage the discovery and production of other effective treatments in the future – for this disease and others.

K. Small Business Development

Recognizing the importance of small business development to economic growth in Africa, and in part in response to interest from sub-Saharan African countries, the U.S. Small Business Administration (SBA) has become increasingly active in trade and development with Africa. SBA believes that its engagement with sub-Saharan Africa will not only contribute to the region's economies, but provide markets for U.S. small businesses, support the U.S. development assistance program, and contribute to U.S. foreign policy objectives.

South Africa: In 1998 SBA sponsored a U.S.-South Africa trade forum in Washington and facilitated South Africa's first SME trade mission to the U.S. The following year SBA partnered with Corporate Council on Africa for a small business trade mission to Johannesburg, Capetown and Durban, where contracts worth an estimated $35 million were made. SBA has continued to work with the South African embassy and South Africa's Department of Trade and Industry on a SME trade and development cooperation agreement.

Nigeria: In September 2000, SBA co-sponsored a trade and investment forum with the Nigeria Investment Promotion Commission during the U.N. General Assembly meeting in New York. SBA recruited over 300 small businesses to participate in this event which not only created new business and trade relationships, but also supported the U.S. foreign policy interest of engagement with this newly democratic nation. Following up on an invitation from the governor of Nasarawa state, SBA participated in an economic conference there in November. SBA officials met with ministers and the speaker of the house who requested their advice and assistance in setting up SBA-like programs in Nigeria. During the trip, SBA signed a memorandum of understanding with the U.S.-Nigeria Development Institute to partner in promoting trade and investment between U.S. and Nigerian small businesses.

IV. The African Growth and Opportunity Act

The Bush Administration strongly supports the African Growth and Opportunity Act. Implementation of this landmark trade initiative is a cornerstone of the Administration's policy to expand trade and investment and promote free markets, economic reform and growth in sub-Saharan Africa. This section and Section III of the report provide a summary of AGOA, progress on implementation, as well as reforms and opportunities that have emerged from the Act.

The African Growth and Opportunity Act/Trade and Development Act of 2000 authorizes a new U.S. trade and investment policy toward Africa. It promotes increased trade and economic cooperation between the United States and eligible sub-Saharan African countries. The Act represents a solid, meaningful and significant opportunity, which should result in a significant increase in new trade and investment flows between the U.S. and Africa.

The Act has a number of key benefits and incentives to promote economic reform and trade expansion in SSA. Key elements of the Act are summarized below. Additional information on other provisions of the Act, including those related to OPIC, ExIm, USAID, the Foreign Commercial Service, and the African Development Foundation, are provided in Chapter VII.

The AGOA:

- Institutionalizes a process for strengthening U.S. relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.
- Offers beneficiary sub-Saharan African countries duty-free U.S. market access for essentially all products under the Generalized System of Preferences (GSP) program.
- Provides additional security for investors and traders in African countries by ensuring GSP benefits for eight years.
- Eliminates the GSP competitive need limitation for beneficiary sub-Saharan African countries.
- Establishes a U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular trade and investment policy discussions.
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between U.S. firms and firms in sub-Saharan Africa.

<u>Apparel and Textile Preferences</u>

- Lifts all existing quotas on textiles and apparel products from sub-Saharan Africa (within 30-days of a U.S. Government determination that Kenya and Mauritius have adopted effective visa systems).

- Extends duty/quota free U.S. market access for sub-Saharan African apparel made in beneficiary sub-Saharan African countries from yarns and fabrics not produced in commercial quantities in the U.S., including silk, velvet, and linen.

- Extends duty/quota free treatment for apparel made in Africa from U.S. yarn and fabric and for knit-to-shape sweaters made in Africa from cashmere and some merino wools.

- Extends duty free and quota free U.S. market access for apparel made in beneficiary sub-Saharan African countries with regional fabric and yarn. Such imports, however, are subject to a cap (limit) ranging from 1.5 to 3.5% of the multibillion dollar U.S. apparel import market over an 8-year period. African apparel imports made with African fabric/yarns currently total about $250 million. Normal MFN duties would be levied on apparel imports over the cap.

- Provides an average 17.5% duty advantage on apparel imports in the U.S. market and promotes economic development and diversification in Africa's poorest countries through a special provision in the cap which allows beneficiary sub-Saharan African countries with an annual GNP of under $1,500 ("lesser developed beneficiary countries") to use third country fabric inputs for four years. This special investment incentive for the poorest African countries is aimed at providing a market stimulus to economic development for areas with little existing industry.

A. Implementation

The Bush Administration has made implementation of the AGOA a key Africa trade policy priority. U.S. Trade Representative Zoellick has actively engaged Congress, African governments, the U.S. private sector, and NGO communities on implementation of the AGOA. Implementation requirements under the AGOA include designation of countries as AGOA beneficiaries. On October 2, 2000, thirty-four countries were designated as AGOA beneficiary countries. On January 17, 2001 an additional country (Swaziland) was designated as an AGOA beneficiary (beneficiary countries are listed in Annex A). Additional information on the designation process is provided in Chapter III.

Another major requirement under the AGOA was the designation of products which AGOA beneficiary countries could export to the United States duty-free under the GSP program. On December 21, 2000, 1,835 products were added to the GSP program for AGOA beneficiaries. Information on this process is provided below under Product Eligibility.

In addition, the AGOA requires that designated beneficiary countries meet certain custom-related requirements, including the establishment of an effective visa system, in order to receive the apparel-related benefits in the AGOA. Information related to this requirement is provided below under Apparel Visa System and Related Customs Requirements. As of the beginning of April, the U.S. Trade Representative has determined that five countries are eligible for the AGOA apparel benefits: Lesotho, Kenya, Madagascar, Mauritius, and South Africa. The United States is actively engaged with eight other countries that are seeking AGOA apparel benefits: Botswana, Cape Verde, Ethiopia, Malawi, Mozambique, Nigeria, Uganda, and Zambia.

Other AGOA requirements, including the establishment of a U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum are described in other sections of this report.

B. Outreach

In addition to the general procedures required under the AGOA to make the Act operational, the Administration recognized that outreach would be central to the success of the Act. The success of the Act will depend in large part on the private sector in the United States and in Africa and on African governments. USTR as well as other agencies such as the Departments of Commerce and State and the U.S. Customs Service have worked to reach out to these constituencies during the past year.

USTR conducted extensive outreach efforts throughout Africa and in the United States. In Africa these efforts have included regional AGOA seminars covering the entire sub-Saharan African region. USTR-organized seminars involving the State Department, Commerce, USDA, U.S. Customs, and USAID were held in Gabon, Kenya, Madagascar, Nigeria, and South Africa (Durban and Johannesburg). Smaller versions on the seminar were held in Senegal and Zambia. USTR provided presentations on AGOA at a number of venues throughout Africa. USTR is hosting a seminar in Geneva for sub-Saharan African delegations to the WTO in May 2001. Additional meetings with African government officials in Washington and in Africa also are planned.

In the United States, outreach efforts have been equally active. USTR has met frequently with the African diplomatic corps as well as with Industry Sector Advisory Groups (ISACs), and companies interested in AGOA (many of which supported passage of the AGOA). USTR officials have traveled to a number of cities in the U.S, to address conferences about the AGOA.

To assist U.S. Embassies and African governments in publicizing the AGOA, including its benefits and requirements, USTR, with the assistance of funding from USAID, produced a video on the AGOA (which was aired on national television broadcasts in Africa) as well as a comprehensive AGOA Implementation Guide. The Guide has been distributed widely to both U.S. and African companies and African governments. In addition, the Department of Commerce has designed an Internet site www.agoa.gov which has been extremely popular and has been a useful tool for disseminating information on the AGOA. The www.agoa.gov Internet site is receiving approximately 100 hits per day and over 20,000 total. The Department of Commerce also designed guidance material on how to identify potential opportunities under the AGOA and shared this information with African ambassadors and U.S. embassies throughout Africa.

To assist companies and countries with the technical details and requirements of the AGOA, USTR worked with the U.S. Customs Service as well as the Department of Commerce to provide specific guidance to African governments and to companies. Among other things, the AGOA Implementation Guide includes a list of all products now eligible for duty-free treatment under the AGOA. In August 2000, the U.S. Customs Service conducted a four-day training seminar on AGOA customs-related requirements as well as general customs best practices. The seminar was attended by approximately 90 officials from twenty-four sub-Saharan African countries. In October 2000, two U.S. Customs teams visited five sub-Saharan African countries to provide specific guidance on the requirements for receiving AGOA apparel benefits. USTR, U.S. Customs, and Commerce, developed and then disseminated to sub-Saharan African countries specific guidance on apparel visa systems and other enforcement and legal requirements in order to assist countries in understanding and meeting the requirements for AGOA apparel benefits. These agencies continue to work intensively with sub-Saharan African countries seeking these benefits in reviewing their proposed visa systems and laws and in ensuring they meet the AGOA requirements.

The Department of State also has conducted extensive outreach efforts. It sent U.S. business representatives to 25 countries to meet with African entrepreneurs to assist them in understanding the benefits and requirements of the AGOA through its speaker program and conducted a series of AGOA-focused interactive satellite programs with key U.S. public and private sector individuals and African business and government audiences. The State Department also held roundtable discussions with African business leaders and associations and ensured that AGOA materials were translated into French and Portuguese and disseminated throughout sub-Saharan Africa.

In addition to extensive outreach efforts by Washington officials, most U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns, placed op-eds in local media, conducted seminars, disseminated information and publications, and organized meetings with their business communities. In a number of instances, embassy officials have been invited to participate as members of African government AGOA implementation committees. Embassies which have reported intensive outreach efforts include those in Benin, Botswana, Cameroon, Chad, Cote d'Ivoire, Djibouti, Eritrea, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Uganda, and Zambia.

In 2001, U.S. Trade Representative Robert Zoellick will make operational the Trade Advisory Committee on Africa to institutionalize private sector and NGO input into U.S. trade and investment policy toward sub-Saharan Africa and the AGOA implementation. In addition, Ambassador Zoellick has reached out to sub-Saharan African trade ministers and has met with the African diplomatic corps on strengthening U.S. engagement and trade and investment policy initiatives with sub-Saharan African countries.

USTR and other agencies also have obtained, through the interagency ATRIP program, funding to assist with AGOA outreach. The purpose of the AGOA-related activities is to provide African governments with the knowledge and tools to fully implement the Act. A series of AGOA/capacity-building workshops/seminars will be held in several countries throughout sub-Saharan Africa. The workshops will provide African governments and private sector companies with comprehensive information and, where appropriate, training on AGOA's provisions, benefits, opportunities and requirements. The State Department, with separate ATRIP funding, will carry out a Professional Internship program where African private sector representatives will travel to the United States to: 1) engage representatives of the U.S. private sector; 2) learn about U.S. government trade-related agencies and programs; and 3) study the inter-workings of trade facilities including ports and free trade zones.

Outreach to all constituencies will remain a priority for the Administration in 2001.

C. African Government and Industry Views

During Congressional consideration of the AGOA, all sub-Saharan African governments supported passage of the Act. African support for the Act has continued and, in many countries, grown since passage of the Act. Generally, the level of interest in AGOA implementation varies by country depending on the country's specific industries, economy, and development challenges. Overall, however, the response has been extremely positive. Realizing that the AGOA can serve as an important tool to spur economic development and growth, many African governments have made the AGOA a priority. A number of countries have created inter-ministerial committees to ensure coordinated implementation of the AGOA These committees have helped to increase communication among ministries and should lead to better coordination on economic issues even beyond those directly related to the AGOA.

In addition, the U.S. has been pleased to see that AGOA has served as an impetus for increased public-private sector coordination as governments have been reaching out to their private sectors to determine how best to utilize the AGOA. The United States has encouraged these partnerships. In many cases, governments, together with their private sectors, are examining their economies to identify areas of comparative advantage and barriers impeding production of competitive goods. Visits of U.S. and other foreign investors and buyers have helped to focus African governments on the conditions and prerequisites (such as reliable energy and water supplies and efficient customs systems to allow for importation of inputs) companies seek in making investments and sourcing goods.

As the United States has worked through implementation of the AGOA, African governments have been very active in the process. Of the forty-eight potential AGOA beneficiary countries, forty-five expressed an interest in being considered for the benefits. During the review process to determine which countries would be designated as AGOA beneficiaries, many countries provided information related to the AGOA eligibility criteria and the United States held consultations in Washington or in African capitals with every country. Almost all African countries demonstrated a willingness to work with the United States on areas of concern.

During product eligibility process, a number of countries or industries/associations in those countries submitted requests for products to be included in the AGOA expanded GSP list. Countries where government or industry expressed an interest in specific products include Kenya, Mozambique, Namibia, Nigeria, South Africa, Zambia, and Zimbabwe. A few African industry representatives also appeared at a hearing where product eligibility was discussed.

Since AGOA's implementation, there has been a strong response not only from governments but from the private sector. Many have pressed their governments to assist them in understanding the AGOA and in establishing an environment in which they can succeed in expanding trade, attracting investment, securing joint ventures, and meeting international standards for production and quality control. Businesses and associations have been contacting U.S. companies in search of joint venture partners and expertise. They have also been seeking out international investors. In many instances, the AGOA has energized the private sector encouraging them to re-examine trade opportunities not only with the U.S. but with other countries. Additional information on new trade and investment occurring as a result of the AGOA is provided in Chapter IV.

D. Product Eligibility

The AGOA provides duty-free and access for essentially all exports from AGOA beneficiary countries. With the exception of apparel and certain handloomed, handmade, and folklore articles, which are covered under other AGOA provisions, duty-free access for exports from AGOA beneficiaries was provided through an expansion of the GSP program for AGOA beneficiary countries. On December 21, 2000 President Clinton proclaimed 1,835 new items eligible for duty-free entry into the United States. This decision was based on an extensive review, including public hearings, review of responses to a USTR request for public comments through the Federal Register, and review of advice from the International Trade Commission on the probable economic effect of extending duty-free access to products. These 1,835 products are in addition to the other 4,650 products already provided duty-free access under the Generalized System of Preferences program (GSP). With this expansion of the GSP program to the additional 1,835 tariff lines, very few products are excluded from duty-free access. Products not provided duty-free access include certain steel products, canned peaches and apricots, and dehydrated garlic. In addition, products on which the United States currently has under tariff rate quotas (TRQs) remain under TRQs, i.e. the above quota rate remains unchanged (the in-quota rate may have been lowered to zero).

In addition to extending the GSP program product coverage, the AGOA extended the GSP program for all AGOA beneficiaries through September 30, 2008. The regular GSP program is scheduled to expire on September 30, 2001. In the past, the GSP program has been renewed approximately every two years. The AGOA also eliminates the GSP competitive need limitation.

The list of products provided duty-free treatment under the AGOA may be found at http://www.ustr.gov/regions/africa/annex2a.pdf. Copies of the comments received in response to the May 25, 2000 Federal Register notice on extending duty-free entry to potentially eligible products are available in the USTR reading room.

E. Apparel Visa System and Related Customs Requirements

Under the AGOA, beneficiary countries must meet certain customs-related criteria in order to receive the AGOA textile and apparel benefits. These requirements are designed to ensure that unlawful transshipment does not occur and that the benefits of the AGOA accrue to the intended beneficiaries, i.e. sub-Saharan African countries. The AGOA requires, inter alia, that countries implement an effective visa system and have laws, regulations, or administrative procedures to prevent unlawful transshipment of articles and use of counterfeit documents. Countries must also have implemented and follow, or be making substantial progress toward implementing and following, certain customs procedures drawn from Chapter 5 of the North American Free Trade Agreement designed to assist the U.S. Customs Service in verifying the origin of the products shipped from these countries to the United States.

An effective visa system, applicable to the textile and apparel products for which preferential treatment may be obtained under AGOA, is a government-industry process that demonstrates that the goods were in fact produced in a beneficiary sub-Saharan African country or countries according to the required rules of origin. The U.S. Government has provided countries with guidance on the elements of an effective visa system. This includes the requirement that the original commercial invoices for each shipment be stamped with an official government visa. The visa must contain certain information such as the date of the visa, the quantity of goods being shipped, the preference grouping the goods qualify under, and a country code. In addition, governments must agree to cooperate with the U.S. Customs Service to prevent unlawful transshipment and use of counterfeit documentation, must agree to permit verification visits to factories, producers, and exporters, and must require factories, producers, and exporters to retain proper records relating to the production and/or exportation of covered goods for a period of five years.

In order to facilitate African understanding of the U.S. requirements, an inter-agency group prepared and provided to sub-Saharan African governments a model Visa Arrangement (sample provided in Annex C), the required AGOA Certificate of Origin Provisions for Textiles and Apparel, and the AGOA Certificate of Origin and Instruction Sheet (see Annexes D and E). The Visa Arrangement and sample certificate of origin group apparel and textiles eligible under the AGOA into nine qualifying categories. In addition, countries were provided with information on other required commitments. These include a requirement that a country have the appropriate legal framework (penalty structure and enforcement mechanisms) in place to prevent unlawful transshipment, and the legal authority to ensure that producers/manufacturers maintain production records for five years and that U.S. Customs officials have access to records and factory premises, as appropriate. In a number of training and technical assistance forums, U.S. Customs officials have outlined the level of cooperation that is required of beneficiary countries and provided information on how countries can develop proactive initiatives to ensure that illegal transshipment is not occurring.

Implementing Regulations

U.S. Customs has issued interim regulations that were published in the Federal Register on October 5, 2000. These regulations include the extension of duty-free treatment under the Generalized System of Preferences (GSP) to non-textiles normally excluded from GSP duty-free treatment that are not import sensitive; and the entry of specific textile and apparel articles free of duty and free of any quantitative limits. The regulatory amendments reflect and clarify the statutory standards for preferential treatment under AGOA and also include specific documentary, procedural and other related requirements that must be met in order to obtain preferential treatment.

Quota Elimination

On February 23, 2001, the U.S. Customs Service announced the elimination of existing quotas for shipments of wearing apparel from Kenya and Mauritius. This was in response to the legislative requirement to eliminate existing quotas on imports of textiles and apparel from those two nations within thirty days after Kenya and Mauritius implemented effective visa systems.

F. Other Textile and Apparel Provisions

The AGOA includes several provisions which relate to the implementation of the Act's textile and apparel benefits. These provisions include:

- A "tariff snapback" in the event a surge in imports of eligible articles causes serious damage or threat thereof to the domestic industry.
- An annual cap on imports of certain apparel; the cap applies to apparel that is assembled in beneficiary countries from fabric formed in beneficiary countries from yarn originating either in the United States or in beneficiary countries. For a four year period, the statute permits lesser developed beneficiary countries to obtain preferential treatment for apparel assembled in such countries regardless of the source of the fabric.
- The ability to determine that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, resulting in preferential treatment for apparel made from non-U.S. yarn and fabric (short-supply).
- Identification of eligible handloomed, handmade, or folklore articles; such products may be imported quota- and duty-free.
- Special rules for "findings and trimmings," "interlinings," and "de minimus" content.
- Penalty provisions for exporters found to have engaged in illegal transshipment.

The AGOA provides that the Secretary of Commerce will implement the tariff snapback. The President delegated implementation of the other five provisions to the Committee for the Implementation of Textile Agreements (CITA), via Presidential Proclamation 7350 of October 4, 2000 and Executive Order 13191 of January 17, 2001.

Apparel articles are eligible for benefits if they are:

1) Assembled in beneficiary countries from fabrics wholly formed and cut in the United States from yarns wholly formed in the U.S.;

2) Cut and assembled in beneficiary countries from fabric formed in the U.S. from yarns wholly formed in the U.S., and assembled with U.S. thread;

3) Cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns that are considered to be in "short supply" in the United States; or

4) Assembled in beneficiary countries from fabric formed in those countries from yarn originating either in the U.S. or in beneficiary countries, subject to an annual cap. (Articles from "least developed" SSA countries qualify for additional benefits under the cap through September 30, 2004. This benefit permits countries to also use fabric inputs from outside of the U.S. and Africa in apparel production.

Establishment of Cap

The AGOA limits imports of apparel made with regional or third country fabric to a fixed percentage of the aggregate square meter equivalents of all apparel articles imported into the United States. For the year which began on October 1, 2000, this percentage is 1.5 percent of the aggregate square meter equivalents (SME) of all apparel articles imported into the United States in the previous year. This percentage will be increased in equal annual increments to a level of 3.5 percent in the final year (i.e., the year beginning October 1, 2007).

Specifically, the cap on preferential treatment for apparel made in beneficiary countries from regional (or in the case of lesser developed beneficiary countries, third-country fabric) is as follows:

October 1, 2000 – September 30, 2001	1.50%
October 1, 2001 – September 30, 2002	1.78%
October 1, 2002 – September 30, 2003	2.06%
October 1, 2003 – September 30, 2004	2.34%
October 1, 2004 – September 30, 2005	2.62%
October 1, 2005 – September 30, 2006	2.90%
October 1, 2006 – September 30, 2007	3.18%
October 1, 2007 – September 30, 2008	3.50%

Based on the statutory formula, the cap for the first year is 246.5 million SME. For the period

October 1, 2000 through March 1, 2001, 2.56 million SME had been imported into the United States under the cap, as the first two countries qualifying for textile and apparel benefits under the Act (Kenya and Mauritius) did not receive such status until January 18 and 19 respectively. Since January, USTR Zoellick approved three additional countries (Lesotho, Madagascar, and South Africa) for the textile and apparel benefits (as of the end of April).

The duty-free cap is not allocated among countries. It will be filled on a "first-come, first-served" basis. In any year that the cap is met, subject apparel products from sub-Saharan Africa may still enter the United States; however, they will be assessed the prevailing normal trade relations duty rate (Column 1 rates detailed in the Harmonized Tariff System of the United States) at the time of entry.

Surge Mechanism

The Act specifies that when the Secretary of Commerce determines that there has been a surge in imports of an article from a beneficiary country such as to cause serious damage, or threat thereof, to the domestic industry producing a like or directly competitive article, the President shall suspend the duty-free treatment provided for such article. If the inquiry is initiated at the request of an interested party, the Secretary shall make the determination within 60 days after the date of the request. In determining whether a domestic industry has been seriously damaged, or is threatened with serious damage, the Secretary shall examine the effect of the imports on relevant economic indicators such as domestic production, sales, market share, capacity utilization, inventories, employment, profits, exports, prices and investment.

As of March 1, 2001, no requests for determinations under this provision had been made.

Short Supply

Under the Act, the President is authorized to proclaim duty-free/quota-free treatment for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns not formed in the United States or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and has proclaimed such treatment. Prior to making such a proclamation, the President must obtain advice from the appropriate advisory committees and the U.S. International Trade Commission, and must provide a report to, and consult with, the House Ways and Means and Senate Finance Committees. In Executive Order 13191, the President delegated to the Committee for the Implementation of Textile Agreements (CITA) authority to determine whether yarns or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner.

On March 6, 2001, CITA published in the Federal Register the procedures it would follow in considering petitions for products to be considered in short supply under the AGOA. As of March 7, one short supply petition under the AGOA had been received and was under review.

Handloom/handmade/folklore Articles

The AGOA provides duty-free/quota-free benefits for handloomed, handmade, or folklore articles made in beneficiary SSA countries. The President, after consultations with such country(ies) shall determine which, if any, particular textile and apparel goods shall be so treated.

In Executive Order 13191, the President authorized CITA, after consultation with the Commissioner of Customs, to consult with beneficiary SSA countries and to determine which, if any, particular textile and apparel goods shall be treated as being handloomed, handmade, or folklore articles.

On February 17, 2001, all U.S. diplomatic posts in beneficiary countries were asked to notify host countries of the readiness of CITA to consider requests for products to be considered for benefits under the handloom/handmade/folklore provisions of the Act and to enter into consultations with those countries to assist in those determinations. As of March 7, 2001, no requests had yet been received.

<u>Interlinings</u>

The AGOA specifies that an article will not be disqualified from eligibility for benefits under the Act if it contains interlinings of foreign origin, if the value of such interlinings does not exceed 25 percent of the cost of components of the assembled article. This exception, however, shall terminate if the President determines that U.S. manufacturers are producing such interlinings in the United States in commercial quantities.

Under Executive Order 13191, the President delegated to CITA the authority to make these determinations. To date, no requests for such determinations have been made.

<u>Transshipment Penalties for Exporters</u>

Under the AGOA, if the President determines, based on sufficient evidence, that an exporter has engaged in unlawful transshipment, the President shall deny for a period of 5 years all AGOA benefits to such exporter or any successor entity. Under Executive Order 13191, the President delegated the authority to make these determinations to CITA. No transshipments under the AGOA have so far been identified.

V. The AGOA Country Eligibility Reports

A. The Country Eligibility Process

The benefits established by AGOA are potentially available to the 48 countries of sub-Saharan Africa. However, sub-Saharan African countries do not automatically receive the benefits of AGOA. AGOA trade benefits are extended only to those countries that meet specific eligibility criteria. These criteria were developed in consultation with sub-Saharan African countries and reflect an understanding that additional U.S. market access provided under AGOA will only generate sustainable economic growth and development if countries have appropriate domestic policies. The criteria constitute "best practice" policies that will ultimately attract trade and investment and foster broadly-shared prosperity.

Sub-Saharan African countries designated as eligible or beneficiary countries must undergo an annual review of their status. Countries may be added or withdrawn from the list of beneficiary countries during this annual review. The President must terminate the designation of a country as a beneficiary sub-Saharan African country if he determines that the country is not making continual progress towards meeting the eligibility criteria. If the President terminates a country's designation, it will be effective January 1 of the year following the year in which the determination is made.

In considering the eligibility of sub-Saharan African countries for AGOA beneficiary status, the AGOA requires the President to consider the countries based on the existing criteria under the Generalized System of Preferences program as well as new AGOA criteria and a new GSP criterion. These new criteria include whether these countries have established or are making continual progress toward establishing, a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, the protection of internationally recognized worker rights, and a system to combat corruption. Additionally, countries (1) cannot engage in activities that undermine U.S. national security or foreign policy interests, (2) cannot engage in gross violations of internationally-recognized human rights, (3) cannot provide support for acts of international terrorism, and (4) must have implemented their commitments to eliminate the worst forms of child labor.

In determining which countries to designate as AGOA beneficiaries, USTR chaired an extensive Trade Policy Staff Committee (TPSC) review process. This process involved publication of a Federal Register notice soliciting comments on countries' potential eligibility (on June 19, 2000), and collection and review of information from U.S. embassies, African governments, all relevant U.S. Government agencies including the Departments of State, Commerce, Treasury, Labor, Agriculture, and the Agency for International Development, and public information sources. Through this process country-specific issues and areas of concern were identified. Specific policy objectives to be pursued with specific governments were established. Objectives with respect to economic reform, internationally-recognized worker rights, human rights, anti-corruption actions, intellectual property protection, and elimination of the worst forms of child labor were pursued with a wide-range of countries. USTR's recommendations to the President regarding the designation of AGOA beneficiary countries were based on the results of these efforts. Additional information on the reforms undertaken by governments is provided in Section D of this chapter. The actual eligibility criteria are contained in Annex B.

B. AGOA Beneficiary Countries

In reviewing countries for eligibility under the AGOA, information relating to all eligibility criteria was reviewed. In accordance with the language of the AGOA, country eligibility was assessed on the basis of "whether the country had established or was making continual progress toward establishing" the conditions described in the law and had not engaged in prohibited activities. Information relating to the eligibility criteria is discussed below. The country reports provide information on the basis for the President's October 2, 2000 (and January 17, 2001 for Swaziland) determination of countries as AGOA beneficiary countries. **All reports are therefore based on the situation as of October 2, 2000** (except for Swaziland). Information on countries not designated as AGOA beneficiaries follows the report on beneficiary countries.

Because there were few concerns raised related to the criteria on national security and foreign policy interests or international terrorism, these criteria are not specifically discussed in the reports unless there was a specific concern or issue. A number of countries, including Malawi, Nigeria and Senegal have contributed military personnel to international peace keeping efforts and/or have been exemplary participants in the African Crisis Response Initiative, a U.S. program to develop capacity for humanitarian and peacekeeping forces in Africa. Others, such as Zambia, South Africa, and Tanzania, played significant roles in promoting regional peace efforts. Because all AGOA beneficiaries are WTO members with the exception of Cape Verde, Eritrea, Ethiopia, Sao Tome and Principe, and the Seychelles, a country's WTO membership also is not noted in the reports below. Cape Verde, Ethiopia, and the Seychelles are WTO observers.

The Office of the United States Trade Representative will coordinate the annual country eligibility review based on current conditions and events and commitments occurring since the October 2, 2000 country eligibility designations. We expect that the results of the review will be announced in October 2001.

Country Reports

BENIN

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since 1988, Benin has adopted market-oriented economic policies and has made enough progress on economic reform to qualify for HIPC debt relief. The legal system recognizes and protects property rights. The government is committed to structural adjustment programs developed with the World Bank and the International Monetary Fund. Benin has signed the Multilateral Security Agency Agreement and the Convention for the International Settlement of Investment Disputes. Benin has adopted a new business code, investment code and established a court for arbitration of business disputes.

Rule of Law/Political Pluralism/Anti-Corruption: The Constitution provides citizens the right to change their government peacefully and there have been several free and fair presidential and legislative elections since 1991. The right to due process and fair trial as well as equal protection under the law are respected. However, serious administrative delays and persistent corruption hamper the effective administration of justice. The judiciary is independent and the government respects that independence. Corruption is widespread and remains a problem despite a special task force to address the issue. The government has pursued allegations of corruption in the privatization of the government oil/gas company. Benin has indicated its intention to be the first African country to accede to the OECD Anti-Bribery Convention.

Poverty Reduction: The Government has adopted an interim poverty reduction strategy paper (PRSP) which includes measures on education, health and water quality, and is developing a final PRSP.

Labor/Child Labor/Human Rights: Benin fully recognizes the right to form unions and engage in collective bargaining, although the ILO has called for improvement in the law regarding freedom of association. The use of child labor remains widespread and domestic and international trafficking of children remain an issue, although the government has stepped up efforts at intercepting smugglers transporting children abroad for labor. The government has signed an MOU with the ILO on child labor and has committed to ratifying International Labor Organization Convention 182 on the elimination of the worst forms of child labor. The government generally respects the human rights of its citizens and there are no reports of political prisoners.

BOTSWANA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Botswana has an open, rules-based trading system. There are no known investment disputes involving U.S. companies. Botswana's regulatory system is transparent. There are no foreign exchange controls, price controls, or price subsidies. The country's remaining parastatals are now required to operate on a commercial basis, and the government is committed to privatizing all but its diamond parastatal. New legislation reportedly will bring Botswana largely into compliance with the TRIPS agreement. Botswana law prohibits nationalization of private property.

Rule of Law/Political Pluralism/Anti-Corruption: Botswana has a solid record of observing the right to due process, a fair trail and equal protection under the law. Political pluralism is well established, and the independent press has a long tradition of candid, unimpeded discourse. There is an active and effective campaign to eliminate corruption and improve the efficiency of the judicial system.

Poverty Reduction: The government has linked poverty reduction to the development of the country's private sector through foreign and domestic investment. Investment incentives for job-creating industries have been established in traditionally underdeveloped rural areas. There is universal access to health care and primary education, with schools and clinics throughout the country. The government is attempting to expand rural access to secondary education. Health care spending is growing as the government implements a national HIV/AIDS control strategy.

Labor/Child Labor/Human Rights: Botswana has ratified all ILO core conventions, including No. 182 (worst forms of child labor) and No. 138 (minimum age). The constitution provides for the right of association and all workers, except government employees, may join or organize unions of their choice. The government has broad discretionary power over trade union affairs and current law restricts the right to strike. The Government of Botswana is working with the ILO to update its labor laws and bring them into compliance with international labor standards. The government generally respects the human rights of its citizens.

CAMEROON

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Cameroon has the largest and most diversified economy in the six-nation Central African Economic and Monetary Community (CEMAC). The government's economic reform efforts have stayed more or less on track during the past three years. Cameroon completed a three-year, IMF-backed structural adjustment program, initiated significant reforms to secure HIPC debt relief and began the privatization of several large parastatal enterprises. The World Bank approved financing for the Chad/Cameroon pipeline project which, when completed, will represent the largest U.S. investment in sub-Saharan Africa. Official corruption remained a drain on the economy. An ineffective judiciary made it difficult for foreign investors to protect their rights.

Rule of Law/Political Pluralism/Anti-Corruption: While Cameroon has a viable and vocal political opposition, the pace of political reform has been slow. Government security forces obstructed opposition meetings and harassed political opponents and journalists. Recent elections have not been regarded as free and fair. The government developed a good governance program in conjunction with the UNDP, and established an anti-corruption commission, which prosecuted senior officials. Nonetheless, official corruption remained a serious problem. The judiciary was regarded as ineffective and subject to political influence and corruption.

Poverty Reduction: Cameroon is preparing an interim Poverty Reduction Strategy Paper in conjunction with civil society as part of its HIPC debt relief application. The government needs to develop better social sector spending plans and to improve the delivery of health and education services.

Labor/Child Labor/Human Rights: Cameroon saw a rise in independent labor activity, including strikes by taxi drivers and teachers. However, the government continued to interfere with trade unions' right to freedom of association, restricting the registration of unions and replacing elected leaders with government appointees. While trafficking of children is a significant issue, Cameroon is participating in a regional ILO/IPEC trafficking project. Cameroon had not ratified ILO Convention 182 regarding the worst forms of child labor. There are serious concerns regarding human rights. There were credible reports of security forces committing numerous extrajudicial killings. In the city of Douala, credible estimates indicate 80 and possibly more such killings occurred over a six-month period as part of an anti-crime campaign. Cameroon was determined eligible for AGOA based on assurances from the government that it would undertake an investigation of these abuses and punish those responsible. The government prosecuted several security officials for human rights violations.

CAPE VERDE

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Moving away from the single-party socialist state of the 1970s and 1980s, Cape Verde privatized, restructured, or liquidated most state enterprises in the 1990s. The Government has instituted a liberalized trade regime and abolished import quotas and is looking for private investment to serve as an engine for economic growth. A 1993 law created loan institutions for small and medium-sized entrepreneurs. Since 1997, Cape Verde has received over $300 million in foreign investment and attracted four additional private banks.

Rule of Law/Political Pluralism/Anti-Corruption: Cape Verde is a multiparty parliamentary democracy with an elected President and Prime Minister. The country has functioned as a full multi-party democracy since 1991, with a strong respect for human rights and constitutional rule. Corruption is generally not considered to be a major barrier to foreign investment. Some counterfeit products are sold with impunity in Cape Verde.

Poverty Reduction: Primary school enrollment was 99.9% in 1997, and secondary school enrollment was 36.6%. The male/female ration is nearly 1/1. Due to severe droughts and lack of arable land, on average only 12.5% of the annual food requirements are grown in Cape Verde.

Labor/Child Labor/Human Rights: The National Constitution of Cape Verde recognizes international core labor standards. Forced labor is prohibited, and anti-union discrimination by employers is against the law. However, the Government has been able to force striking workers to remain on the job and labor leaders have been arrested. The ILO Committee on Collective Bargaining has observed that the right to collective bargaining is constrained by the government. Juvenile prostitution is a continuing problem, exacerbated by chronic poverty and large unplanned families. Cape Verde had not ratified ILO Convention 182 on the worst forms of child labor.

CENTRAL AFRICAN REPUBLIC

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government has made an effort to accelerate reform and improve transparency, but progress is slow, due to weak capacity and resource constraints. The government has begun revision of Investment, Mineral, and Labor codes to conform to regional and international standards. Privatization measures have been taken in the banking, petroleum, telecommunications, and utility sectors. The current Poverty Reduction and Growth Facility (PRGF) expires in July 2001. Measures to strengthen fiscal management and raise government revenues through the elimination of tax evasion and fraud are needed. CAR is also in arrears to the African Development Bank.

Rule of Law/Political Pluralism/Anti-Corruption: CAR is a constitutional democracy with a multi-party legislature. Citizens generally are able to choose their national government. Legislative (1998) and presidential (1999) elections were considered generally free and fair but marred by irregularities that tended to favor the ruling party. Multiple political parties, who were able to express their views, contested the 1998-1999 elections. Violence against the political opposition is rare in CAR, although several incidents of intimidation have occurred. There are signs of growing judicial independence, but the executive branch still interferes in the judicial system. There have been reports of killings committed by members of the Presidential guard for political reasons. The government recently began anti-corruption efforts that have resulted in prosecution of several high-level officials. There is no formal system in place to combat corruption and bribery in the country.

Poverty Reduction: The CAR is working on an interim Poverty Reduction Strategy Paper (PRSP) for the HIPC initiative, but has not yet qualified for debt relief.

Labor/Child Labor/Human Rights: There are five labor federations and unions have used their right to strike. Despite legislation prohibiting employment of children under 14 years old and forced labor, these problems persist. The right to freedom of association and collective bargaining is effectively curtailed in many instances by anti-union reprisals and violence. government. The government ratified ILO convention 182 on the worst forms of child labor in June 2000. Extra-judicial killings have been reported, as has violence and intimidation by the presidential guard. The country's overall human rights record remained poor. However, the government did abolish the presidential guard force accused of human rights violations during the recent revolt.

CHAD

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Chad has demonstrated a commitment to economic reform. Most state-owned enterprises have been privatized or are in process of being privatized. A civil service reform strategy has been adopted and an action plan is being implemented. In May 2000, the World Bank Board approved the Chad-Cameroon Petroleum Development and Pipeline Project, potentially worth billions of dollars to the two countries. A strategy for the management of the petroleum economy and a petroleum revenue management program has been adopted. There is, however, a lack of capacity in line ministries, including the Ministry of Finance.

Rule of Law/Political Pluralism/Anti-Corruption: President Deby has ruled since taking power in 1990 and was a democratically elected leader in 1996. The 1996 elections were marred by irregularities. Extra-judicial killings have decreased. The government released a jailed opposition leader and 200 other prisoners. However the government still held political detainees. Two anti-corruption laws have been adopted since January 2000. The government has supported numerous capacity-building training initiatives in the legislative and judicial branches of government, which are producing results. Nevertheless, the judiciary remains subject to executive interference. The government also limits citizens' rights to change the government and has failed to hide its clear intention to maintain control of the elections process.

Poverty Reduction: The IMF and World Bank Boards approved an interim Poverty Reduction Strategy Paper (PRSP) in July 2000. Chad may reach a HIPC decision point by mid-2001. There is a lack of timely data on poverty. Goals in the Interim PRSP are not clearly linked to plans. Governance and corruption issues remain a constraint to economic growth.

Labor/Child Labor/Human Rights: The government had not ratified ILO convention 182 on the worst forms of child labor. Laws exist under which participation in strikes is punishable by imprisonment involving forced labor. Chad's human rights record remained problematic although improvement has been noted. Security forces committed extra-judicial killings, torture, beatings, and rape; arbitrary and prolonged detention still occur. These are not routine or government policy. The government rarely prosecutes or sanctions members of security forces who commit human rights abuses. Private newspapers operate freely and many of these are vociferously critical of government policies and leaders.

REPUBLIC OF CONGO

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The Republic of Congo (ROC) is a country in transition. The government has undertaken fiscal and structural reform measures, including rehabilitation of the energy sector, financial system, and the disengagement of the State from banks and public enterprises in key sectors. A Transition Support Strategy with the World Bank has been approved and technical preparation for privatization of the larger enterprises is well advanced. These include the hydrocarbon, hotel, railroad, river transportation, oil refinery, water, electricity, food, and telecommunication sectors. Nonetheless, some problem areas were identified: 1) non-accrual status with the World Bank, with debt arrears to IDA amounting to about $58 million; 2) revenues derived from the oil sector lack transparency; 3) unfair tax audits of U.S. oil firms and the government's plans to require large deposits to cover the cost of future clean-up of offshore drilling sites; and 4) non-tariff barriers such as an import licensing system, a complicated bureaucracy, and a general lack of transparency contributing to a difficult trading environment for agricultural products.

Rule of Law/Political Pluralism/Anti-Corruption: The government permits opposition political parties and NGOs, including human rights organizations, to function, and there is a relatively open dialogue on public policy issues. The interim, appointed, legislature contains members of the political opposition and there is vigorous and diverse print media, which is often critical of the government. Opposition political parties operate freely. The Government has offered amnesty to rebel fighters who renounce violence and turn in their arms. Elections have been impossible since October 1997 since the country has either been at war or trying to recover from war. Elections are planned for late 2001. The process of constitutional reform is also underway; however, there are concerns that the national dialogue called for may not have been as inclusive as it needed to be. The government has sent mixed signals on political participation by leaders of the opposition and people loyal to President Sassou-Nguesso dominated the original commission on the national dialogue; membership was later expanded. Some reports of arbitrary arrest and detention, and extra-judicial killings also have been made.

Poverty Reduction: A Poverty Reduction Strategy Paper (PRSP) was being prepared for the Heavily Indebted Poor Countries (HIPC) Initiative. The government had recently produced a 3-year economic and social plan aimed at rebuilding social and health services, and articulated an anti-HIV/AIDS strategy. Donor financing is linked to the ROC's ability to get on an IMF program.

Labor/Child Labor/Human Rights: A well developed civil society includes a free and robust organized labor movement. The ROC has not ratified ILO convention 182 on the worst forms of child labor. The Fundamental Act (interim constitution) establishes basic civil rights and liberties. The vast majority of the displaced population has returned to their homes. Human rights organizations operate freely and the GOC has facilitated the work of humanitarian agencies in providing healthcare and nutritional services. Some problem areas remain; members of government and ex-militia forces committed serious abuses, including extra-judicial killings; the government's practice of compelling those in detention to perform labor; exploitation of and discrimination against Pygmies.

DJIBOUTI

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Djibouti's economy is based on trade through its port. Citizens are free to pursue private business interests, and there are no restrictions on movement of capital. The Djibouti franc is tied to the U.S. dollar. Djibouti is in mid-phase of an IMF structural adjustment program. Privatization is a priority. Tax and banking reforms have been implemented. Djibouti offers significant incentives to the private sector, encourages foreign investment, and has an open trade regime. The entire country was made a free trade zone in 1995. Djiboutian law offers protection for intellectual property.

Rule of Law/Political Pluralism/Anti-Corruption: April 1999 elections were considered generally fair. Four political parties are recognized. Dissident political leader Ahmed Dini Ahmed returned from self-imposed exile in March 2000, and power-sharing negotiations with the government are ongoing. The President has committed to improve democratization, good governance, and the rule of law. Although the constitution provides for an independent judiciary, it is not independent in practice, and the government continues to harass, intimidate, and imprison political opponents. Allegations of violations of anti-corruption laws are pursued by the Ministry of Justice, but corruption remains a factor in Djibouti.

Poverty Reduction: An interim poverty reduction strategy was under preparation for IMF review in late 2000. The President has stressed the need to modernize Djibouti's economic base and has taken concrete steps to do so. However, chronic drought over recent years has limited the resources available for poverty alleviation programs. There are plans to establish a social safety net in the near future.

Labor/Child Labor/Human Rights: The law prohibits all forced or compulsory labor, including by children, and is generally observed. The labor law also prohibits labor by children under age 14, but laws are not enforced effectively. Children are generally not employed for hazardous work. Djibouti has not ratified ILO convention 182 on the worst forms of child labor. Under the Constitution, workers are free to join unions and to strike, but the government interferes with these rights. The ILO has repeatedly criticized the government's actions.

ERITREA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Although one of the world's poorest countries, Eritrea has made progress, since its independence in 1993, toward improving living standards. The Government has stated that it is committed to a market economy and privatization and it has made development and economic recovery its priorities. However, the war with Ethiopia, which began in May 1998, was a major economic setback. Private entities, both domestic and foreign, have the right to establish, acquire, own and dispose of most forms of business enterprises. Secured property interests are protected and enforced, although all land belongs to the state. The Government has been shifting its emphasis from centralized control to establishing rational development programs through privatization of government industries, foreign private investment and partnership with international donors. The Government took genuine and practical steps toward the privatization of state-run enterprises and a market economy. Eritrea joined WIPO in 1997 and is working with WIPO to provide more effective IPR protection. Articles 674-679 of Eritrea's penal code, which it inherited from Ethiopia, make it a criminal offense to intentionally infringe marks, declarations of origin, designs, or models or to intentionally infringe literary or artistic copyrights. Although there is no harmonized tariff system, Eritrea's Custom Department had prepared, with the technical assistance of the IMF, a new, comprehensive harmonized tariff schedule, which requires approval by the National Assembly in order to be implemented.

Rule of Law/Political Pluralism/Anti-Corruption: National elections, scheduled to take place in 1998, were postponed due to the outbreak of the war with Ethiopia. They were not re-scheduled in 2000. The Constitution provides for democratic freedom; however, while it was ratified in May 1997, its provisions were not implemented fully by year's end. The ruling party, the People's Front for Democracy and Justice, was the country's sole political party. Corruption is not an impediment to foreign direct investment as Eritrea takes stringent legal measures against corruption. A special court deals with cases of corruption and embezzlement. Giving and receiving bribes are criminal acts punishable by law and bribes are not tax deductible.

Poverty Reduction: Poverty is widespread in Eritrea, encompassing about 80% of the population. Before the war with Ethiopia limited its capacity for social spending, Eritrea had school building, health, and infrastructure development programs in place, and it had made progress toward improving living standards since independence in 1993. The government intends to make basic education available to all by constructing and rehabilitating schools and developing educational guidelines and standards, among other efforts. Numerous studies and surveys relating to curriculum development, education and gender issues are being carried out. The government has in place national health standard treatment guidelines, a safe motherhood protocol, a drug policy, and research and human development policies. Eritrea has built different levels of health facilities throughout the country and also provided training of health professionals.

Labor/Child Labor/Human Rights: There are no government restrictions regarding the formation of unions, including within the military, the police, or other essential services. Freedom of association is encouraged by the Government, which promulgated Proclamation 8 in 1991, providing workers with the legal right to form unions and to strike to protect their interests. The Constitution prohibits forced or compulsory labor, including that performed by children. A small number of children under the age of 18 entered military service, usually as the result of the absence of a proper birth certificate or other identification. When soldiers were found to be under the age of 18, they were removed from service. The Government has ratified seven basic ILO conventions on forced labor, freedom of association, the right to organize and bargain collectively, equal remuneration, abolition of forced labor, non-discrimination in employment, and minimum age for employment. However, the Government has not ratified ILO Convention 182 on the worst forms of child labor.

ETHIOPIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The Government has made a commitment to market-led growth, and has made considerable progress in stabilizing and liberalizing its economy before the war with Eritrea distracted the government from economic reform initiatives. In 1992, it started an economic reform program to encourage private investment, reduced tariff rates, and eliminated price controls. Ethiopia has selectively opened its market to foreign investors. Limited foreign participation was allowed in energy and telecommunications. The investment office has clarified investment rules and simplified review and approval procedures. The new investment code eliminates deposit requirements for investors, provides incentives for priority investments, reduces capital entry requirements for joint ventures, and permits duty-free entry of capital goods. Discriminatory taxes on foreign investors were eliminated. The Ethiopian Privatization Agency was created in 1994 to implement the privatization program.

Land cannot be purchased or sold, but it can be leased. The Government has a monopoly over utilities, but partial privatization of the telecommunications sector is underway. Foreigners are not allowed to invest in some sectors, such as banking, insurance, and transport. Intellectual property protection is inadequate, but IP theft is minimal. The Ethiopian Government has formulated a copyright law but it has not been enacted. Tariffs are high and the customs bureaucracy is cumbersome and inefficient.

Rule of Law/Political Pluralism/Anti-Corruption: In 1991, Ethiopia overthrew a communist dictatorship and began a process toward democratization. It has a federal system of government organized along ethnic lines. From May 1998-June 2000 Ethiopia battled Eritrea, which attacked it following a border dispute. A cease-fire with Eritrea was signed in July 2000, and peace negotiations intensified. Since 1991, Ethiopia has made substantial progress in building democratic institutions, independent labor unions and political organizations. It has held two relatively free and fair elections in 1995 and 2000, and worked consistently, if slowly, to institute economic reforms and a free market. Corruption is a problem but the government is attempting to combat it.

Poverty Reduction: Ethiopia ranks among the poorest countries in the world. Ethiopia suffered a devastating drought affecting an estimated 10 million people in 2000. Health standards are very low and malnutrition and infant mortality are high. Poverty alleviation had been the number one priority of the Government, but during the war with Eritrea expenditures on health and education were diverted to military spending. The Prime Minister announced in the fall of 2000 that as soon as the war was concluded, he would again make poverty alleviation his number one priority.

Labor/Child Labor/Human Rights: Forced or compulsory labor, use of children in armed forces, and work harmful to health, safety or morals of children in Ethiopia were of concern. However, extensive review by the State Department found no major child soldier problem in Ethiopia, and only minor problems involving children working in the agricultural sector on state-owned farms. Eighty-five percent of Ethiopians are engaged in agriculture, with children often working alongside their parents. Meanwhile, Ethiopia has enacted most ILO core standards into law. In 2000, cooperation with the ILO international program to eliminate child labor (IPEC) was under consideration. Ethiopia had not ratified ILO Convention 182 on the worst forms of child labor. The government's respect for workers' rights such as freedom of association and collective bargaining continue to be issues of concern.

Ethiopia 's human rights record is problematic; however, progress is being made in some areas. For example, judges and prosecutors were being trained in 2000. One of the human rights issues of greatest concern from 1998-2000 -- expulsion without due process of residents of Eritrean origins during the war -- ended with the cease-fire. Security force members committed extra-judicial killings and at times beat and mistreated detainees, and practices arbitrary arrest and detention.

GABON

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Gabon's income derives mainly from oil, which gives it one of the highest per capita income in sub-Saharan Africa. The state controls much of the economy including oil refineries, telecommunication, and timber export. The government is beginning to make progress on disengaging the state from the business sector. The water and electric power company, the rail company, and the cement factory have been privatized and the airline has been identified for privatization. A new investment regime provides for liberalized and streamlined procedures, and for equal treatment of domestic and foreign investors. However, a lack of transparency, widespread corruption, and large vested interests, hinder Gabon's economic management.

Rule of Law/Political Pluralism/Anti-Corruption: There are a variety of political parties, but the majority party controls most government bodies. Corruption still is prevalent and enforcement of existing anti-corruption laws has been ineffective. However, the government has initiated measures to improve transparency in financial systems and also has implemented a system of internal controls to improve accountability. A number of audits of several ministries have been completed, and the number of ministries has been reduced from 42 to 31. Under the aegis of its IFI programs, the government is considering a number of anti-corruption initiatives.

However, public sector finance is poorly managed making it possible for public officials to exploit their position for illicit personal enrichment. The judiciary is subject to political interference.

Poverty Reduction: Gabon has committed to allocate 20 percent of its investment budget on education and health care. However, the current budget allocates only about 2.5 percent of GDP on education and health care combined. Literacy and life expectancy are lower in Gabon than in countries with comparable incomes. Gabon is planning to develop a poverty reduction strategy by mid-2001.

Labor/Child Labor/Human Rights: The constitution recognizes the right of association, and there are strong labor unions in Gabon. Collective bargaining is allowed by industry, not by firm. However, the ILO has expressed concern about Gabonese actions which suspended certain trade union activities and imposed sanctions for striking. Child labor laws are rigorously enforced with respect to Gabonese children. The law prohibits children under 16 years of age from working without permission. However, in the informal sector, children are employed as domestic workers and farm help and such labor by foreign children remained a problem. Immigrant children do not have access to public services available to Gabonese children and Gabon is a destination for children trafficked from other West African countries. While trafficking of children is a significant issue, Gabon is participating in a regional ILO/IPEC trafficking project. Gabon has not ratified ILO Convention No. 182 but in July 2000 made a commitment to do so. There are isolated rule of law problems and security force abuses, including isolated extrajudicial killings, arbitrary arrests and detentions, and beating of prisoners.

GHANA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Beginning with a structural adjustment program in the early 1980s, Ghana has made significant progress toward an open market and investment environment. Private property rights are protected by law, and a commercial court system expedites decisions on trade and commercial cases. More than two-thirds of Ghana's parastatals have been privatized. Ghana has signed a Trade and Investment Framework Agreement (TIFA) with the United States, as well as an investment incentive agreement.

Rule of Law/Political Pluralism/Anti-Corruption: Ghana generally respects the right to due process. The judiciary has ruled against the Government in at least one case involving a trade dispute with an American firm. However, the integrity of the legal system is compromised by a severe lack of financial, human, and material resources. Elections were scheduled for December 2000. Freedom of press and assembly are routinely observed. The government established a Serious Fraud Office in 1997 to expose and prosecute official corruption. U.S. firms do not see corruption as an obstacle to investment.

Poverty Reduction: Ghana's "Vision 2020" plan for raising living standards in order to become a middle income country over the next two decades is the cornerstone of its efforts to reduce poverty. The government allocates about nine percent of its recurrent budget to health care and has introduced mandatory fee exemption policies for the poorest to improve universal access to health services. The Free Compulsory Universal Basic Education program is a nationwide, long-term initiative designed to ensure that education remains at the core of Ghana's national development plan.

Labor/Child Labor/Human Rights: Ghana has ratified ILO convention 182 on the worst forms of child labor. Some child labor occurs in the fishing sector. The government has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO/IPEC trafficking project. The United States has joined the ILO in calling on the Government to bring its labor legislation into conformity with all ILO conventions. Despite serious human rights abuses by police, including beatings, arbitrary arrest, and detention, the government continues to improve its human rights practices. Police training on the use of non-lethal force has reduced the number of killings and serious injuries at demonstrations. The cabinet has approved a number of international human rights treaties, including the UN convention against torture.

GUINEA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Guinea eliminated price controls in the 1990's under a structural adjustment reform program supported by the International Monetary Fund. Reform of the tax and customs systems has begun. An auction system for exchange rates has stabilized the currency. The land tenure code of 1996 provides a legal basis for land ownership. The government is disengaging from productive commercial activities through a privatization program (12 state-owned companies were slated for privatization in 2000). There are no major barriers to foreign investment and trade.

Rule of Law/Political Pluralism/Anti-Corruption: Guinea is a constitutional government in which effective power is concentrated in a strong presidency. Although the 1998 presidential elections were more fair and transparent than in 1993, there were widespread irregularities that favored the incumbent. Members of the security forces frequently committed human rights abuses and the justice system was perceived as providing inadequate guarantees of fairness and safety to suspects and prisoners. In response to concerns raised about this, the government agreed to initiate reforms in the justice and penal systems. The Ministry of Justice started a nationwide daily-review system to track investigations with the goal of monitoring the time an accused suspect spends in pre-trial detention and has begun other measures to improve on providing suspects a speedy and fair trial. The Ministry of Justice is also developing plans to improve prison conditions. While the print media is largely free, the government restricted freedom of speech and of broadcast media.

The government has created a national anti-corruption committee and promised the IMF it would reform the mining sector supervisory body as well as conduct audits of the water, electricity, telephone and port authorities. Corruption remains a major problem; enforcement of anti-corruption laws is irregular and inefficient.

Poverty Reduction: The government instituted an anti-poverty program in 1994 and convened a national forum in 1998 to involve society in identifying program targets and priorities. Construction of more than 3000 new community health centers has improved health service delivery, but progress in improving education has been slow.

Labor/Child Labor/Human Rights: The Labor Code specifically forbids forced or compulsory labor, and there is no evidence of its practice. The Constitution provides the right to form independent labor unions and prohibits discrimination based on union affiliation. In 1996, the government created the Ministry of Social Affairs for Women and Children. Apprenticeship laws require children to be 14 before entering an apprenticeship, but Guinea has no mechanism to address and investigate child labor. There are reports (by the UN and ILO) that children work in gem and precious stone mines. Guinea has not ratified ILO convention 182 on the worst forms of child labor. The US supports ILO concerns that labor standards in the country are not comparable to international labor standards in areas such as forced labor, discrimination in employment and anti-union discrimination. Abuses by security forces are discussed in the rule of law section above.

GUINEA-BISSAU

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Over the past four years, all of the governments of Guinea-Bissau (which has undergone a succession of rebellions and a coup d'etat) have supported the transition to a market economy. Since 1997, Guinea-Bissau has implemented trade reforms and liberalized prices, and the state no longer dominates the commercial sector. Guinea-Bissau has abolished state marketing boards, privatized some companies, and ended price controls. The privatization program is continuing, and a new investment law was adopted to facilitate private economic activity. Oil prices have not yet been liberalized, and although intellectual property laws exist, enforcement is ineffective.

Rule of Law/Political Pluralism/Anti-Corruption: The country adopted a pluralistic constitution in 1991, paving the way for democratic rule. Elections were held in 1994 and (following a civil war and a coup d'etat), in 2000. The latest elections were considered free and fair, but the elected government, an enthusiastic supporter of free-market liberalization, remained under the threat of military interference. Guinea-Bissau has anti-corruption laws, but anti-corruption efforts are sporadic and uncoordinated. The judiciary is subject to political influence and corruption.

Poverty Reduction: The Government has not yet adopted a poverty alleviation strategy but is preparing one. The Government is eager to resume social services, working with NGO's and donors. It has implemented some new health programs.

Labor/Child Labor/Human Rights: Guinea-Bissau has not ratified ILO Convention No. 182 against the worst forms of child labor and lacks legal protection for the right to collective bargaining. An estimated 2,000 people died during the civil war, and deaths and injuries continue from land mines and unexploded shells in populated areas. Human rights abuses perpetrated by government forces under President Bernardo Vieira (who was challenged by rebels in 1998 and deposed in 1999) included extrajudicial killings, arbitrary arrests and detentions, beatings, robbery and looting. The government did not punish any members of the security forces for abuses. These abuses largely ended in 1999. The current government has at times infringed upon the rights of movement and privacy of citizens and freedom of the press.

KENYA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since 1993, Kenya has made significant strides toward opening the economy, reducing the government's role, and freeing trade, though corruption remains one of the most serious constraint on the economy. During this period, Kenya ended foreign exchange and price controls, lowered tariffs, and privatized 168 out of 207 state-run companies. Since 1996, however, the pace of reform has slowed, particularly with respect to privatization. Economic growth slowed to 0.5% in 2000 due partly to an extended drought and declining terms of trade.

Rule of Law/Political Pluralism/Anti-Corruption: Kenya has been a multiparty democracy since 1992. The Constitution guarantees an independent judiciary, but its suffers from corruption and executive branch influence. Recent laws strengthened the Parliament, and an ongoing Constitutional Review may bring further changes. The Kenyan Anti-Corruption Authority was established to institutionalize efforts to combat rampant corruption, though it has been hampered by lack of resources. In 2000, the government established an "economic change team" to rationalize government procurement and employment practices. Corruption, however, remains widespread in Kenya.

Poverty Reduction: In mid-2000, the Kenyan government formulated an Interim Poverty Reduction Strategy Paper with the IMF, involving civil society, donors and other stakeholders. The government also increased the share of that year's budget going to health care to 5%. Education receives a constant 18% of the budget. The government is trying to restructure the education system to make it more affordable to citizens who find it increasingly difficult to cover education costs.

Labor/Child Labor/Human Rights: Kenya has strong labor laws but they are not effectively enforced. The ILO has found that Kenya has violated workers' right to freedom of association in several cases regarding the de-registration of trade union. The law protects the fundamental worker rights, but workers face de facto restrictions to forming unions in the export processing zones. Some laws still on the books regarding emergency labor were found to be in contravention of ILO provisions on forced labor and freedom of association. There are reports of children working in agriculture or as domestics; child prostitution is a problem in the larger cities. The Kenyan government is concerned about the problem and is expanding its child labor inspection capacity, but the labor inspection force in general is small. The Government of Kenya has not ratified ILO Convention 182 on the worst forms of child labor. Kenya has been a member of the ILO's International Program on the Elimination of Child Labor since 1992 and is participating in an ILO regional project to address child labor in commercial agriculture. Laws safeguard freedom of the press and of assembly, and protect against torture. While Kenya has made significant progress in human rights, some of these protections are still not consistently respected in practice. The government sometimes restricts freedom of assembly by requiring notification of public meetings or by disrupting them. Journalists suffer occasional harassment. Security forces are poorly trained, and sometimes torture or even kill suspects and detainees.

LESOTHO

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The small economy is based largely on herding, subsistence agriculture, and export of water and labor to South Africa. Lesotho initiated an economic reform program with the IMF. It is making significant progress toward a market-based economy that protects private property rights, and is privatizing many utilities and other parastatal enterprises. High tariffs maintained by SACU (the Southern African Customs Union) discourage import of U.S. wheat.

Rule of Law/Political Pluralism/Anti-Corruption: The government is a constitutional monarchy with a significant role for traditional chieftains. The constitution provides for an independent judiciary, laws provide for due process, and authorities generally respect court decisions and rulings. Meetings and rallies by the twelve registered political parties are not hindered. Outside observers concluded the 1998 election met international standards and accurately reflected the will of the voters. Security force officers were convicted and sentenced for participation in a mutiny in 1998. Lesotho passed an anti-corruption act in 1999 and has taken other steps in response to allegations of corruption.

Poverty Reduction: Lesotho is working with the World Bank to develop a poverty reduction strategy, but unemployment remains high. Primary education was made free in 2000 and most children aged 6-12 attend school (88% of boys and 97% of girls). HIV/AIDS remains a significant problem.

Labor/Child Labor/Human Rights: Worker rights are enshrined in law, but not always respected in practice. There are reports that employers harass and intimidate union organizers and prevent them from entering industrial areas and that workers face the threat of loss of employment if they join unions. The government is working with the ILO to conform local policies to international standards, and has applied to join the International Program on the Elimination of Child Labor. Lesotho had not ratified ILO Convention 182 on the worst forms of child labor. Claims of child labor were investigated by the ILO, which found no evidence to support the charges. Lesotho has a generally good human rights record.

MADAGASCAR

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The economy of Madagascar relies heavily on agriculture, including exports of shrimp, vanilla, coffee, and cloves. The government is moving towards a market-based economy open to foreign investment.

It has dismantled some regulatory constraints impeding private sector development. Madagascar is a member of COMESA and the Indian Ocean Commission (IOC), and was among the first countries to put in place COMESA and IOC tariff reductions. Private property rights are legally protected, but enforcement can be slow, cumbersome, and arbitrary. The government has enacted a strong investment code and export processing zone legislation to attract foreign investment. However, privatization of the petroleum sector and the airline has been slow and sometimes not transparent. Smuggling of vanilla, gold, precious stones, and cattle are major concerns. The government created two offices to deal with intellectual property rights issues, but enforcement of laws is weak.

Rule of Law/Political Pluralism/Anti-Corruption: Madagascar has many political parties, as well as privately owned newspapers, radio and TV stations that regularly criticize the president and the government. The judiciary has been strengthened by improved working conditions for court officials, sanctions against corrupt judges, and through a program to disseminate legal information. Lengthy pre-trial detention remains a major problem. Suspects are often held for periods that exceed the maximum sentence for alleged offenses. However, the government continues a major effort to reduce the number of these preventive detainees. Anti-corruption laws are not efficiently enforced. Corruption is most pervasive in the administrative sector (project approval, government procurement, licenses, judicial matters, etc.), and among customs and tax officials.

Poverty Reduction: Overall economic performance improved over the past decade, but nearly 75% of the population still live in poverty. A poverty reduction strategy is in place. School enrollment increased from 61% in 1993 to 76% in 1999. The IMF approved release of the second tranche of its Poverty Reduction and Growth Facility. The government has focused on basic education and health services. The government has negotiated an ambitious Structural Adjustment Program with the World Bank and IMF to reverse economic decline, launch sustainable growth, and reduce poverty.

Labor/Child Labor/Human Rights: The law provides workers, other than essential service workers, the right to establish and join labor unions. The ILO Committee of Experts noted that many categories of workers are inappropriately designated as essential workers, and thus not allowed to strike. Discrimination against union organizers is prohibited, but enforcement of labor regulations is hampered by lack of government resources, particularly in Export Processing Zones (EPZ's). Forced labor is prohibited. Forced or bonded child labor is prohibited, and this law is effectively enforced. The government has not ratified ILO convention 182 on the worst forms of child labor. The ILO has asked the government to bring existing labor laws into conformity with ILO conventions and International Labor Standards. Despite reports of trafficking in women and girls, no arrests or convictions have been made. The government generally respects the rights of citizens in most areas. A number of human rights groups operate without restriction and government officials are cooperative and responsive. However, use of traditional justice systems in rural areas leads to frequent violations of rights of the accused.

MALAWI

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Malawi has a market-based economy and a relatively free investment climate. Economic liberalization and deregulation have, for example, fostered development of small-scale farms and agricultural diversification. Prices for most goods and exchange rates are market-determined. The government encourages investment without restriction on ownership, size of investment, source of funds, or destination of the final product. Domestic and foreign investors are treated equally. A significant number of state-owned enterprises have been privatized, although more than half of those targeted for sale are yet to be divested.

Rule of Law/Political Pluralism/Anti-Corruption: Since becoming a multiparty democracy Malawi has successfully held national elections twice, in 1994 and 1999. The opposition holds a large minority in Parliament. First-ever local elections were scheduled for November 2000. Malawi's laws and judiciary afford equal access to domestic and foreign parties, but resolution of cases can be lengthy due to a heavy caseload and limited resources. The constitution provides for rule of law, the right to due process and a fair trial, and equal protection under the law. The Anti-Corruption Bureau operates without interference and is empowered to investigate and prosecute. Numerous corruption cases are ongoing. Government budget overruns are common and the procurement system is inefficient and sometimes prone to fraud.

Poverty Reduction: Poverty alleviation is a priority of the Malawi government, with an emphasis on health and education. An Interim Poverty Reduction Strategy Paper was being finalized for submission to the IMF as part of Malawi's efforts to qualify for HIPC debt relief. Primary education is free; primary school enrollment increased significantly during the last decade, with large gains for girls. Health care was allocated 12% of the most recent national budget and the government launched a comprehensive national HIV/AIDS Strategic Plan in late 1999.

Labor/Child Labor/Human Rights: Workers have the right to form and join trade unions, which are allowed to organize and bargain collectively. Malawi has ratified ILO Convention 182 on the worst forms of child labor. The constitution prohibits forced labor, but there is no law specifically forbidding forced and bonded labor by children. There are reports that some agricultural estates engage in forced labor, as well as evidence of child labor on tobacco and tea farms, and in domestic service. Malawi is participating in an ILO regional project to address child labor in commercial agriculture. The government generally respected human rights of its citizens, although problems exist in some areas. There were instances of arbitrary arrest, detention, and beatings by police. The government is addressing such behavior by better training for police. Prison conditions are harsh. A wide variety of domestic and international human rights groups operate without government restriction.

MALI

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Mali has undertaken economic reforms supported by the World Bank, the IMF and other donors, including the United States. A progressive program of tariff reductions and removal of non-tariff barriers has been underway for many years. Privatization has been underway for a decade though some state-owned companies remain to be sold to private investors. Reform of the key cotton sector remains a priority.

Mali has been a leader in regional economic integration among West African states and is a member of the West African Economic and Monetary Union. Mali is a member of the World Intellectual Property Organization, and is a signatory of the Paris and Berne conventions. There is no legal barrier to foreign investment and foreign trade. National treatment is guaranteed for foreign investors. The government has made consistent efforts to attract U.S. businesses.

Rule of Law/Political Pluralism/Anti-Corruption: Mali is a constitutional democracy. Although boycotted by 12 opposition parties and administratively flawed, the 1997 presidential and legislative elections were considered generally free and without evident fraud. The judiciary continued to be subject to executive influence. Corruption is considered a crime and punishable under criminal law. In 2000, the government established an office to combat corruption in Mali. Corruption is not an obstacle to foreign direct investments.

Poverty Reduction: Mali's national program for 1998-2002 is a strategic framework that focuses sector programs on the principal objective of poverty reduction.

Labor/Child Labor/Human Rights: Mali has ratified ILO convention 182 on the worst forms of child labor, however, there are reports that Malian children are trafficked and sold into forced labor in Cote D'Ivoire. Mali has taken steps, including participation in an ILO regional project, to address trafficking of children for exploitative labor. The government launched a campaign in 2000 to combat child trafficking through education of parents on this problem. Reports also indicate that hereditary servitude relationships exist between some different ethnic groups. Laws regarding collective bargaining and freedom of association do not appear to be entirely consistent with ILO principles. Mali has a generally good human rights record. Prison conditions are poor. The judicial system is slow, causing long pretrial detentions and lengthy delays in trials.

MAURITANIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Mauritania has moved steadily toward establishing a market-based economy and has made continued progress toward deepening the economy's exposure to market forces. It has established an environment that is conducive toward investment, though bribery and corruption continue to be problems. By law, foreign investors receive national treatment. The currency is freely convertible and the government does not directly subsidize business or industry. There are tax incentives for small and medium enterprises. Privatization is proceeding, and the national airline and all commercial banks have been privatized.

Rule of Law/Political Pluralism/Anti-Corruption: The government has undertaken efforts to retrain judges and others working in the judicial system to implement the constitutional requirement of an independent judiciary, but problems remain. Political discussion is generally freewheeling and unrestrained, aided by an increasingly independent press which criticizes the government. There have been instances, however, in which the government jailed (and later freed) opposition politicians and banned an opposition party.

Poverty Reduction: In February 2000, Mauritania qualified for debt service relief under the HIPC Initiative and will receive relief equivalent to 40% of total yearly debt service payments over the next ten years, approximately $1.1 billion. Poverty reduction is an integral part of government policy and the overall level of poverty has dropped from 57% to 50% between 1990 and 1996. Universal primary education is a key government objective and a tool for poverty reduction. Primary school attendance has increased from 45% in 1990 to 86% in 1999.

Labor/Child Labor/Human Rights: The ILO has expressed concern about prohibitions on strikes and restrictions related to freedom of association. It has also raised concern about continuing allegations of forced labor. The government has outlawed slavery and made efforts to eliminate it, but vestiges and consequences may continue in some form in isolated areas. In 1991, the government was one of the first in West Africa to ratify the Convention on the Rights of the Child. It has implemented the ILO Conventions which sets the minimum age of employment at 14 and prohibits children from doing hazardous work. These rules are generally respected in the formal sector, but children under fourteen continue to work in the informal sector. Mauritania had not ratified ILO Convention 182 on the worst forms of child labor. Women play an increasing role in politics. Despite the many positive developments, the overall human rights record is poor, but the general trend is improvement, not regression.

MAURITIUS

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Mauritius was deemed the most competitive economy in Africa by the World Economic Forum in 1998 and 2000. The government works with the private sector to encourage transparency and encourage market forces. Mauritius has undertaken trade liberalization including lowering tariffs; has signed the Information Technology Agreement; and is updating patent, trademark, and copyright laws.

Rule of Law/Political Pluralism/Anti-Corruption: Mauritius is a robust and vibrant democracy. Fair and orderly elections, supervised by an independent commission, take place at regular intervals. The press and political parties operate freely and the judiciary is independent. There is an open and transparent procurement process, although there have been allegations that some contracts are awarded to the ruling elite and favored persons.

Poverty Reduction: Rapid economic growth and strong social policies have reduced the percentage of the population living below the poverty line to less than five percent. Primary and secondary education are free and compulsory for ages 5-12. In 1998, 97% of primary school age children were enrolled in school. The private sector has been involved in the diversification of sources of health care. One hundred percent of rural and urban populations have access to safe drinking water.

Labor/Child Labor/Human Rights: The government of Mauritius generally respects the rights of its citizens, including freedom of speech, press, assembly, and religion. Mauritian law prohibits forced or compulsory labor as well as trafficking of children. The government has improved the enforcement mechanism to eliminate child labor. The Constitution prohibits discrimination based on race, caste, place of origin, political opinion, color, religion or sex. Domestic violence is a crime. All workers, including those in Economic Processing Zones, have the right to organize. However, only 12.5% of EPZ workers are unionized. Unionists have had difficulties with the police during attempts to hold demonstrations and marches, and special provisions in the labor law allow for mandatory overtime and holiday labor for workers in EPZ's. A law to establish a human rights commission to investigate complaints against the police went into effect in 1999, but the commission has not yet been established. The Government of Mauritius ratified ILO Convention 182 on the worst forms of child labor in August 2000.

MOZAMBIQUE

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Mozambique has privatized more than 1,200 companies, including the entire banking system. Public enterprises now account for less than 20 percent of output, compared to two thirds in 1990. The government has liberalized the financial sector and reformed tax, customs and tariff regimes, instituting a value added tax in 1999; however, the commercial code remains outdated. The U.S. signed a Bilateral Investment Treaty with Mozambique in 1998. Intellectual property rights are generally protected by law.

Rule of Law/Political Pluralism/Anti-Corruption: Political pluralism is well established, with an opposition coalition controlling 47 percent of parliamentary seats. Multiparty presidential and parliamentary elections were held in 1994 and 1999. More than 70 percent of registered voters cast ballots in the latter election, which was peaceful and orderly, though vote-counting irregularities, which did not materially affect the outcome, did occur. The parliament provides useful debate and generates independent proposals. The constitution provides for rule of law, and the right to due process, a fair trial, and equal protection under the law. In practice, police continued to use arbitrary arrest and detention, and lengthy pretrial detention was common. Fair and expeditious trials were not possible due to an inefficient, understaffed, underfunded judiciary dominated by the executive and subject to corruption. Otherwise, corruption generally has not been a major issue to date, and Maputo has taken steps toward adopting the IMF's Code on Monetary and Financial Transparency and the Code on Fiscal Transparency.

Poverty Reduction: The Government began drafting a Five-Year Plan to Reduce Absolute Poverty in 1995 and conducted a nationwide household survey on the causes of poverty in 1997. To qualify for HIPC debt relief, an interim Poverty Reduction Strategy Paper (PRSP) was published in March 2000. It identified as priorities maintaining high economic growth, improving access to basic education and health care, increasing agricultural productivity and rural employment opportunities, and improving rural infrastructure. The national budget for 2000 reflects increased investment in health care, education, and infrastructure. Mozambique is extremely poor, and social indicators, while markedly improved, remain low. While only 65 percent of children are enrolled in age-appropriate education, this represents a tremendous increase since the end of the civil war. Dealing with HIV/AIDS will drain resources.

Labor/Child Labor/Human Rights: Mozambican workers enjoy, by law and practice, the right to organize and bargain collectively, and, except for those in essential services, the right to strike. We continue to urge the government to bring its labor code into conformity with ILO standards, especially in the area of child labor. There is a minimum working age of 15, though children commonly work on family farms and in the urban informal sector. Mozambique has not ratified ILO convention 182 on the worst forms of child labor. The government generally respects freedom of press and assembly. The Constitution prohibits torture and cruel or inhuman treatment; however, police commit serious abuses and torture, beatings, death threats, physical and mental abuse, and extortion, and unexplained disappearances of prisoners are a problem. New education standards for police have been imposed, a new police academy is being readied, and human rights training is becoming mandatory for all security officers, with human rights groups teaching some of the courses. Prison conditions are extremely harsh, and pose a threat to inmates' health and lives. Overcrowding in detention facilities is a problem.

NAMIBIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The economy is modern, market-based, with a rules-based trading system. State-owned companies are run on a profit-seeking basis. The Foreign Investment Act of 1990 guarantees foreign investors national treatment, fair compensation in event of expropriation, international arbitration, the right to remit profits, and access to foreign exchange. Government regulates fuel prices and applies relatively high tariffs to imports from outside the Southern Africa Customs Union area.

Rule of Law/Political Pluralism/Anti-Corruption: The government is democratic and rights to due process, equal protection, and fair trial are well established. The judiciary is independent and respected, but backlogs have led to long trial delays. Opposition parties are generally able to function and elections have been free and mostly fair, but instances of harassment of the opposition and unequal access to media and campaign finance have been reported. Anti-corruption legislation and institutions are in place.

Poverty Reduction: Economic growth and poverty reduction are key government policy goals. Education accounts for over 24% of the national budget; health and social services account for over 15%. The government encourages micro enterprise development and opening the tourism and fishing sectors to indigenous entrepreneurs. Income inequality is still high. HIV/AIDS remains a significant problem.

Labor/Child Labor/Human Rights: Core labor rights, including freedom to form and join trade unions, are affirmed in the Constitution and labor laws. The ILO has observed that the export processing zones (EPZ) amendment is not in compliance with international principles regarding the right to strike. The government has declared its intention to bring the EPZ Act into compliance with ILO recommendations and have initiated the process by referring the issue to a tripartite labor advisory council for advice. Forced and bonded labor is prohibited, but labor laws do not cover foreign children. The Government had not ratified ILO Convention 182 on the worst forms of child labor. The worst forms of child labor are not a serious problem; 95% of children aged 7-14 attend school regularly. Abuse of women and children is significant, but is increasingly criticized and subject to prosecution. The Government generally respects the rights of citizens, including freedoms of speech, press, religion, and association.

NIGER

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Niger is moving rapidly towards a market-based economy but is constrained by limited resouces. After a few years of relatively slow movement, the government is making serious strides towards privatization. As the world's second poorest country, Niger is heavily dependent on foreign budgetary support and development assistance. There are no legal barriers to U.S. trade and investment in Niger. Trade liberalizing legislation has been enacted and further liberalization measures are being pursued. Niger is a member of the West African Intellectual Property Organization which has established a legal framework for protecting intellectual property. There have been no investment disputes involving either U.S. or other investors in Niger. The investment code does provide for the settlement of disputes.

Rule of Law/Political Pluralism/Anti-Corruption: Niger held free, fair and well-administered elections for president and the national Assembly in late 1999, leading to a democratically elected government. It also has a free press. Questions still remain about the independence of the judiciary and the overloaded judicial system causes long delays in trials. Niger continues to make progress in establishing the rule of law, respecting political pluralism, and the right to a fair trial and equal protection under the law. These rights are now constitutionally guaranteed. Their implementation will require much work, but the government has stated its commitment to further these objectives. It has, for example, dismantled the extralegal tribunals established by previous military governments. Political pluralism is flourishing since the inauguration last year of an elected civilian government. The government is committed to and has made progress on reducing corruption.

Poverty Reduction: Niger is working with the World Bank and IMF to develop a poverty reduction strategy. The government recently met with the IMF and is moving towards a new agreement with the fund, which will expedite delivery of development assistance.

Labor/Child Labor/Human Rights: The constitution provides formal recognition of workers rights to establish and join trade unions. Given Niger's weak economy and high unemployment rates, the union movement has little real power. Labor laws are generally good but enforcement is spotty due to the lack of sufficient administrative infrastructure. Niger ratified ILO Convention 182 on the worst forms of child labor. Child labor in non-industrialized enterprises is permitted by law under certain conditions. It is a problem outside the limited formal sector where there is little or no enforcement mechanism.

The December 1999 return to civilian, democratic government has greatly improved the human rights situation in Niger. Institutional problems, such as poor courts, prisons and training of law enforcement personnel remain problems. The government is trying to address these problems with significant support from the international donor community. For example, we are actively engaged with the government on the issue of restructuring the police force.

NIGERIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Nigeria is making credible progress in developing a market-based economy that protects property rights and promotes an open, rules-based trading system. Government officials intend to encourage private sector investment, diminish direct state ownership of economic assets, and reduce and eventually eliminate fuel subsidies. In 1995, the Nigerian Investment Promotion Commission liberalized the foreign investment regime, allowing 100 percent foreign ownership of firms outside the oil/gas sector. Oil/gas investment is still limited to existing joint venture agreements or production sharing contracts with the Nigerian government. Major concerns remain related to the sanctity of contracts. A sub-committee has been established under the U.S.-Nigeria Trade and Investment Framework Agreement (TIFA) to address market access problems and contract sanctity issues.

Nigeria has established an Intellectual Property Rights Commission and is working with the World Intellectual Property Organization (WIPO) to strengthen enforcement. Nigeria is a signatory to the Universal Copyright Convention, the WIPO, the Berne Convention, and the Paris Convention. The Patent and Design Decree of 1970 governs the registration of patents, trademarks and copyrights. The Copyright Decree of 1988 criminalizes counterfeiting, exporting, importing, pirating and performing or selling of copyrighted material without the permission of the copyright owner. Cases involving copyright infringement have been successfully prosecuted in Nigeria, but enforcement of existing laws on patents and trademarks remains weak. In contract disputes, the government of Nigeria has consistently acknowledged its acceptance of prescribed international arbitration clauses.

Nigeria generally provides reasonable access to its markets. A member of the WTO, Nigeria is actively pursuing policies to eliminate barriers to U.S. trade and investment and has signed a Trade and Investment Framework Agreement with the United States. The United States and Nigeria have also established a Joint Economic Partnership Committee for regular dialogue on trade liberalization, transparency, and other important issues.

Rule of Law/Political Pluralism/Anti-Corruption: For the first time in over 15 years, Nigeria has three very active political parties. An elected, civilian government came to power in May, 1999. Since then, debate has been open, the National Assembly assertive, and the press vibrant. The GON seeks to reestablish its once envied and now dysfunctional justice system, and ensure a viable and fair judicial system. Institutional problems such as poor courts, prisons, and training of law enforcement personnel remain problems, as does executive influence, corruption, and inefficiency. The government is trying to address these problems with significant support from the international donor community. There is progress in establishing the rule of law, respecting political pluralism, and the constitutionally guaranteed right to a fair trial and equal protection under the law. It has, for example, dismantled the extralegal tribunals established by previous military governments.

The Obasanjo government has attacked corruption with some visible results: stolen assets are being recovered, the anti-corruption bill is now law, contracts granted by previous governments are being investigated, and there appears to be less petty graft and a new sense of limits on how much can be stolen. On June 13, 2000 President Obasanjo signed anti-corruption legislation that establishes a special prosecutor to investigate and prosecute allegations of corruption.

Poverty Reduction: The government of Nigeria is negotiating with the World Bank and the IMF to get on an economic policy reform program and develop sound poverty eradication strategies to diversify and grow the economy.

Labor/Child Labor/Human Rights: Nigerian workers, except members of the armed forces and essential employees, may join trade unions and strike. Nigeria has ratified ILO Convention 87 on freedom of association, Convention 98 on the right to organize and bargain collectively, and Conventions 29 and 105 on forced labor but enforcement is weak. Nigeria has not ratified ILO convention 182 on the worst forms of child labor, but has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO/IPEC program on trafficking in children. Worker rights and child labor laws are on the books. The labor movement is very influential and operates freely. The government's human rights record was problematic, although there were some improvements in several areas. Security forces continued to commit extra-judicial killings and use excessive force to quell unrest, although less frequently than under previous military governments. Beating of detainees and suspects, and arbitrary arrest and detention also occur. The government was making efforts to address these problems.

RWANDA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government has liberalized foreign exchange and interest rates. Payments and current international transfers are made easily. Rwanda has sold or leased 30 parastatal enterprises, and has a program in place to privatize the tea, coffee, communications, and utilities sectors. The government has adopted a new investment code.

Rule of Law/Political Pluralism/Anti-Corruption: Rwandans are not able to change their national government, and political party activities are restricted. However, the government held local elections in March 1999 and plans district elections by secret ballot for early 2001. The government emphasizes capacity building in the justice system, which was virtually destroyed during the 1994 genocide. The government has established a civilian national police. The government is rebuilding the civil service to operate with accountability and competence, and is preparing public disclosure rules and a Code of Conduct for civil servants and elected officials. The judiciary is subject to executive influence, and suffers from a lack of resources, inefficiency, and some corruption. The National Assembly has actively investigated public officials accused of corruption and abuse of office.

Poverty Reduction: Rwanda is rebuilding social services decimated by the 1994 genocide. Special training centers for teachers and health care professionals (excluding doctors) have been created in Kigali. The government has written an Interim Poverty Reduction Strategy Paper in preparation for a decision on Rwanda's eligibility for debt relief under the Heavily Indebted Poor Countries (HIPC) program.

Labor/Child Labor/Human Rights: Union membership is voluntary and open to all salaried workers, including public sector employees. The Constitution provides for freedom of association but there are restrictions in practice. The government ratified ILO Convention 182 on the worst forms of child labor in June 2000. However, the Ministry of Public Service and Labor has not enforced child labor laws effectively. Most child labor occurs on family farms. The government's human rights record inside Rwanda remains poor but has improved, and a National Commission for Human rights was established in 1999. However, there are reports that security forces have committed extra-judicial killings, practiced arbitrary arrest and detention and beaten detainees in Rwanda. There are also credible reports that the Rwandan army has committed massacres and other abuses in eastern Democratic Republic of the Congo. A number of soldiers and police are in jail awaiting trial on such charges.

SAO TOME AND PRINCIPE

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Sao Tome and Principe (STP), a country of about 130,000 people, is one of the poorest and most heavily indebted nations in Africa. A market-based economy has been created from what was a Marxist directed economy prior to 1990. Currency restrictions have been lifted, substantially doing away with a parallel exchange rate system. Import regulations have been simplified and made more transparent. Administrative and budget reforms are underway. The telecommunications and air transport companies have majority private ownership, but the gas distribution and electricity and water companies remain under state control. Most of the state-run cocoa plantations have been privatized; foreign investment is welcome. The government has entered into a Poverty Reduction and Growth Facility with the IMF, which includes a wide array of reforms. The island nation, however, is dependent on cocoa and foreign assistance. In the oil sector, as in many other areas, the government has not developed sophisticated legislation for regulation of investment and trade.

Rule of Law/Political Pluralism/Anti-Corruption: Sao Tome and Principe is a democracy, with multiple parties represented in government, high voter turnout in well-run elections, peaceful transitions to new governments following elections, and a free press. The President and Prime Minister are from different parties. Political and civil liberties are guaranteed by the constitution and are respected in practice by the government. The country recently received an outstanding rating by Freedom House for its level of political and civil liberties. The current government intends to reform the judiciary to make it even more independent. Corruption, however, is an obstacle to foreign investment. The government is making serious efforts to increase transparency.

Poverty Reduction: The country's social indicators are strong for such a poor country. An interim Poverty Reduction Strategy Paper (PRSP) has been adopted and consultations with civil society are ongoing. The government devotes a larger proportion of its meager resources than most of its African neighbors to education, health, and social welfare. According to UNDP reports, primary school attendance is approximately 90%. The country's debt burden is high, draining resources from poverty reduction measures. The country remains largely a one-crop economy, cocoa - in a market that is very depressed. The standard of living for most residents is extremely low, despite sound government policies.

Labor/Child Labor/Human Rights: The constitution provides for the freedom of association, the right of workers to organize and bargain collectively, and their right to strike. The law forbids forced or bonded labor, including of children, and such occurrences are not known to exist. The legally mandated employment age is 18 years, though some younger children do help out with non-hazardous work in family agriculture or businesses. However, the working conditions on state-owned plantations have been characterized as "medieval" and international lending institutions have criticized the administration of subsidized housing, health care, and education on these plantations. Children work from an early age on plantations and in the informal sector. Sao Tome and Principe had not ratified ILO convention 182 on the worst forms of child labor. The government respects the rights of its citizens. No reports of abuse of prisoners during arrest have been received. Sao Tome and Principe receives very high ratings from international monitoring agencies and NGO's for its record across the wide human rights spectrum.

SENEGAL

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Foreign private investment is welcome in Senegal, with a liberal investment code of equitable treatment, free transfer of capital and profits, and no requirements for local ownership. Since the devaluation of the CFA in 1994 the government has eliminated price controls, discontinued export subsidies, removed import bans and licensing requirements, dismantled monopolies, modernized regulatory frameworks, and is privatizing state-owned industries. The legal system actively protects private property rights and the Government established an arbitration panel to resolve business disputes. Senegal is a member of the Organization for the Harmonization of Business Law in Africa. Senegal is signatory to major IPR conventions and is a member of the World Intellectual Property Organization, but enforcement of counterfeiting laws is lax. Senegal and the United States have a Bilateral Investment Treaty.

Rule of Law/Political Pluralism/Anti-Corruption: While the judicial system requires some strengthening as an independent institution, there is generally respect for a fair trial, equal protection under the law, and civil liberties, including freedom of speech, movement, press, and the right to change one's government. President Abdoulaye Wade took power in April 2000 following free and fair elections. Although the first opposition party to hold power since independence, his administration is committed to completing the extensive privatization campaign started by his predecessor in 1994. Senegal's constitution provides due process and human rights, including equal protection under the law. Corruption occurs in Senegal despite laws against it, and as elsewhere, it can be a significant obstacle to economic development.

Poverty Reduction: The Government has initiated a Poverty Reduction Strategy, which calls for private-sector led growth, programs to improve education and health services, and provides micro-credit financing to stimulate employment. This will reinforce efforts to improve Senegal's low literacy rate and equalize income levels.

Labor/Child Labor/Human Rights: The Government has met some of the concerns raised during the AGOA consultation process, it has ratified convention 138, which sets the minimum age for admission to employment at 15, and Convention 182 outlawing the worst forms of child labor. In 1998 Senegal in conjunction with the ILO initiated a three-year program for the elimination of child labor. The government has not, however, amended their Labor Code to ensure that trade unions are not subject to dissolution by administrative authority. Currently the Senegal labor code requires the Minister of the Interior to give prior authorization before a trade union can exist legally. There are some reports that security forces occasionally committed extra judicial killings, beatings, and arbitrary detention.

SEYCHELLES

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach, and has the highest GDP per capita ($6,450 in 1998) in Africa. Further reform is expected as a result of the country's application to the WTO. There is no restriction on foreign ownership, and a number of incentives are offered to stimulate private sector investment. However, the government continues to play a strong role in the economy, and regulations and controls are burdensome. The trade regime is restrictive: imports, except for capital goods, require government approval, and non-essential imports are subject to quotas. Intellectual property rights are generally not adequately protected.

Rule of Law/Political Pluralism/Anti-Corruption: Seychelles has held two free and fair multiparty elections since 1993. The constitution adequately protects citizens' rights. Though democratically elected, President Rene wields authority virtually unchecked, especially in the areas of political patronage and resource allocation. The judicial system lacks resources and is subject to executive interference.

Poverty Reduction: Incomes have risen tenfold since 1976. The government emphasizes the importance of health and education, and citizens have access to adequate social services. Primary education for children aged 6-15 is free and compulsory.

Labor/Child Labor/Human Rights: Children have legal protection from labor and physical abuse, and no form of child labor exists in Seychelles. Seychelles ratified ILO convention 182 on the worst forms of child labor in September, 1999. Workers have the right to form and join unions and to engage in collective bargaining. However, collective bargaining rarely takes place. Between 15-20% of the labor force is unionized. The government has the right to review and approve all collective bargaining agreements. Forced or compulsory labor is prohibited. Enforcement of occupational health and safety laws is problematic largely due to a lack of funding. The Export Processing Zone is not subject to labor laws; reports of mistreatment of foreign workers have been made. The government's human rights record is strong. However, the President's broad power results in some abuses, such as arbitrary arrests and detention.

SIERRA LEONE

Note: Sierra Leone is an AGOA beneficiary but with delayed implementation.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Sierra Leone has a market-based economy and an open, rules-based trading system. The 1991 Constitution protects private property rights. Laws generally protect intellectual property rights, including trademark, copyright and industrial design. The legal code provides for resolution of bilateral trade and investment disputes. The main barrier to investment is the ongoing war that has devastated Sierra Leone. In the first half of 2000, prices declined reflecting tight monetary policy, an appreciating exchange rate and increased supply of goods. The inflation rate fell to 11.38 percent from 27.57 percent. Government revenues exceeded targets by 45%.

Rule of Law/Political Pluralism/Anti-Corruption: The government controls less than half of the country. Due to the war, government services outside the capital, Freetown, are almost non-existent. Freetown courts operate under severe budgetary constraints. The government was democratically elected. Government policies are conducive to domestic and foreign investment, although low-level corruption remains a significant problem. Scarcity of hard currency continues to be a problem.

Poverty Reduction: Government policy aims to reduce poverty, increase the availability of health care and educational facilities, expand the physical infrastructure, and promote the development of private enterprise. Micro-credit projects are in operation. The external debt burden, coupled with low exports is an ongoing threat to economic prospects. Debt service, at 55 percent of current exports of goods and non-factor services is a challenge for the government. Sierra Leone continues to rely on substantial disbursements from the IMF post-conflict programs. The government places a high priority on approaches to bilateral creditors and, in particular, the Paris Club, with a view to securing debt forgiveness through cancellation.

Labor/Child Labor/Human Rights: Despite some problems in its human rights record, the Government continues to improve its human rights practices. Worker rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. Sierra Leone had not ratified ILO Convention 182 on the worst forms of child labor. Members of the Revolutionary United Front (RUF) who seek to overthrow the democratically-elected government, have violated human rights through massive destruction and violence, including the abduction of civilians (women and children), rape, mutilation and amputation of limbs. Some rogue members of government forces have also committed abuses.

SOUTH AFRICA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: South Africa has a market-based economy that incorporates an open, rules-based trading system, and provides for the protection of private property rights. It is making progress on IPR protection. South Africa has significantly reduced its average tariff rate, though some tariffs remain high. South Africa provides national treatment for foreign investors. There is no record of expropriation or nationalization of any U.S. investment. There is a bilateral Trade and Investment Framework Agreement, as well as a bilateral tax treaty in force. The government is making progress on the privatization of parastatal enterprises.

Rule of Law/Political Pluralism/Anti-Corruption: South Africa is a multiparty parliamentary democracy. The government is committed to the rule of law, and is working to strengthen its judicial and regulatory systems. While South Africa faces serious governance and corruption challenges, the government has made the fight against corruption a priority, including the establishment of ten anti-corruption bodies. An extremely high crime rate and inadequate police response remain serious problems.

Poverty Reduction: The government is committed to improving the distribution of resources and has established a number of poverty reduction programs. The Black Economic Empowerment program, small business support programs, and infrastructure projects to improve access to basic services, housing, education and health care are all aimed at reducing poverty and narrowing the wide income disparities resulting from apartheid. High unemployment remains a serious problem.

Labor/Child Labor/Human Rights: South Africa provides strong worker rights protections, including the right to freely associate and to bargain collectively. There is a legally established minimum age for the employment of children, but enforcement is difficult in some cases. Child labor occurs in South Africa, particularly in the agricultural sector. South Africa has ratified all ILO core conventions, including ILO Convention 182 on the worst forms of child labor. The government generally respected the human rights of its citizens; however, problems remain in several areas. The Constitution provides for equal protection, freedom of speech and the press, freedom of assembly, and an independent judiciary; these rights are respected in practice. The government has focused high level attention on the human rights issues of law enforcement, and is making serious efforts to improve the professionalism of its security services; it has taken action to investigate and prosecute some members of the security forces involved in human rights abuses.

SWAZILAND

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Swaziland has a free market economy, with relatively little government intervention. Plans are underway for the sale of state-owned corporations in the air transport and financial services sectors; however, the country lacks an investment code. Protection for patents, trademarks, and copyrights is offered, and pending Intellectual Property Rights legislation, once enacted, will offer greater protection.

Rule of Law/Political Pluralism/Anti-Corruption: Living in a modified traditional monarchy, Swazis are not able to change their government. The King retains ultimate executive and legislative authority. The judiciary is independent; traditional and Western-style courts both operate. The government's effort to establish a new constitution, replacing one suspended in 1973, is progressing, though very slowly. Freedom of association and assembly are restricted in accordance with a 1973 decree that prohibits political parties, as well as meetings of a political nature -- except in traditional administrative centers -- without consent of the police. However, numerous political groupings operate openly and voice opinions critical of the government. Corruption is not a major problem; the government has created an anti-corruption commission designed to address petty corruption in government.

Poverty Reduction: Though education is not compulsory, 95 percent of all children are enrolled in primary education, and 52 percent in secondary school. Authorities intend to increase spending on social services.

Labor/Child Labor/Human Rights: The 1980 Employment Act forbids employers to discriminate on the basis of race, religion, sex, or political affiliation; however, women and citizens of mixed race do still experience discrimination. Swazi law prohibits forced labor, including by children but Swaziland has not ratified ILO Convention 182 on the worst forms of child labor. Swaziland came under annual review for GSP benefits due to significant problems with worker rights; the country avoided being excluded from GSP benefits by enacting an adequate labor law in November 2000. It was then made eligible for AGOA benefits in January 2001. The government permits domestic human rights groups to operate.

TANZANIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Tanzania's economic reform program has been comprehensive and sustained, and it was ranked first in sub-Saharan Africa in improved economic climate by the World Economic Forum. Tanzania is a stable, multiparty democracy. The government privatized over half of its parastatal enterprises and liberalized its agricultural policy. The government is engaged in structural reform of the public and financial sectors to create a positive environment for private sector growth. Structural reforms have reduced inflation to 5 percent, slashed the government budget deficit and removed price controls. Market forces determine interest and exchange rates. U.S. investment in Tanzania is increasing. Some negative aspects of Tanzania's economy remain. Corruption and bureaucratic inefficiencies continue to hinder economic growth.

Rule of Law/Political Pluralism/Anti-Corruption: Criminal trials are open to public and press; the Judiciary is formally independent but suffers from corruption, inefficiency and executive influence. Tanzania became a multiparty state in 1992. At the time of eligibility designation, Tanzania's second multiparty election was scheduled for late October 2000. While opposition parties campaigned freely, police often harassed opposition supporters, especially in Zanzibar. The government participates in the World Bank Institute's anticorruption/governance program, it established an Anti-Corruption Commission, has indicted senior officials for corruption, took steps to void a corrupt energy deal and produced a respected report on corruption. Nevertheless, Transparency International listed Tanzania as the world's fifth most corrupt country in 1999.

Poverty Reduction: In April 2000, Tanzania was one of the first African countries to qualify for enhanced HIPC debt relief. The government has refocused on social sectors with emphasis on primary services. Tanzania is implementing its Poverty Reduction Strategy Paper (PRSP) for the HIPC Initiative. Although GDP has grown consistently at 4% annually, there have not yet been substantial inroads in poverty reduction; 1999 per capita GNP was around $220.

Labor/Child Labor/Human Rights: Since 1994, Tanzania has been a member of the ILO's International Program for the Elimination of Child Labor, but child labor problems persists, especially in the agricultural sector. Tanzania is participating in an ILO regional project to address child labor in commercial agriculture. The government had not ratified ILO Convention 182 on the worst forms of child labor. There are still restrictions on organized labor activities. Although there were abuses by security forces, they did not appear politically motivated and the government has made efforts at reform. Many allegations of violations of political rights originate in semi-autonomous Zanzibar. Eighteen opposition leaders were being tried on arguably spurious treason charges, but the trial had been suspended pending appeal. Human rights conditions worsened in Zanzibar after police crackdowns.

UGANDA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Uganda's economy is based on agriculture. The country is a leading economic reformer in Africa. It has achieved macro-economic stabilization. Privatization and civil service reforms are proceeding, and the budgetary process is more transparent. The government is working to rebuild the country's infrastructure, and is creating a national road grid. Monopolies in the coffee, cotton, power and telecommunications sectors have been abolished. Uganda has consistently welcomed foreign investment. Despite efforts to combat corruption, it remains endemic.

Rule of Law/Political Pluralism/Anti-Corruption: Ugandan President Yoweri Museveni and Parliament were elected in 1996. Presidential and parliamentary elections are scheduled for 2001. Uganda in 2000 formally extended the "Movement" (no-party) form of government for five years and severely restricted political activities. Despite restrictions on political parties still present in October 2000, opposition figures were significant in parliament and willing to speak out. Candidates had already begun to actively campaign for the March 2001 presidential election in a society much more open politically than several years ago. Uganda participates in the World Bank Institute's Integrated Anti-Corruption/governance program. A judicial commission of inquiry into police corruption uncovered numerous serious abuses committed by senior officers, resulting in the arrest of several officers. Poor judicial administration, lack of resources, a large case backlog, and lengthy trial delays circumscribed due process and the right to a fair trial.

Poverty Reduction: In May 2000 Uganda was the first African country to reach its HIPC completion point. It has a long-established Poverty Eradication Action Plan and a Poverty Action Fund. Uganda is one of the first countries in Africa to show a sustained decline in HIV/AIDS prevalence. Plans to develop the education and health sectors are in place, but ambitious plans to combat poverty are limited by human capacity constraints.

Labor/Child Labor/Human Rights: The minimum working age is 18; forced labor by children is prohibited by statute but not always in practice, especially in prison. There are inconsistencies between the outdated labor code and Uganda's Constitution, which guarantees freedom of association. Uganda is working with the ILO to update its labor code and strengthen overall industrial relations. Uganda had not ratified ILO Convention 182 on the worst forms of child labor. Uganda joined the ILO's International Program on the Elimination of child labor and is participating in a regional ILO/IPEC project focusing on child labor in commercial agriculture. Although significant human rights problems continued, the government has made serious efforts to stem human rights violations by security forces, including punishing military members. There had been no recent reports of politically motivated killings or disappearances. Human-rights organizations are active and operate without government restriction. Uganda had been engaged in the conflict in the Democratic Republic of Congo (DROC), including fighting with Rwandan troops in Kisangani, DROC in 2000, but its involvement there had lessened by October 2000. The Government was willing to cooperate with DROC peace efforts and withdrew some troops, but abuse of civilians continued in DROC areas under Ugandan control.

ZAMBIA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Zambia has made progress in developing a market-based economy. Virtually all prices are market-determined. Direct import and export subsidies have been eliminated. There are no restrictions on foreign investment in the country's stock exchange, no limits on non-cash transactions, and no controls on repatriation of capital or profits. The ongoing privatization program has sold more than three-quarters of state-owned enterprises, including the largest by far, Zambia Consolidated Copper Mines (divested in March 2000). The government has created a one-stop resource for international investors and actively seeks such investment. Zambian law offers protections for intellectual property rights and the government has taken enforcement actions, for example, against pirated recordings.

Rule of Law/Political Pluralism/Anti-Corruption: Since returning to multiparty democracy in 1991 after decades of authoritarian rule, Zambia has held national elections twice. The next elections will take place near the end of 2001. Political pluralism is well established; although the ruling party holds a majority in Parliament, opposition parties have won numerous by-elections. A constitutional amendment passed in 1996, however, prevented the most prominent opposition politician from running for President. Local government elections were held in 1998. The judiciary, while inefficient due to a lack of resources and limited capacity, is independent. Efforts are underway to improve judicial case management. The Zambian constitution provides for due process, a fair trial and equal protection under the law. The government has established an Anti-Corruption Commission to investigate allegations of government misconduct.

Poverty Reduction: Poverty alleviation is a top priority receiving 36% of the government's budget. The government's Interim Poverty Reduction Strategy Paper aims to combat poverty by development of the private sector, increasing spending on health, agriculture and rural development, and developing human resources. An estimated 73% of the population lives at or below the poverty line. Access to basic education has expanded greatly, especially for girls, and overall funding for education is slated to grow by 20%. In an important step to address a major health problem, the government has established a National AIDS Council to develop and implement a national control strategy.

Labor/Child Labor/Human Rights: The Constitution provides the right of citizens to form and join labor unions; 60% of formal sector workers are unionized, but few legal strikes take place. Zambia had not ratified ILO Convention 182 on the worst forms of child labor. Zambian law prohibits child labor and protects basic worker rights. The country's extreme poverty, however, results in widespread child labor, especially in the informal sector. The government generally respects civil liberties. However, a lack of training and discipline in the police force results in instances of corruption and other abuses of power, e.g., arbitrary arrest and detention. There were reports of torture and extra-judicial killings. Prison conditions are harsh. Within the limits of its resources, the Government is making efforts to increase the professionalism of the police force. A commission of inquiry has been established to investigate claims of serious police misconduct.

C. Non-AGOA Beneficiary Countries

Non-AGOA Beneficiary Countries

The following section contains information on countries that were reviewed but which the Trade Policy Staff Committee did not recommend for AGOA beneficiary status. In most cases, decisions were influenced by concerns related to a number of the AGOA eligibility criteria. The summaries below reflect conditions as of October 2, 2000. Three countries, Comoros, Somalia, and Sudan, did not express an interest in receiving the benefits of the AGOA and therefore were not reviewed.

ANGOLA

Angola did not receive AGOA beneficiary country designation largely because of concerns *related to corruption, labor and human rights.*

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: In the last two years, Angola began efforts to reverse years of economic and fiscal mismanagement. Unsound policies, combined with war costs (and occasional reconstruction moves) led to large fiscal deficits. As part of its reform effort, Angola began an IMF Staff-Monitored Program in April 2000, put in place a new economic team, and introduced economic reforms to support a market-based economy. The government unified exchange rates, introduced some private property protection and eliminated fuel subsidies. It began work on improving its intellectual property rights laws and is rewriting the outdated commercial and foreign investment codes.

Rule of Law/Political Pluralism/Anti-Corruption: Angola's judiciary does not ensure due process. Though citizens have had no means to peacefully change their government, the government announced its intention to convoke elections once conditions permitted; this was considered most likely for the second half of 2002. Government repression of the independent media continued until March 2000; however, by April the Government expanded the limits of public expression in most areas of the country. In 2000, a multiparty committee of the National Assembly began drafting a new Constitution and legal experts were revising the criminal and press codes, in a declared move to further democratization. Corruption and mismanagement remain widespread and reach senior levels of the government. The GRA agreed on an IMF-mandated oil diagnostic and Central Bank audit. In addition, Angola reached preliminary agreement for a UK-based firm to manage its customs collections and streamlined import regulations. An independent "Court of Accounts" to investigate and judge cases of alleged government corruption was established.

Poverty Reduction: As part of its IMF program, Angola is preparing an Interim Poverty Reduction and Growth Strategy paper. It hopes to complete the Staff Monitored Program by mid-year 2001 and move toward a Poverty Reduction and Growth facility as well as debt relief. Improvements at health centers and posts increased access to primary care.

Labor/Child Labor/Human Rights: Angola had not ratified ILO Convention 182 on the worst forms of child labor. Provisions of Angolan law allow the government to force striking workers back to work. Security forces reportedly committed extrajudicial killings. Police participated in shakedowns, muggings, and carjackings. There were reports that army units, fighting the long-running insurgency against UNITA, engaged in a scorched earth policy during the year, burning villages and killing civilians in Cuando Cubango and Lunda Sul provinces. The armed guerrilla group UNITA under the leadership of Jonas Savimbi committed numerous and serious human rights violations, including extrajudicial killings.

BURKINA FASO

Burkina Faso did not receive AGOA beneficiary country designation largely because of concerns related to foreign policy interests and its participation in the conflict diamond trade.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The government has undertaken modest privatization, and three new banks have strengthened the banking system. Burkina Faso is a member of the WTO, the World Intellectual Property Organization, and the African Intellectual Property Organization, although counterfeit goods are common. The country adopted the WAEMU Common External Tariff in January 2000, but maintains some import bans and quotas on agricultural products and some domestic subsidies.

Rule of Law/Political Pluralism/Anti-Corruption: The government of Burkina Faso is dominated by a strong democratically-elected presidency. Diversity in political party representation increased at the municipal level in the last local elections, but the ruling party continues to dominate national politics. Burkina Faso has reduced corruption through judicial reform, modifications of the civil service wage scale, and an integrated government accounting system. The judiciary remains open to executive influence, however, and enforcement of anti-corruption laws is still inconsistent. Burkina Faso has not signed international conventions against corruption and bribery.

Poverty Reduction: In June 2000 the Government set goals for a reduced role for the state, enhanced social services, and improved governance. Primary school enrollment has increased by 11% in the last decade, and budget allocations for education were increased to fight an illiteracy rate of 77%.

Labor/Child Labor/Human Rights: Burkina Faso prohibits forced or bonded child labor and committed to ratifying Convention 182 on the worst forms of child labor in 2000. While trafficking of children is a significant issue in the country, Burkina Faso is participating in a regional ILO/IPEC project on trafficking of children. Workers have a legal right to association, and labor unions have bargaining rights and freedom of association with international counterparts, though protection of workers' rights and the right to strike as well as enforcement of child labor laws were of concern. Human rights practices have improved, but an overall climate of impunity for security forces continues to exist.

U.S. National Security and Foreign Policy Interests: Burkina Faso has played an unhelpful role regionally, undermining stability and U.S. foreign policy interests. The United Nations Experts' Panel found that members of the government of Burkina Faso have participated in contraband diamonds and weapons trading which has aided insurgents and fueled conflicts in Sierra Leone and Guinea.

BURUNDI

Burundi did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, rule of law and labor and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The civil war in Burundi has caused severe economic disruption, especially to the economy's small modern sector. Burundi's poor management of the economy during the conflict has injured its former reputation for responsible fiscal and economic management. The government of Burundi is struggling to establish a market system, but its bureaucracy is burdensome. Although the GOB is beginning to address some of the economy's structural problems, further reform is needed.

Rule of Law/Political Pluralism/Anti-Corruption: The rule of law has serious flaws. Burundi's judiciary is not independent. Burundi's adoption of a new criminal code, which took effect in January 2000, has not been implemented fully. For more than seven years, Burundi has been involved in a civil war that has caused more than 200,000 deaths. During the past few years, Burundi has been engaged in an intensive peace process resulting in the Burundi peace accord signed in August 2000, which remains to be implemented. Corruption has increasingly become a problem as the economy continues to deteriorate. The government began an Anti-Corruption Initiative two years ago, but the political climate has slowed progress.

Poverty Reduction: The government has taken steps to re-engage with the World Bank through a negotiated Emergency Economic Recovery Credit (EERC). The Government has also opened discussions with the IMF for the eventual adoption of a post-conflict assistance program

Labor/Child Labor/Human Rights: There are no institutions or structures to eliminate the worst forms of child labor; children under 16 work in agriculture, a traditional practice, and in the informal sector. Burundi had not ratified ILO Convention 182 on the worst forms of child labor. Burundi's human rights record is poor. The military has killed unarmed civilians, and there is a culture of impunity for those who commit such violations. There is a record of army reprisals against civilians suspected of cooperating with the rebels. The rebels are equally guilty of egregious human rights abuses.

COTE D'IVOIRE

Cote d'Ivoire did not receive AGOA beneficiary country designation largely because of concerns related to corruption, political pluralism as well as poverty reduction efforts.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Cote d'Ivoire has the most advanced market economy in the sub-region, with a well-developed infrastructure and strong banking and financial sector. The pace of privatization of government parastatals and other economic reforms has slowed with growing political unrest. There are no significant limits on foreign investment and the services trade regime is open. The legal system recognizes and protects property rights and international investment is encouraged. Ivorian law generally provides protection for intellectual property and draft legislation will reportedly make it fully compliant with TRIPS. Cote d'Ivoire is a member of the WTO. Under U.S. law, U.S direct bilateral assistance to Cote d'Ivoire was terminated following the December 1999 coup. The country is off its IMF program (since 1999) due to increased corruption and is falling increasingly behind in debt payments.

Rule of Law/Political Pluralism/Anti-Corruption: There are independent press and radio stations and multiple political parties that are allowed to express their views. Despite the ouster of the military regime, the October presidential and December legislative elections in 2000 were both flawed. Widespread corruption and the lack of transparent and accountable governance impede economic growth.

Poverty Reduction: There is no poverty alleviation strategy and social indicators are below the norms of countries of similar incomes. Poverty reduction efforts have slowed since mid-1999 as political turmoil increased.

Labor/Child Labor/Human Rights: Internationally recognized workers' rights, including the right of association, are generally respected, although enforcement of labor laws is sometimes a problem. Workers freely organize and bargain effectively. Forced labor is prohibited. The Government does not effectively enforce the law that prohibits forced and bonded child labor and children are trafficked into Cote d'Ivoire from neighboring countries. Cote d'Ivoire had not ratified ILO Convention 182 on the worst forms of child labor. The military government that seized power in December 1999 has committed human rights abuses and its human rights record is poor. Members of the security forces have committed extra-judicial killings and the security forces have beaten and abused detainees. The military government failed to bring perpetrators of human rights abuses to justice and the judiciary is subject to executive branch pressure, particularly in political cases.

DEMOCRATIC REPUBLIC OF THE CONGO

The Democratic Republic of the Congo did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, the rule of law, labor and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since August 1998, war has been waged in the Democratic Republic of the Congo (DROC) and the economic situation has been dismal. The government has tried to finance government wage payments, accounting for almost all government spending, through unsound monetary policy. The government then dealt with the resulting inflation and exchange rate deterioration by price, trade and currency restrictions. Private property is legal and the United States has a bilateral investment treaty (BIT) with the DROC. However, corruption was rampant. The government has frequently interfered in business activities, including frequent harassment of foreign companies and their representatives. The government has signed international accords dealing with intellectual property protection but enforcement was lax to non-existent. There were two outstanding U.S. citizen expropriation claims as of June 2000.

Rule of Law/Political Pluralism/Anti-Corruption: The government has sweeping powers of political arrest and minorities and dissenters are frequently the targets of violent attacks and imprisonment without due process. There was frequent harassment, intimidation and arbitrary arrest and detention of members of the media, human rights NGOs and political opposition. Citizens did not have the right to change their government peacefully and a ban on political party activity was enforced by security services. The judiciary was subject to executive influence and suffered from lack of resources, inefficiency and corruption and civilians were often tried in military courts with disregard for due process protections.

Poverty Reduction: Poverty was widespread and almost all government expenditures went toward government employee wages. Physical infrastructure is in serious disrepair, financial institutions have collapsed and public education and health have deteriorated. Per capita income has decreased approximately 20 percent over the two years ending in August 2000. Lack of political control over large parts of the country made any poverty reduction efforts by the government impossible.

Labor/Child Labor/Human Rights: Government forces repeatedly detained labor activists and the law did not prohibit forced and bonded labor by children. The government had not ratified ILO Convention 182 on the worst forms of child labor. There were reports of forcible conscription by the government as well as forced labor by government allies.

EQUATORIAL GUINEA

Equatorial Guinea did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, rule of law, political pluralism, labor and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The Equatoguinean economy has grown dramatically since U.S. energy firms, with a current investment of over $3 billion, began exporting significant amounts of oil in the mid-nineties. Nonetheless, the majority of Equatoguineans still live by subsistence agriculture. The government had poor fiscal discipline and much of the estimated $140 million a year in oil revenue was unaccounted for. The development of Equatorial Guinea's institutions, laws and infrastructure has not kept pace with the explosive economic growth. The government has made efforts to liberalize trade regulations and lower tariffs to conform with the Central African Economic and Monetary Community (CEMAC) codes. There is an investment code to provide basic legal protections to investors; however, in practice the judiciary was largely ineffective, with judgments influenced by political interference and corruption. The government interfered in private economic activity and judicial processes.

Rule of Law/Political Pluralism/Anti-Corruption: Recent elections have not been free and fair. The government continued to harass political opponents and hinder the operations of opposition parties. The media remained firmly under government control. Real political power remained in the hands of the President and those close to him. The government was attempting to modernize its institutions and legal codes and was working with the UNDP to develop a good governance plan. Official corruption remained a significant problem. Government efforts to fight this problem were limited.

Poverty Reduction: The government undertook modest poverty alleviation and infrastructure projects though the majority of the oil revenue remained unaccounted for. The government was developing a poverty reduction strategy.

Labor/Child Labor/Human Rights: The government has made positive statements on improving respect for human and labor rights and allowed the ICRC access to prisoners. The President, in a May 17 letter to the U.S. Secretary of State, committed to work with the United States and the International Labor Organization to improve legal protection for workers. Nonetheless, the government's overall human and labor rights record remained extremely poor. Government security forces, acting with impunity, committed serious human rights violations, including credible reports of torture, kidnaping and extra-judicial killings. The government did not permit freedom of expression. The government had not ratified ILO Convention 182 on the worst forms of child labor.

THE GAMBIA

The Gambia did not receive AGOA beneficiary country designation largely because of concerns related to political pluralism and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: The Gambia has undertaken an extensive structural adjustment reform program designed to create a better commercial environment for the private sector. Plans include increasing private sector participation in airport, port, and telecommunications operations, the adoption of a privatization law, and the creation of a regulatory agency to facilitate privatization. A new commercial chamber has been created in the High Court to simplify and expedite bankruptcy cases. The Government announced plans to simplify the tariff structure and reduce import rates. The Gambia is a member of WIPO, a signatory to the Paris and Berne Conventions, and is a member of the WTO. Prosecution of counterfeiters appears sporadic.

Rule of Law/Political Pluralism/Anti-Corruption: The president of The Gambia seized power in a military coup in 1994, and was elected to office in fraudulent elections in 1996. The military continues to exert considerable influence on the government. In practice, citizens do not have the right to change their government. Opposition politicians and journalists have been subject to arbitrary arrest. Freedom of assembly is restricted, and the press practices self censorship. Corruption is prevalent and unacknowledged by the government. Violators are rarely prosecuted.

Poverty Reduction: In 1994 The Gambia adopted a Strategy of Poverty Alleviation, which continues to be a high priority for the Government. Based on promoting equitable economic growth and improved social services to the poor, it has achieved progress in enlarging the scope of the primary health care program. The Government intends to reduce infant mortality, sexually transmitted illness, child malnutrition, and total fertility rates by 2003. Through increased budgets, the National Education Policy targets a 98 percent gross enrollment rate in primary education by 2006.

Labor/Child Labor/Human Rights: An ombudsman's office was created by the Government to investigate allegations of mismanagement or discrimination. Organized child labor is uncommon and labor has the right to unionize. However, the government's respect for workers rights such as freedom of association and collective bargaining continue to be issues of concern. The government has not ratified ILO Convention 182 on the worst forms of child labor. Human rights abuses are prevalent, including beatings and arbitrary arrests. In addition, security forces have been involved in the shooting deaths of unarmed students.

LIBERIA

Liberia did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, rule of law and corruption, human rights, and foreign policy interests, particularly its participation in the conflict in Sierra Leone.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Government officials and former combatants continue to exploit the country's natural resources for personal benefit. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by an eighty-five percent unemployment rate, a fifteen percent literacy rate, and the absence of basic infrastructure.

Rule of Law/Political Pluralism/Anti-Corruption: Liberia's economy was devastated in the seven year civil war which ended in 1996. Since the election of President Charles Taylor in July 1997, the Government has done little to encourage economic development, ensure the rule of law, improve its human rights record, limit corruption, or promote foreign investment. Extortion is a widespread phenomenon in all levels of society. The legislature and the judiciary do not demonstrate genuine independence from the executive. 1997 elections were deemed free and transparent, but were conducted in an atmosphere of intimidation as citizens feared that military forces loyal to Charles Taylor would resume the civil war if Taylor lost the election.

Poverty Reduction: There is no effective social service delivery system and the Government directs few resources to poverty alleviation. The country's primary hospital recently closed for lack of funds, supplies, and personnel.

Labor/Child Labor/Human Rights: The Labor Code explicitly prohibits forced labor, and generally it is not known to occur. However, the ILO has noted a number of instances in which the Government has failed to bring law and regulation into conformity with existing conventions or otherwise submit texts for ILO review. Specifically, Liberia has not ratified ILO convention 182 on the worst forms of child labor. There are credible reports of security forces forcing children to work. There have been instances of prisoners being illegally "hired out" by prison officials to private enterprise. Prison conditions are harsh and sometimes life threatening.

U.S. National Security and Foreign Policy Interests: Liberia seriously undermines regional security and U.S. interests by supporting Sierra Leone's Revolutionary United Front (RUF) rebels. The RUF have conducted a decade-long civil war in Sierra Leone and more recently carried the conflict into neighboring Guinea, creating the world's most severe refugee crisis by attacking refugee camps and preventing the flow of basic aid and food stocks to areas where more than 500,000 refugees and internally displaced persons reside.

TOGO

Togo did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, political pluralism and rule of law, corruption, poverty reduction, and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since the early 1980s, Togo has sporadically followed economic reform programs supported by the World Bank and IMF with some success. Nonetheless, the economy remains impeded by a large and inefficient state-owned sector, high spending on the security forces, widespread corruption and lack of government fiscal and budgetary discipline. There has been little recent progress in privatization of government parastatals. Togo has a relatively liberal trade policy, good infrastructure and investment code. Intellectual property is generally offered protection by the 1977 Agreement on the Creation of an African Intellectual Property Organization. There are no significant restrictions on foreign investments. However, in response to ongoing political uncertainty, private investment has largely stopped and the international donor community has suspended assistance.

Rule of Law/Political Pluralism/Anti-Corruption: There are many active opposition parties as well as a lively independent press. However, free and fair elections have yet to be held in Togo. Despite existing anti-corruption laws, corruption has spread in recent years.

Poverty Reduction: The ongoing political impasse and economic difficulties have largely blocked progress in poverty reduction and social indicators have deteriorated in recent years.

Labor/Child Labor/Human Rights: Togo's labor code provides some protections for the right to organize and bargain collectively, but the government places some limitations on these rights. Trafficking in women for the purpose of forced prostitution and trafficking of children for forced labor remain problems, although the Government has taken steps to stop trafficking in children. Togo ratified ILO Convention 182 on the worst forms of child labor. The Government does not accord fundamental worker rights to workers in the Economic Protected Zones, a practice that has drawn criticism from the ILO. Togo's human rights record is poor and the security forces have been responsible for extra-judicial killings, beatings, arbitrary arrest and detentions. The government did not, in general, investigate or punish effectively those who committed abuses.

U.S. National Security and Foreign Policy Interests: Togo was cited in the UN Fowler report for violating UN sanctions against UNITA, but claims to have severed all ties with that organization.

ZIMBABWE

Zimbabwe did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, rule of law, political pluralism, corruption, and human rights.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Due primarily to poor government policies, mismanagement, and overspending, Zimbabwe's economy was in free-fall recession in 2000 with high unemployment and inflation and large fiscal deficits. The non-farm economy was dominated by state-owned monopolies and there were few moves toward privatization. A 1992 investment code liberalized foreign investment regulations substantially, but some sectors of the economy remained closed to foreign investment and import tariffs were increased in 1998. Due to growing economic and political instability, the investment and operating climate in Zimbabwe had significantly worsened from 1998 to 2000. Even though laws provided for non-discriminatory practices, including full transparency in the tendering process, government procurement continued to be subject to considerable political influence. The country had a developed stock market and respected the rulings of courts in business matters. Zimbabwe is a member of the WTO and WIPO, and its laws are supposed to provide for the protection of private and intellectual property. A chaotic, violent and illegal land reform program, however, called into question the government's commitment to property rights.

Rule of Law/Political Pluralism/Anti-Corruption: In parliamentary elections in June 2000, an opposition party gained a significant minority of seats for the first time in the country's history. The political process, however, remained heavily tilted in favor of the ruling party. The constitution provided for the right to a fair trial and the judiciary rigorously enforced this right. Due process was guaranteed by the constitution. The government had increased efforts to combat corruption and there had been some arrests of government officials, but corruption at all levels of government appears to be increasing, particularly in the government-owned parastatals. The judiciary had recently issued significant rulings against the government, particularly with regard to the government's "fast track" land reform program. The government's refusal to implement some of these rulings had highlighted a breakdown in the rule of law in Zimbabwe.

Poverty Reduction: Poverty reduction and expanded access to education and health care remained central to the government's development strategy, but a lack of coordination, will and resources hampered those efforts. The government in the past had worked with UNDP and USAID on poverty reduction efforts.

Labor/Child Labor/Human Rights: The government's human rights record worsened significantly over the preceding year. In 2000, supporters of the ruling party engaged in a widespread campaign of murder, violence and intimidation against the political opposition. Security forces tortured, beat, and otherwise abused persons, and arbitrary arrest and lengthy pre-trial detention remained problems. The government and its supporters had pressured the independent media and the judiciary when it deemed them critical of the government and its policies. Zimbabwe was a member of the ILO and all workers, except government employees, have the right to form and join trade unions. Unions have the right to organize and bargain collectively. Forced labor is prohibited, and employment of children under age 16 is illegal. Zimbabwe is a signatory to the ILO's International Program on the Elimination of Child Labor, but had not deposited its ratification of ILO Convention 182 on the worst forms of child labor.

U.S. National Security and Foreign Policy Interests: Zimbabwe had cooperated with the USG in investigating cases of potential threats to the U.S. Embassy. Heavily involved in the war in the

Congo, Zimbabwe was a signatory to the Lusaka Agreement and had worked cooperatively with the U.S. on implementation of that peace accord.

D. Reforms Undertaken by AGOA Beneficiary Countries

The U.S. government consulted closely with African governments in the development and implementation of the AGOA. Our discussions over the past few years encouraged many African countries to introduce significant reforms in their policies and practices, so that they might meet the AGOA eligibility requirements. As described above, the AGOA eligibility designation process also involved a dialogue between the United States and potential AGOA beneficiary countries. As part of this process, the United States identified areas of concern and worked with countries to identify means to address these concerns, including provision of technical assistance. In a number of cases, sub-Saharan African governments implemented reforms or made specific commitments. In other cases, governments were already undertaking important reforms, which were considered in determining countries to recommend for designation. Genuine human resource and other capacity constraints continue to impede some governments' ability to implement reforms but progress is being made in many countries.

Reforms being undertaken vary across a wide spectrum. Countries have implemented measures to liberalize trade, strengthen market-based economic systems, privatize parastatals, and deregulate their economies. These changes have resulted in improved market access for U.S. products and services while at the same time increasing the competitiveness and efficiency of African economies. African governments have implemented political reforms including measures to improve transparency and governance, to strengthen the rule of law, and to combat corruption. Improvements in protection of workers rights and in efforts to combat the worst forms of child labor have also been undertaken. In a number of cases, countries have sought U.S. technical assistance in implementing reforms. Washington agencies have encouraged countries to work with USAID to obtain such assistance and are trying to identify other means for providing such assistance. The Department of Labor has offered assistance on protection of worker rights and elimination of the worst forms of child labor to a number of countries. The following are examples of reforms and commitments undertaken during the AGOA review process or underway when the AGOA review process occurred.

Economic and Political Reforms

- In a number of African countries the AGOA has resulted in the creation of joint public/private sector implementing committees. This has strengthened public and private sector cooperation in trade, investment and economic planning.

- Benin has committed to enhance its efforts to improve customs procedures and has sought technical assistance from the U.S. It has also said that it is increasing the transparency of its privatization procedures. The Government was scheduled to host an international conference on combating corruption in December 2000.

- Botswana has started a process to privatize such state-owned entities as Botswana

Telecommunications and Air Botswana.

- The Central African Republic is in the process of adopting a new investment code designed to be more open to foreign investment and bring the country's trade and investment policies more in line with other countries in the region.

- The Government of Cameroon has committed to cooperating with Transparency International (TI) to address corruption and judicial reform. The government has set up a monitoring team headed by the President of the Cameroon Bar Association to collaborate with TI.

- The Government of Chad privatized a major parastatal in April 2000 (sugar). The government also adopted two anti-corruption laws in January 2000, which: 1) establish financial and penal sanctions for acts of corruption, extortion, and abuse of public office; and 2) create a High Court of Justice to preside over cases involving the misuse of public funds.

- The Government of Eritrea has begun the process of implementing reforms related to AGOA, including the introduction of a harmonized tariff system and promulgation of a commercial code.

- The Government of Gabon committed to develop and adopt an anti-corruption law.

- In Ghana, eight parties contested December 2000 presidential and parliamentary elections that were largely free and fair. Power was peacefully handed over when the leading opposition candidate won Presidential elections. The Government of Ghana is enhancing its efforts to improve its law enforcement practices and has already begun consulting with U.S. law enforcement officers.

- The Government of Guinea committed to instituting a Consultative Council to oversee judicial matters and to improve legal training. It has also asked the World Bank for assistance in reforming the legal and judiciary system. The Government has adopted a legal framework with strengthened anti-corruption provisions and has created a committee to enforce anti-corruption measures. The government has simplified its regulations to encourage investment -- establishing a single window that allows both domestic and foreign investors to get information and paperwork completed in a single office. It also has established an Arbitration Office to mediate commercial disputes. Guinea's efforts to eliminate corruption include: 1) adopting a legal framework with reinforced anti-corruption provisions; and 2) creating a committee to enforce anti-corruption measures. The Government of Guinea is seeking US technical assistance on reforming the justice system, including: 1) due process and prison conditions; 2) corruption; 3) labor rights; and 4) human rights.

- The Government of Kenya has initiated a process to reform its intellectual property laws. It has also begun consultations with USDA to address market access problems. It created a new Kenya Anti-Corruption Authority (KACA) and the Parliament was supposed to take up two pieces of anti-corruption legislation.

- Mali has committed to reforming its judiciary and laws related to business and trade.

- The Government of Madagascar committed to enhance efforts to combat corruption and to continue its privatization efforts. It is also establishing a mechanism to review protection of intellectual property.

- The Government of Niger has asked for technical assistance to develop measures to effectively protect intellectual property.

- Nigeria established an Anti-Corruption Commission in the fall of 2000. The commission's mandate is to investigate corruption.

- The Government of Senegal has committed to continue its efforts to combat corruption and has instituted audits of all government agencies and state-owned concerns by outside auditors.

- Sierra Leone is developing recommendations for improving the trade and investment climate and has announced it will undertake a major privatization effort.

- The Government of Tanzania has made a commitment to: 1) reform and streamline the Tanzania Revenue Authority; 2) improve port facilities; and 3) privatize the most important port activities. It passed three laws protecting property rights in 1999.

- The Government of Uganda is making economic reforms by: 1) preparing legislation to ensure compatibility with TRIPS; and 2) working with USAID on a project to establish internal mechanisms to combat corruption.

- Many countries have begun to reform their customs regimes, a prerequisite for trade expansion, to meet AGOA's apparel eligibility requirements.

Workers' Rights, Elimination of Child Labor, and Human Rights

- Benin is in the process of ratifying the ILO Convention on the worst forms of child labor and is participating in an ILO project to address child trafficking. The government has expressed an interest in receiving technical assistance on labor standards and on child labor. The National Assembly is working on a law to make child trafficking an offense.

- Botswana ratified ILO Convention 182 on the worst forms of child labor in January 2000.

- Cameroon has agreed to work with the ILO on a Department of Labor-funded program that will focus on the rights of workers and labor unions. Cameroon is also participating in a regional program with the ILO to combat trafficking of children. In response to our demarches related to AGOA eligibility, the Government of Cameroon has promised to investigate allegations of extrajudicial killings in Douala and to punish security service members determined to be guilty of abuses.

- In June 2000 the Central African Republic ratified ILO Convention 182 on the worst forms of child labor.

- The Government of Chad established an organization to serve as a watchdog against human rights abuses and has made some changes in its labor laws.

- The Government of the Republic of Congo has created a human rights directorate at the Ministry of Justice.

- Ethiopia signed a peace agreement with Eritrea in December 2000 and obtained IMF in April 2001.

- Gabon committed to ratifying Convention 182 on the worst forms of child labor and creating an implementation committee. Gabon is participating in a regional program with the ILO to combat trafficking of children. The Council of Ministers adopted the platform in the ILO/UNICEF sub-regional strategy paper to combat trafficking of children.

- Ghana drafted a new labor law, which was before Parliament, and committed to working to eliminate child labor. In June 2000, Ghana ratified ILO Convention 182 on the worst forms of child labor. Ghana has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO/IPEC project to combat trafficking of children.

- The Government of Guinea has requested technical assistance from the U.S. Department of Labor on child labor issues, including measures to eradicate the use of children to work in mines. Guinea passed a new law establishing a pluralistic labor union environment. It also is revising its labor code to bring it in line with principles of a market economy.

- Kenya has requested technical assistance from the U.S. and the ILO on child labor issues and has committed to work to improve the situation. Kenya is participating in an ILO regional project to address child labor in commercial agriculture.

- In July 2000 Mali ratified ILO Convention 182 on the worst forms of child labor. Mali is participating in a regional ILO/IPEC project to combat trafficking of children.

- Malawi ratified ILO Convention 182 in November 1999. The government is working with the ILO on eradication of child labor and on amending its labor laws to protect workers' right to strike. Malawi is participating in an ILO regional project to address child labor in commercial agriculture.

- Mauritius ratified ILO Convention 182 in June 2000. The government also passed a law relating to children's rights.

- Nigeria concluded an agreement with the ILO to obtain its assistance in helping the government to prevent the worst forms of child labor. Nigeria has joined the ILO's

International Program on the Elimination of Child Labor and is participating in a regional ILO/IPEC project to combat trafficking of children.

- Rwanda ratified ILO Convention 182 in May 2000. The government has established a human rights commission and has expressed its intention to work to eliminate human rights abuses by its troops.

- Senegal ratified ILO Convention 182 in June 2000. Seychelles ratified ILO Convention 182 in September 1999. South Africa ratified the Convention in June 2000.

- The Government of Sierra Leone is working to ensure the release of children from military service and is pressuring the leaders of its civil defense forces to take such action. The government has requested ILO assistance on this issue.

- Swaziland implemented a new Industrial Relations Law that conforms with international standards for worker rights.

- Tanzania has made a commitment to eliminate the worst forms of child labor and is working with the U.S. on child labor issues. It has made a commitment to implement a national program to eliminate the worst forms of child labor and is participating in an ILO regional project to address child labor in commercial agriculture.

- Uganda is working on legislation to place Uganda in compliance with ILO standards on child labor, collective bargaining and forced labor. It is also working on a national action plan on child labor which will be incorporated into its poverty eradication action plan. Uganda passed a workers compensation act and is having a number of laws and decrees related to trade unions, arbitration, occupational safety and health, and disputes reviewed by a team of consultants.

- The Government of Zambia released a report early this year, which recommended restitution in a prominent case of alleged torture by police.

VI. U.S. Trade with AGOA Beneficiary Countries and the Trade and Investment Results

Sub-Saharan Africa accounts for less than 1% of U.S. merchandise exports, and less than 2% of U.S. merchandise imports. The AGOA is expected to support efforts to not only increase trade and investment flows between the U.S. and the countries of sub-Saharan Africa but to also promote diversification of U.S. exports to and imports from the region. Data that would reflect the impact of the AGOA was not available at the time of publication. However, there are indications that some investments were made and increased trade occurred in anticipation of the AGOA. Information on the trade and investment response to the AGOA is provided below.

U.S. Exports to AGOA-Eligible Countries

Exports to the AGOA group in 2000 were $5.3 billion, or 90% of U.S. exports to sub-Saharan Africa. Principal items closely paralleled the export pattern to sub-Saharan Africa generally: aircraft and parts, oil and gas field equipment, wheat and meslin, ADP equipment, and motor vehicle parts.

U.S. Imports from AGOA-Eligible Countries

U.S. imports from the 35 AGOA-eligible countries in 2000 totaled $19 billion, or about 81% of total imports from sub-Saharan Africa. AGOA GSP benefits did not take effect until December 21, 2000. Therefore, this figure serves as a baseline for future growth. As with U.S. exports, the leading import items largely paralleled those from sub-Saharan Africa generally: crude oil, platinum, diamonds, and ferro-alloys.

Imports of knit apparel from sub-Saharan Africa increased by 51% in 2000 to $299 million and imports of woven apparel increased by 16% to $449 million, although AGOA apparel benefits were not yet in force. Anecdotal evidence suggests that the increase can be attributed to AGOA's enactment. Included in these figures are an increase in knit sweater imports for 2000 of 66% (to $194 million), and a 30% increase in imports of mens' and boys' suits to $192 million. This indicates that Africa has attracted new investment in apparel production capacity in anticipation of AGOA benefits. The countries seeing the largest increases in knit and woven apparel imports were South Africa (73% for knit; 15% for woven), Madagascar (287% for knit; 63% for woven), and Lesotho (43% for knit; 14% for woven). While sub-Saharan African exports of woven and knit apparel increased significantly in 2000, total imports from sub-Saharan Africa represented only 1.37% of woven apparel imports and 1.13% of knit apparel imports.

For January 2001, total imports from sub-Saharan Africa increased 63% over January 2000 to $2 billion. Nigeria and South Africa were largely responsible for the increase. Sectors with the largest increases included precious stones, metals (165%), mineral fuel, oil (68%), knit apparel (49%), woven apparel (17%), and iron and steel (48%).

Trade and Investment Results

As might be expected, trade and investment have flowed to those countries which offer the most competitive and investor-friendly environments. Experience has shown that businesses and investors seek dependable, transparent, and open regulatory regimes, adequate infrastructure, and political and economic stability. AGOA countries generally are working to create such conditions. In addition, some countries are still rebuilding from years of conflict, are dealing with inadequate transportation, have other infrastructure problems, or have less natural resources or manufacturing base. The United States has stressed that the AGOA offers opportunities but that African governments as well as the private sector must actively develop and seize these opportunities.

The United States has been very pleased with many of the responses to the AGOA. In a large number of countries, inter-ministerial committees have been formed to implement AGOA and to determine how best to use it to promote economic development and growth. In addition, in many AGOA beneficiary countries, the private sector is involved in the government's inter-ministerial committees or other AGOA-related efforts. The AGOA has strengthened the arguments of African government leaders who argue that the private sector must serve as the engine for sustainable economic growth and has focused new interest and energy on working in a public-private partnership to achieve this aim.

While trade and investment statistics generally are not yet available, anecdotal evidence indicates that in many countries AGOA has led to substantial new investment, jobs and trade. Countries where this is particularly true include Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, South Africa, Senegal, Tanzania, Uganda and Zambia. U.S. companies have reported that their sourcing from sub-Saharan Africa increased roughly 75% in anticipation of the AGOA and they project that the growth rate will remain strong at least through 2004.

One problem that has impeded new trade and investment is uncertainty related to whether knit-to-shape items, including sweaters, are provided duty-free entry under the AGOA. This uncertainty was reportedly a significant factor in the bankruptcy of one company in an AGOA beneficiary country and has diverted potential orders from sub-Saharan Africa in a number of cases and caused companies to rethink investment plans.

Examples of new trade and investment in the AGOA beneficiary countries include:

-- Cape Verde: A fish processing company has been bought by an American interest. Two new investments, by Portuguese interests, in the garment industry also were announced recently.

-- Ghana: A major American company is investing in a tuna processing plant.

-- Kenya: The Kenyan government has predicted that AGOA will result in investments of $13 million with 50,000 direct and 150,000 indirect jobs being created. The government also expects that apparel exports will grow to $69 million in 2001 and has so far announced new investments and expansions of existing investments totaling over $6 million and representing over 5,000 jobs plus 4,000 new indirect jobs. Kenya also has seen interest in the leather, horticultural, agricultural, and seafood industries.

-- Lesotho: Eleven proposed new factories and four expansions, with a total employment capacity of 10,000, are awaiting allocations of space from the Lesotho National Development Corporation. The government plans to buy additional land to satisfy the demand. Specific investments planned include: one Asian investor announced plans to invest $100 million in construction of a factory complex including a denim mill and two garment factories (expected new employment is at least 4,800); two $1 million expansions by current jeans and textile plants; a South African investor has started construction of a $20 million facility (employment expected to reach 6,400). In February the Cotton Council International conducted a trade mission to Lesotho. These projects alone, in a single sector, will inject $122 million in new investment dollars into Lesotho's economy; <u>four</u> times the amount of official development assistance Lesotho received from all bilateral and multilateral sources in 1999.

-- Madagascar: U.S. imports of knit and woven apparel from Madagascar increased approximately 137% from 1999 to 2000 as anticipation of the AGOA benefits stimulated trade and investments in this sector, even before the country had qualified for the apparel benefits. It is estimated that Madagascar's apparel industries could employ more than 70,000 workers by 2005 and could contribute up to 10 percent of GDP.

-- Malawi: AGOA has led to foreign direct investment in two garment factories in Malawi. Total employment could increase by 10,000 to a total of 20,000 textile and apparel sector workers. One of the plants is owned by a European company and plans to employ from 450 to 2,000 people when Malawi qualifies for AGOA benefits. The other plant is Taiwanese and plans to start production in April and to employ 3,500 people.

-- Mauritius: There is Asian and European interest in building cotton yarn spinning mills in Mauritius. Estimates are of at least $50 million in new investment. There are reports of substantial new orders from major American retailers. A number of delegations from the Cotton Council as well as other associations and firms have recently visited Mauritius. The prospect of increased air travel related to the AGOA was also a factor in the signing of a strategic alliance between Air Mauritius and Delta Airlines.

-- Senegal: There are reports that a leading Senegalese apparel and textile factory is about to partner with a U.S. textile manufacturer and a Malaysian firm to export to the U.S. with the potential to create 1,000 jobs. There has also been an exploratory mission from Mauritius.

-- South Africa: A Malaysian company has announced that it will establish a new $100 million clothing facility in South Africa with expected employment of 13,000 workers. There are reports of other investments of over $50 million. South African companies are seeing new orders for a variety of U.S. clothing companies and retailers. Fabric exports to other sub-Saharan African countries have also increased.

- - Tanzania: There are reports that a textile mill plans to expand operation in partnership with a U.S. firm. The report estimates that 1,000 new jobs would be created.

-- Uganda: Asian and Ugandan investors purchased and are refurbishing and re-equipping a textile mill. Estimated investment is $21 million and projected employment is 700 Ugandans. An apparel manufacturer has contracts to supply the U.S. and estimates its new investment at $800,000 to $1 million with expected employment of 400 Ugandans.

- - Zambia: A Zambia company has announced that it has secured a large contract with a U.S. importer. Agricultural processors of non-traditional exports have been linking with U.S. partners.

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

Section 105 of the AGOA requires the President to establish a U.S.-Africa Trade and Economic Cooperation Forum (Forum) no later than May 2001. In creating the Forum, the AGOA requires the President to direct the Secretaries of Commerce, Treasury, State, and the USTR to host the first annual meeting with their counterparts from sub-Saharan African countries to discuss expanding trade and investment relations between the United States and sub-Saharan African countries, and implementation of the AGOA, including encouraging joint ventures between small and large businesses. Non-governmental Organizations are encouraged by the Act to host a meeting with their Sub-Saharan African counterparts in conjunction with the Forum meetings.

The Forum is a cornerstone of AGOA and establishes an institutionalized economic dialogue between U.S. and African officials, much like the dialogue that the United States maintains with other regions of the world, e.g. The Summit of Americas and the Asian Pacific Economic Cooperation Forum. The Forum will be the Bush Administration's premiere platform to articulate and advance its trade and economic policy toward Africa. The inaugural meeting of the Forum, which will be hosted by Secretary of State Colin Powell, Secretary of the Treasury Paul O'Neill, Secretary of Commerce Donald Evans, and the U.S. Trade Representative Robert Zoellick, is being planned for the Fall of 2001.

VIII. Potential Free Trade Agreements with sub-Saharan Africa

Section 116(c) of the AGOA directs the President to transmit to the Congress within one year of its passage a report containing a plan for a free trade agreement or agreements with sub-Saharan African countries. This chapter contains that report.

U.S. exports to sub-Saharan Africa in 2000 were $5.925 billion representing under one percent of U.S. total exports. U.S. imports from sub-Saharan Africa were $23.480 billion, representing just under 2% of U.S. total imports. Within sub-Saharan Africa, the United States' primary trading partners are South Africa, Nigeria, Angola, Gabon, Kenya, and Ghana. These countries, therefore, would be the most likely candidates for a free trade agreement.

Free trade agreements can be an important means of removing trade barriers in foreign markets, while further liberalizing the U.S. market. The number of free trade agreements has increased in recent years because many countries recognize that such agreements create wide-ranging economic and non-economic benefits for all countries involved, including more competitive businesses, more choices of goods and inputs and lower prices. The Administration is open to the idea of negotiating free trade agreements with sub-Saharan African countries but believes that a phased approach would be most useful. During the past year, no sub-Saharan African country expressed an interest in a free trade agreement with the United States.

Sub-Saharan African countries currently maintain some of the most protected trade regimes in the world, with tariffs averaging over 30% and few commitments in services, such as telecommunications or financial services. In general, sub-Saharan African countries are making progress on opening their markets and liberalizing their trade regimes, but additional fundamental reforms would be required by a free trade agreement. Sub-Saharan African countries have generally indicated that they need more time to raise their profoundly low levels of economic development, strengthen weak industries, and develop trade capacity and negotiating expertise in order to effectively negotiate a free trade agreement with the U.S.

The Administration's phased approach to creating an environment for negotiation of free trade agreements includes implementing and pursuing additional Trade and Investment Framework Agreements (TIFAs) with sub-Saharan African countries, which can be used as fore-runners to full FTAs. In sub-Saharan Africa, the U.S. currently has TIFAs with South Africa, Nigeria, and Ghana. The Administration also will consider the potential for such agreements with African regional economic organizations, such as SADC, COMESA, and WAEMU, which are in the process of or are planning to implement free trade agreements among their members. USTR plans to negotiate or is currently negotiating TIFAs with these organizations.

The Administration also plans to increase further its dialogue with sub-Saharan African countries through: Trade and Investment Council meetings held under the auspices of TIFAs; conclusion of additional TIFAs with regional African organizations; bilateral meetings; the U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum; and AGOA discussions. As part of this dialogue, the Administration will further explore sub-Saharan African countries' interest in possible free trade agreements with the United States and their openness to the liberalization measures entailed in such an agreement.

The United States' approach also will be to encourage and support sub-Saharan African governments efforts to institute economic reforms, including privatization, lowering of tariffs and other market access barriers, and liberalization of services. The Administration will work to strengthen its trade capacity building/technical assistance to sub-Saharan African public and private entities to assist African countries in lowering tariffs and addressing other trade barriers that hinder development. U.S. technical assistance also will be focused on implementing enabling economic reforms, private sector development through state divestitures, and strengthening U.S.-sub-Saharan Africa business linkages.

The objective of one or more free trade agreements with sub-Saharan Africa would be to increase trade and investment flows between the U.S. and the countries of sub-Saharan Africa, leading to economic growth for the United States and sub-Saharan African countries. Free trade agreements are win-win situations with widespread economic benefits for businesses, consumers, workers, and farmers. Specific objectives for the United States would likely include: elimination of virtually all tariffs on industrial goods and farm products; establishment of free trade in services; creation of model intellectual property rights commitments (including those related to new technology); and establishment of transparency procedures with regard to operation of the agreement. In pursuing any potential free trade agreement with sub-Saharan African, the Administration would consult closely with Congress and with other constituencies, including the business community. Congressional approval of U.S. Trade Promotion Authority would help facilitate any such free trade agreements.

IX. Other Initiatives Called for Under the AGOA

The AGOA calls for certain specific actions or initiatives. This section describes some of these actions and initiatives.

A. Technical Assistance to Promote Economic Reforms and Development

Under the AGOA, the United States was instructed to target technical assistance toward a number of objectives including promoting relationships between U.S. and sub-Saharan African firms and providing assistance to sub-Saharan African governments on liberalization of trade and promotion of exports, bringing their legal regimes into compliance with WTO standards, making financial and fiscal reforms, addressing certain agricultural issues, and encouraging greater sub-Saharan African participation and commitments in the WTO. One of the main means of achieving these objectives has been USAID's Africa Trade and Investment Policy (ATRIP) program. USAID began implementation of the ATRIP program in 1998 as a multi-year initiative to promote trade and investment policy reforms and facilitate business linkages between U.S. and African private sectors. It funds promising projects that are aimed at either providing technical support for policy reform or supporting business networking on the continent. An interagency committee reviews submissions from U.S. government agencies and the private sector and allocates funds to selected proposals. Since 1998, it has funded over 70 projects in 31 countries of Africa for a total of $59 million. Although ATRIP preceded the enactment of the AGOA, it has supported projects that have helped African countries, as well as U.S. businesses, take full advantage of trade and investment opportunities between the U.S. and Africa. Moreover, this year ATRIP has explicitly encouraged submission of projects related to the implementation of the AGOA. Examples of ATRIP funded projects include:

- In Mozambique, the ATRIP program has been helping business organizations work with the Ministry of Commerce to attack barriers to free trade all across government. The program also assisted Mozambique's new Center for Alternative Dispute Resolution by training arbitrators and judges and promoting use of dispute resolution techniques.

- In Mali, ATRIP activity helped private exporters wipe out regional export and import tariffs on livestock and rice. Work funded through ATRIP also energized a public-private initiative to crack down on illegal transit fees on traders, creating a dramatic increase in Mali's livestock exports.

- In Tanzania, ATRIP helped support tax-policy improvements, reducing tariffs, closing tax loopholes and making it less costly for businesses to comply with the tax system.

- In nine southern African countries, ATRIP supported Purdue University's work with electric utilities in order to increase cross-border trade of electrical power. This support resulted in greater competition among power generators, decreased power costs to consumers and fewer projected greenhouse gas emissions over the next 20 years.

- In South Africa, ATRIP funded a project providing technical and matchmaking assistance to small and medium-sized businesses interested in trade, investment and technology transfer with U.S. firms. During the first year of the $2 million, three-year effort, the project sponsored equity partnerships worth $15 million, as well as $5.9 million in procurement opportunities with South Africa-based U.S. buyers.

- In West and East Africa, a USAID/industry/supplier partnership helped reform state-run cocoa agencies and strengthen African farmer associations working to improve procedures to process, ship and market cocoa. Participants and co-financiers of the program include the Chocolate Manufacturers Association and M&M Mars, along with the International Institute for Tropical Agriculture and selected U.S. private agencies.

- In Kenya, an ATRIP partnership with the American Seed Trade Association supported the formation of a viable private sector industry association which helped to harmonize Kenya phytosanitary and seed certification requirements, and pass a plant variety protection law.

ATRIP has funded a number of projects designed to help implementation of AGOA requirements and to assist African countries seize the opportunities offered by the new legislation. For example, ATRIP has funded seminars throughout Africa, through which U.S. government agencies responsible for AGOA implementation have provided information on specific provisions of AGOA, such as expansion of the GSP list, the apparel benefits, and customs requirements for an effective visa system and reduction of illegal transshipments.

B. Overseas Private Investment Corporation

Recognizing the importance of financing for projects in sub-Saharan Africa, the AGOA urges the Overseas Private Investment Corporation ("OPIC") to exercise its authorities to initiate an equity or equity funds in support of projects in sub-Saharan Africa. It also calls for OPIC to create an advisory council. OPIC provides project finance debt support, private equity fund investment programs, and political risk insurance services that are currently available in more than 140 countries including 42 of the 48 countries in sub-Saharan Africa. As of December 31, 2000, OPIC's combined maximum exposure in sub-Saharan Africa was $1,086,729,152, which represents support for 50 projects in 20 countries. Sub-Saharan Africa's combined maximum exposure now accounts for 7% of OPIC's total maximum exposure worldwide. This growing commitment to sub-Saharan Africa is expected to continue.

The current leading countries in terms of OPIC exposure are Equatorial Guinea, the Republic of the Congo, Nigeria, and Zambia. Financial services leads the sectoral allocation of OPIC projects in sub-Saharan Africa with 56% followed by manufacturing at 30%, oil and gas with 9%, hotels & tourism represent 4%, with services and agriculture accounting for the remainder.

OPIC has aggressively pursued activities and programs in Africa. Accomplishments include:

- OPIC currently has four (4) funds dedicated to investing in sub Saharan Africa. Three are active and one is in the formation stage. In addition OPIC has three (3) global funds that can invest a portion of their capital in sub Saharan Africa .

- In June 1999, OPIC's Board of Directors approved the creation of a $350 million infrastructure fund for investments in privately sponsored infrastructure projects in countries of sub-Saharan Africa. The original fund managers selected were unable to raise the required private capital within the agreed time frame. OPIC is in the process of conducting an open call for proposals to select a replacement manager.

- On March 21, 2000 OPIC's Board of Directors approved the creation of the African Investment Council as required by the AGOA.

- OPIC has executed 13 modernized bilateral agreements recently with Benin, Botswana, Cote d'Ivoire, Equatorial Guinea, Ethiopia, Ghana, Kenya, Madagascar, Mauritius, Sao Tomé and Principe, Tanzania, Uganda, and Zimbabwe.

- In June 2000 OPIC's Board of Directors approved a $173 million guaranty for the construction, ownership and operation of a methanol plant in Equatorial Guinea -- the agency's largest-ever loan to a project in sub-Saharan Africa. The Board also approved up to $200 million in political risk insurance for the project.

- OPIC committed $1 million to support micro-finance in Africa. The Peoples Investment Fund for Africa (PIFA), established by Reverend Leon Sullivan's International Foundation for Education and Self-Help (IFESH), will raise an additional $1.25 million principally from individual Americans, in $500-to-$5,000 investments. The African Development Bank will provide technical assistance to the local micro-finance institutions that will on-lend the funds initially in Ghana.

- In October 2000 the U.S. Energy Secretary and OPIC jointly announced the creation of the U.S.-Africa Sustainable Energy Program. Using $400,000 in grants and loans the program will facilitate investment in sustainable energy projects in Africa.

OPIC estimates that the direct impact of OPIC Funds in Africa has been: $1 billion in U.S. exports over 5 years; 1,800 U.S. jobs; $900 million in additional investment leveraged by funds investments; $126 million in annual revenues to African countries; 7,500 African jobs.

C. Export-Import Bank Initiatives

Under the AGOA, the Export-Import Bank of the United States (Ex-Im Bank) is encouraged to promote the expansion of the Bank's financial commitments in sub-Saharan Africa under the loan, guarantee and insurance programs of the Bank. The Act commends the Ex-Im Bank sub-Saharan Africa Advisory Committee for aiding the Bank in advancing the economic partnership between the United States and the nations of sub-Saharan Africa. Ex-Im Bank is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. It provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed. As per the Ex-Im Bank charter, "the Bank shall take prompt measures to promote the expansion of the Bank's financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs of the Bank" Ex-Im's accomplishments include:

- In 1998 the Board of Directors of Ex-Im Bank established both an internal Africa Task Force (ATF) to direct the activities of the Bank pertaining to Africa, and named a sub-Saharan Africa Advisory Committee (SAAC) to bring practitioners from the field to guide Ex-Im Bank in its efforts.

- Ex-Im Bank support to sub-Saharan Africa has grown substantially over the past three years. Whereas the Bank authorized approximately $56 million in exports in 1998, it authorized $589 million in 1999 and $914 million in 2000. In 1999, Ex-Im Bank authorized 103 transactions and in 2000, it authorized 125 for an increase of 25%. In 1998 the Bank was open for business in 21 countries. It has been open in 32 countries for the past two years.

- Ex-Im Bank announced an initiative to provide $1 billion a year in loans and loan guarantees to support the purchase of whatever is needed to fight HIV/AIDS in sub-Saharan Africa. Purchases may include HIV/AIDS-related goods and services including medical equipment, supplies, medicines and advisory services. Repayment terms have been extended to five years for those goods with traditional repayment terms of as few as 180 days. This initiative is available in those countries where Ex-Im Bank is already open for medium-term financing. Unlike the World Bank program to address HIV/AIDS, Ex-Im Bank financing is available for both private and public sector buyers.

- Ex-Im Bank recently revised its $100 million Short-term Insurance Pilot Program to expand coverage on more flexible financing terms (including letter of credit, documentary draft and promissory note terms). The Pilot Program permits Ex-Im Bank to insure short-term financing to public and/or private sector buyers in Burkina Faso, Cameroon, Chad, Equatorial Guinea, The Gambia, Guinea, Madagascar, Malawi, Mali, Mauritania, Sao Tome & Principe, and Togo.

- Ex-Im Bank has signed Master Guarantee Agreements (MGAs) with banks in Nigeria and South Africa: Union Bank of Nigeria Plc., United Bank for Africa Plc., FSB International Bank Plc., Equity Bank of Nigeria Ltd., Afribank International Ltd., First Bank Nigeria Plc. and Imperial Bank of South Africa. The partnership established with these African banks under the MGA will help increase the ability of the local businesses to access financing for purchasing capital goods and services to grow their economies. Ex-Im Bank is currently pursuing MGAs with banks in other African countries as well. The Master Guarantee Agreement (MGA) is a partnership agreement which protects banks against repayment risks and helps to expand financial resources available to buyers of U.S. capital goods and services.

Under the MGA, Ex-Im Bank guarantees repayment of the principal and interest of loans made to creditworthy foreign buyers to finance their U.S. export purchases.

- Ex-Im has implemented efforts to educate African buyers about Ex-Im Bank programs. In what the SAAC has applauded as a "customer-driven approach" in the past year, Ex-Im Bank held three regional African Buyer Training Seminars in Africa which have educated more than 1,200 businesses from approximately thirty countries across the continent.

- Subscription to the E-Mail Africa Update has grown progressively during the year from 800 members in January, to 2100 at year-end. Approximately two thirds of the subscribers are African businesses.

- Ex-Im Bank held three training seminars for representatives of the Diplomatic Corps in 2000, with a total of approximately 50 attendees.

D. Foreign Commercial Service Expansion and Other Department of Commerce Initiatives

The Department of Commerce has been very active in the implementation of the AGOA and in promoting and supporting U.S. business interests in Africa.

AGOA stipulates that Commerce have 20 full-time Commercial Service employees stationed in no less than 10 Sub-Saharan African countries, subject to Congressional appropriations. Although the Commercial Service meets the requirement of 20 full-time employees, the Commercial Service is not represented in 10 Sub-Saharan African countries because Congress has not appropriated the necessary funding. In early April 2001 the Commercial Service assigned one additional Commercial Officer to Lagos, Nigeria to better assist U.S. firms in the Nigerian market. The Commercial Service previously opened new offices in Cape Town and Durban, South Africa, and added additional officers in Johannesburg, South Africa.

The U.S. Department of Commerce has created a website (www.agoa.gov) which serves as a resource for U.S. and African businesses to assist them in better understanding AGOA and its implementation procedures, and provides information to facilitate business linkages. Private sector and government officials are able to search for information pertaining to AGOA regulations, links for business partnerships, and eligible countries and products. Since posting of the site in August 2000, it has received more than 16,000 visitors and is now averaging some 80 hits per day. Recently the Department's Office of Africa updated the site to make it more user friendly and easier to navigate.

The Department of Commerce participated in U.S. interagency AGOA workshops held in Kenya, Madagascar, Nigeria, South Africa, and Zambia during the fall of 2000. Officials from Commerce briefed the private sector on AGOA in Ethiopia during the summer of 2000 and in South Africa in March 2001. Last year, the Commercial Service in Africa conducted seminars in Madagascar and Rwanda on how to do business with the United States. In addition, a Commerce official explained AGOA to African, American, and Portuguese business representatives at a conference near Lisbon, Portugal in February 2001.

In the United States, Commerce officials participated in a seminar on AGOA in Columbus, Ohio in October 2000. In December, Commerce conducted an AGOA workshop for Economic and Commercial officers of African embassies in Washington. In January 2001, Commerce briefed a visiting Ethiopian Trade Mission comprised of 40 government and industry leaders. Commerce officials also gave AGOA presentations in Baltimore, Los Angeles and Oakland, California, and Raleigh, North Carolina.

Commerce's Office of Africa established an Advisory Committee on Africa in January 2000, in accordance with the Advisory Committees Act, to advise the Secretary of Commerce on commercial issues in Sub-Saharan Africa. The Committee consists of 21 representatives of qualified companies who were appointed by former Secretary Daley. The companies are actively engaged in business with Africa and reflect diversity in sectors, company size, geographic location, and ethnic and gender representation. The Committee met three times during the year of its inception. Some of the topics discussed at the meetings included: AGOA; HIV/AIDS; WTO workshops for African ministers; Cote d'Ivoire coup d'etat; and programs of U.S. Government finance agencies.

The Commercial Law Development Division of the Department of Commerce Office of the General Counsel has devised four Commercial Law Development Programs (CLDP's) in sub-Saharan Africa, three of which involve AGOA countries. The programs, which are funded by USAID, are individualized to help build and implement market-oriented systems of commercial law by supporting development of trade laws, policies, and procedures attractive to business. The programs can deal with such issues as: regulatory reform, dispute resolution, intellectual property protection, procurements, project finance, government ethics, or other issues. Programs are operating in West Africa, Southern Africa, Nigeria, and Angola.

In Nigeria and Southern Africa, CLDP provided advisors to governments and conducted roundtables and conferences on improving intellectual property rights regimes. In West Africa, CLDP is implementing a program that promotes regional integration, economic growth, and legal reliability through the harmonization and skilled implementation of commercial laws in the region.

E. African Development Foundation

The African Development Foundation has a distinct purpose and plays a unique role within the U.S. government's foreign assistance community. ADF complements other U.S. agencies' programs by working directly at the grassroots, entirely in partnership with African non-governmental organizations, to alleviate poverty and promote broad-based sustainable development. Recognizing the Foundation's extensive experience in improving the productivity of small farmers and building robust small enterprises, the Congress mandated ADF to seek ways to increase the participation of African grassroots enterprises and producer groups in international trade. During the past two years, ADF has initially focused on two areas as a part of its trade and investment initiative:

- Promoting non-traditional exports which poor farmers can grow and market; and
- Enabling small manufacturers to expand production for export.

The Foundation has developed some innovative and replicable models that link small African producers to the global economy, with very significant impact. ADF demonstrated that poor, small-scale farmers of paprika (Zimbabwe) and vanilla (Uganda) can grow high-quality crops and compete successfully with larger, established producers in the international commodity markets. These innovative trade programs created more than 5,400 jobs last year, and more than 12,600 to date.

In Zimbabwe, ADF is providing a comprehensive package of assistance to help poor farmers grow and market paprika, a high-value cash commodity that had previously been grown almost exclusively by estate farmers. The farmers participating in ADF's program receive, on a loan basis, hybrid seed, fertilizer and insecticide, along with hands-on technical training, to increase productivity and ensure quality. The farmers have also established a paprika growers' association to package, grade and market directly on to the international auction floor, thereby avoiding brokers and getting top dollar for their produce. Annual revenues already exceed our investment. For many of these poor farmers, who used to eke out a meager, subsistence living growing maize, beans and groundnuts, they have increased their incomes as much as tenfold.

In Uganda, ADF has similarly demonstrated that smallholders can grow high quality vanilla for export. Their vanilla beans were better than those grown by established global producers in Madagascar and Indonesia. ADF's $92,000 grant to poor farmers in the war-torn Rwenzori region, for a revolving fund and farmer training, has had a dramatic impact on income and employment. Farmers' annual income has expanded to $1,300 (four times the national average income) and more than 1,200 temporary jobs for six months each year have been created. The project has already been replicated in six other regions of the country and is helping create a major export for Uganda.

ADF is now expanding its grassroots trade and investment activities, building on the models and approaches pilot-tested in Zimbabwe and Uganda. The Foundation is currently working with small, indigenous manufacturers or farmers groups to launch new investments in a wide range of productive activities, including:

- Expansion of a pilot silk production project in Uganda to increase output and include processing for value-added prior to export.
- High quality fruit production for export, in Namibia, Uganda and Zimbabwe.
- Ostrich raising by rural families in Namibia to produce high value leather and decorative eggs for the international market.
- Fresh fish and seafood processing and export marketing in Uganda and Namibia.

ADF's goal is to demonstrate that there are extensive opportunities to make targeted investments in small-scale, grassroots-based activities that can yield high returns , expand trade, promote reform, produce significant, sustainable economic impacts in Africa.

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

A U.S. Government site with a variety of information on the AGOA:
www.agoa.gov

The Office of the United States Trade Representative:
www.ustr.gov
See postings under the Africa region.

The U.S. Customs Service:
www.customs.gov
Especially useful are the informed compliance publications under importing and exporting as well as the regulations provided under the AGOA portion of the International Agreements section.

The Department of Commerce's Office of Textiles and Apparel:
http://otexa.ita.doc.gov/Trade_Act_2000.stm
This includes fill rates for the cap for apparel made from regional and third-country fabric.

The Department of Commerce's Africa Office
www.mac.doc.gov and www.doc.gov

The Overseas Private Investment Corporation
www.opic.gov
Select 1) Press & Publications; 2) Publications; or 3) OPIC Highlights – then scroll for Africa specific materials.

The Export-Import Bank of the United States
www.exim.gov/africa

The United States Agency for International Development
www.usaid.gov

The International Trade Commission
This Web site includes data on U.S. trade with sub-Saharan African countries.
http://reportweb.usitc.gov/africa/trade_data.html

The Department of Agriculture
www.usda.gov

The Department of Transportation
www.dot.gov

The Department of Energy

www.energy.gov

The Small Business Administration
www.sba.gov

XI. Annexes

Annex A - AGOA Beneficiary Countries

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

* Effective date to be decided by USTR.

Annex B - The AGOA Eligibility Criteria

The Eligibility Criteria

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

"SEC. 104. ELIGIBILITY REQUIREMENTS

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

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

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

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

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

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

(ii) the protection of intellectual property; and

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

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

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

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

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

interests; and

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

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

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

1. The country is a Communist country, unless its products receive normal trade relations treatment, it is a member of the World Trade Organization and International Monetary Fund or is not dominated or controlled by international communism (Sec. 502(b)(2)(A));

2. The country is a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to unreasonable levels, causing serious disruption of the world economy (Sec. 502(b)(2)(B));

3. The country affords preferential treatment to products of a developed country which has or is likely to have a significant adverse effect on U.S. commerce (Sec. 502(b)(2)(C));

4. The country has nationalized, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a U.S. citizen without compensation (Sec. 502(b)(2)(D));

5. The country does not recognize or enforce arbitral awards to U.S. citizens or corporations (Sec. 502(b)(2)(E));

6. The country aids or abets, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502(b)(2)(F));

7. The country has not taken or is not taking steps to afford internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, freedom from compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).

8. The country has not implemented its commitments to eliminate the worst forms of child labor, as defined by the International Labor Organization's Convention 182 (Sec. 502(b)(2)(H); this provision was added by the Trade and Development Act of 2000 in Section 412).

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

In addition, the President must take into account:

1. A country's expressed desire to be designated a beneficiary country (Sec. 502(c)(1));

2. The country's level of economic development (Sec. 502(c)(2));

3. Whether other major developed countries extend preferential tariff treatment to the country (Sec. 502(c)(3));

4. The extent to which the country provides "equitable and reasonable access" to its markets and basic commodity resources and refrains from unreasonable export practices (Sec. 502(c)(4));

5. The extent to which the country provides adequate and effective protection of intellectual property rights (Sec. 502(c)(5));

6. The extent to which the country has taken action to reduce trade-distorting investment practices and policies and reduce or eliminate barriers to trade in services (Sec. 502(c)(6)); and

7. Whether the country has taken or is taking steps to afford internationally recognized worker rights, (Sec. 502(c)(7)).

Annex C - Standard AGOA Visa Arrangement

For purposes of this model, the imaginary country "Bengali" is used. "Bengali" will be replaced with the appropriate AGOA country name/country ministry.

VISA ARRANGEMENT
BETWEEN BENGALI AND
THE GOVERNMENT OF THE UNITED STATES
CONCERNING TEXTILES AND APPAREL ARTICLES CLAIMING
PREFERENTIAL TARIFF TREATMENT UNDER SECTION 112 OF
THE "TRADE AND DEVELOPMENT ACT OF 2000"

A. The Government of Bengali shall issue a visa for each shipment of textiles or apparel articles, regardless of value, as identified in Groupings 1 to 9, and exported to the United States whenever all of the assembly of such articles occurs in Bengali or, if assembly occurs in more than one beneficiary sub-Saharan African country, where sufficient assembly occurs in Bengali to establish the country of origin under Section 334 of the Uruguay Round Agreements Act. The original visa shall be presented to the U.S. Customs Service at the time of entry, or withdrawal from warehouse for consumption, into the customs territory of the United States (the 50 states, the District of Columbia and Puerto Rico) when claiming preferred tariff treatment.

B. A shipment shall be visaed by the stamping of the original circular visa in blue ink only on the front of the original commercial invoice. The original visa shall not be stamped on duplicate copies of the invoice. The original of the invoice with the original visa stamp will be required to enter the shipment into the United States claiming the preferred tariff treatment. Duplicates of the invoice and/or visa may not be used for this purpose.

C. The Ministry of Industry and Trade of Bengali, or its designates, will issue the visa as referred to above. A point of contact and a single location must be established for questions and inquiries. Bengali will provide to the Government of the United States an original, clear, reproducible copy of the visa stamp which shall be the stamp designated for use throughout the entire period the Visa Arrangement is in effect, and signatures of the officials authorized to issue and sign them. Any change to the stamp or change in the authorizing officials must be approved by the Government of the United States prior to instituting the change, to be effective thirty days after approval.

D. Each visa stamp will include the following information:

I. The Visa Number: The visa number shall be in the standard nine digit-letter format beginning with one numeric digit for the designated grouping (1 to 9), followed by the two-character alpha code specified by the International Organization for Standardization (ISO), followed by a six-digit numerical serial number identifying the shipment, e.g., 1BG512345. (The alpha code for Bengali is "BG".)

Grouping 1- Apparel articles assembled in one or more beneficiary sub-Saharan African countries from fabrics wholly formed and cut in the U.S., from yarns wholly formed in the U.S.

Grouping 2- Apparel articles assembled in one or more beneficiary sub-Saharan African countries from fabrics wholly formed and cut in the U.S., from yarns wholly formed in the U.S. if, after such assembly, the articles would have qualified for entry under subheading 9802.00.80 of the HTSUS but for the fact that the articles were embroidered or subject to stone-washing, enzyme-washing, acid washing, perma-pressing, oven baking, bleaching, garment-dyeing, screen printing, or other similar processes.

Grouping 3 - Apparel articles cut in one or more beneficiary sub-Saharan African countries from fabric wholly formed in the U.S. from yarns wholly formed in the U.S. if such articles are assembled in one or more beneficiary sub-Saharan African countries with thread formed in the U.S.

Grouping 4 - Apparel articles wholly assembled in one or more beneficiary sub-Saharan African countries from fabric wholly formed in one or more beneficiary sub-Saharan African countries from yarn originating either in the U.S. or one or more beneficiary sub-Saharan African countries.

Grouping 5 - Apparel articles wholly assembled in one or more lesser developed beneficiary sub-Saharan African countries regardless of the country of origin of the fabric used to make such articles.

Grouping 6 - Sweaters in chief weight of cashmere, knit-to-shape in one or more beneficiary sub-Saharan African countries and classifiable under subheading 6110.10 of the HTSUS.

Grouping 7 - Sweaters, 50 percent or more by weight of wool measuring 18.5 microns in diameter or finer, knit-to-shape in one or more beneficiary sub-Saharan African countries.

Grouping 8 - Apparel articles wholly assembled in one or more beneficiary sub-Saharan African countries from fabric or yarn that is not formed in the United States or a beneficiary sub-Saharan African country, to the extent that apparel articles of such fabrics or yarns would be eligible for preferential treatment, without regard to the source of the fabric or yarn, under Annex 401 to the NAFTA.

Grouping 9 - Handmade, handloomed, or folklore - to be defined in bilateral consultations.

These groupings are in summary form and they do not include all the requirements. For complete details see Title 1 of the Trade and Development Act of 2000.

II. The Date of Issuance: The date of issuance shall be the day, month and year on which the visa was signed by the government official authorized to sign the visa.

III. The Signature of the Issuing Official: The signature shall be that of the issuing official of

Bengali, or his designate.

IV. The correct grouping, the total quantity, and unit of quantity in the shipment shall be provided within the visa stamp, e.g., "grouping 5 - 510 DZ." Quantities must be stated in whole numbers. Decimals or fractions will not be accepted.

a. In groupings 1 to 8, all apparel will be reported in dozens, except for (1) men's, boys', women's or girl's suits, which would be reported in number; and (2) panty hose, tights, stockings, socks, other hosiery, gloves, mittens, and mitts, all of which would be reported in dozen pairs.

b. For items reported in dozens, the number shown would be a whole number. If the quantity is less than one half, then it will be rounded down (i.e. 4 dozen and 4 pieces would be 4 dozen); if the quantity is one half or greater than it would be rounded up (i.e. 4 dozen and 6 pieces, would be 5 dozen). If the quantity in the grouping is less than 1 dozen, even if it is less than a half dozen, the quantity shown would always be 1 dozen (i.e. 3 pieces or 6 pieces would be 1 dozen). This same method will be used for dozen pairs.

c. If there are items in the same grouping that are mixed like suits (which require number) and shirts (which require dozen), or even shirts and pants (which both require dozen) then a separate quantity will be shown for each of the items. (i.e. in grouping 1 should show 105 suits with 10 dozen shirts or10 dozen shirts and 12 dozen pants).

d. For grouping 9, the quantity shown will be the normal reporting quantity for the type of merchandise. (i.e. if rugs or hand loomed fabric, it would be shown in square meters, or if wall hanging, it would be square meters, if apparel it would be as shown in grouping 1 to 8; and finally if household furnishings, then it would be shown in kilos).

E. If the quantity indicated on the visa is less than that of the shipment, only the quantity shown on the visa will be eligible for the preferred tariff treatment.

F. If the quantity indicated on the visa is more than that of the shipment, only the quantity of the shipment will be eligible for the preferred tariff treatment. Any overage can not be applied to any other shipment.

G. The visa will not be accepted and preferred tariff treatment will not be permitted if the visa number, date of issuance, authorized signature, category, quantity and the unit of measure are missing, incorrect, illegible or have been crossed out or altered in any way.

H. The decision on eligibility for preferential treatment is the responsibility of the U.S. Customs Service.

I. If the visa is not acceptable then a new visa must be obtained from Bengali, or its designate, before preferred tariff treatment can be claimed. Waivers are not permitted.

J. If the visaed invoice is deemed invalid, the U.S. Customs Service will not return the original document after entry, but will provide a certified copy of that visaed invoice for use in obtaining a new correct original visaed invoice.

K. The Government of the United States and the Government of Bengali, will cooperate fully to prevent circumvention of this Agreement. Subject to domestic laws, the competent authorities of Bengali will cooperate with the competent authorities of the Government of the United States in ensuring that this Agreement is not circumvented by transshipment, rerouting, false declaration concerning country or place of origin, falsification of official documents or any other means. To this end, the competent authorities of both governments will assist each other:

I. in securing from parties documents, correspondence and reports considered relevant to the investigations;

II. By providing for plant visits and inspections by authorized personnel;

III. By facilitating personal interviews designed to ascertain needed facts.

IV. By requiring the textile/apparel manufacturers to register with Bengali authorities before they begin apparel production and de-register when they close or cease production.

L. Transshipment has occurred when preferential treatment for a textile or apparel article has been claimed on the basis of material false information concerning the country of origin, manufacture, processing, or assembly of the article or any of its components. Bengali agrees to report, on a timely basis, at the request of the United States Customs Service, country of origin information and documentation used by Bengali in implementing its visa system, i.e. documentation such as production records, information relating to the place of production, the number and identification of the types of machinery used in production, the number of workers employed in production, and certification from both the manufacturer and the exporter.

M. Bengali agrees to report, on a timely basis, at the request of the United States Customs Service, on total exports from and imports into that country of any textile or apparel articles, consistent with the manner in which the records are kept by Bengali.

Effected by the exchange of letters

Annex D -AGOA Certificate of Origin Provisions for Textiles/Apparel

Article 1 - Certificates of Origin

1. The exporting country shall require that Certificates of Origin be prepared in English or in the language of the country from which the good is exported.

2. The exporting country shall:

(A) require an exporter in its territory to complete and sign the applicable Certificate of Origin (as noted below) for any exportation of a textile/apparel good for which an importer may claim preferential tariff treatment on importation of the good into the territory of the United States;

(i) Annex I provides the format to be used for a Certificate of Origin for textiles and apparel articles claiming preferential tariff treatment under the provisions of the African Growth and Opportunity Act.

(B) provide that where an exporter in its territory is not the producer of the good, the exporter may complete and sign a certificate of origin on the basis of:

(i) its reasonable reliance on the producer's written representation that the good qualifies for preferential treatment; or

(ii) a completed and signed Certificate of Origin for the good voluntarily provided to the exporter by the producer.

(C) provide that a Certificate of Origin for Textiles and Apparel articles must be applicable to a single importation of a good into the United States, or

(D) provide that a Certificate of Origin for Textiles and Apparel articles must be applicable to multiple importations of identical goods that occur within a specified period, not exceeding 12 months, set out therein by the exporter or producer.

Article 2 - Exceptions

The U.S. will not require a Certificate of Origin for a commercial importation of a good whose value does not exceed US$2,500, provided that the importation does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of avoiding the certification requirements of Article 1; however, the U.S. will require that, in order to receive preferential tariff treatment, the accompanying invoice shall include a statement certifying that the good qualifies for preferential treatment.

Article 3 - Obligations Regarding Exportation

1. The exporting country shall provide that:

(A) an exporter in its territory, or a producer in its territory that has provided a copy of a Certificate of Origin to that exporter pursuant to article 1, shall provide a copy of the Certificate of Origin to its competent authority on request; and

(B) an exporter or a producer in its territory that has completed and signed a Certificate of Origin; and that has reason to believe that it contains information that is not correct; shall promptly notify in writing all persons to whom the Certificate of Origin was given by the exporter or producer of any change that could affect its accuracy or validity.

2. The exporting country shall maintain measures imposing criminal, civil or administrative penalties for violations of its laws and regulations relating to these provisions.

Article 4 - Records

The exporting country shall provide that an exporter or a producer in its territory that completes and signs a Certificate of Origin shall maintain in its territory, for five years after the date on which the certification was signed all records relating to the origin of a good for which preferential tariff treatment was claimed, including records associated with

(A) the purchase of, cost of, value of, and payment for, the good that is exported from its territory,

(B) the purchase of, cost of, value of, and payment for, all materials, including indirect materials, used in the production of the good that is exported from its territory, and

(C) the production of the good in the form in which the good is exported from its territory.

Article 5 - Origin Verifications

1. For purposes of determining whether a good imported into its territory qualifies for preferential treatment, the U.S. customs service may conduct a verification by means of:

(A) a written request for information, questionnaire to an exporter or a producer in the exporting party or,

(B) a visit to the premises of an exporter or a producer in the exporting party to review the records referred to in article 4 and observe the facilities used in the production of the good.

3. Prior to conducting a verification visit, the U.S. customs service shall:

(A) except in the case of a textile verification production team visit, notify the exporter or producer whose premises are to be visited of its intention to conduct the visit; and

(B) notify the customs administration of the exporting country in whose territory the visit is to occur.

3. Failure to consent to the visit or to provide the requested information may result in the denial of preferential tariff treatment.

Article 6 - Confidentiality

1. Each party shall maintain the confidentiality of confidential business information collected and shall protect that information from disclosure that could prejudice the competitive position of the persons providing the information.

2. The confidential business information collected pursuant to these provisions may only be disclosed to those authorities responsible for the administration and enforcement of determinations of origin, and of customs and revenue matters.

Article 7 - The Parties Shall Cooperate:

1. In the enforcement of their respective customs-related laws or regulations implementing these provisions, and under any customs mutual assistance agreement or other customs-related agreement to which they are party;

2. In the U.S. efforts to detect and prevent unlawful transshipments of textile and apparel articles of a non-party, including verification by the united states of the production of goods by an exporter or producer in an exporting party;

3. To the extent practicable in the storage and transmission of customs-related documentation.

Annex E - AGOA Textile Certificate of Origin and Instructions
African Growth and Opportunity Act
Textile Certificate of Origin

1. Exporter Name & Address		2. Producer Name & Address
3. Importer Name & Address		6. U.S./ African Fabric Producer Name & Address
4. Description of Article	5. preference group	7. U.S./ African Yarn Producer Name & Address
		8. U.S. Thread Producer Name & Address
		9.Name of handloomed, handmade or folklore Article
10. Name of Preference Group H Fabric or Yarn:		

Preference Groups:
A: Apparel assembled from U.S.-formed and cut fabric from U.S. yarn. [19 CFR 10.213(a)(1)]
B: Apparel assembled and further processed from U.S.-formed and cut fabric from U.S. yarn. [19 CFR 10.213(a)(2)]
C: Apparel cut and assembled from U.S. fabric from U.S. yarn and thread. [19 CFR 10.213(a)(3)]
D: Apparel assembled from regional fabric from yarn originating in the U.S. or one or more beneficiary countries. [19 CFR 10.213(a)(4)]
E: Apparel assembled in one or more lesser developed beneficiary countries. [19 CFR 10.213(a)(5)].
F: Sweaters knit to shape in chief weight of cashmere. [19 CFR 10.213(a)(6)]
G: Sweaters knit to shape with 50 percent or more by weight of fine wool. [19 CFR 10.213(a)(7)]
H: Apparel cut and assembled in one or more beneficiary countries from fabrics or yarn not formed in the United States or beneficiary country (as identified in NAFTA) or as designated not available in commercial quantities in the United States. [19 CFR 10.213(a)(8) or (a)(9)]
I: Handloomed, handmade or folklore articles.[19 CFR 10.213(a)(10)]

I certify that the information on this document is complete and accurate and I assume the responsibility for proving such representations. I understand that I am liable for any false statements or material omissions made on or in connection with this document.

I agree to maintain and present upon request, documentation necessary to support this certificate.

12.Authorized Signature		13. Company
14. Name (Print or Type)		15. Title
16a.Date(DD/MM/YY)	16b.Blanket Period From: To:	17. Telephone Number Facsimile Number

Preparation of Certificate. The following rules will apply for purposes of completing the

Certificate of Origin:

(1) Blocks 1 through 5 pertain only to the final article exported to the United States for which preferential treatment may be claimed;
(2) Block 1 should state the legal name and address (including country) of the exporter;
(3) Block 2 should state the legal name and address (including country) of the producer. If there is more than one producer, attach a list stating the legal name and address (including country) of all additional producers. If this information is confidential, it is acceptable to state "available to Customs upon request" in block 2. If the producer and the exporter are the same, state "same" in block 2;
(4) Block 3 should state the legal name and address (including country) of the importer;
(5) Block 4 should provide a full description of each article. The description should be sufficient to relate it to the invoice description and to the description of the article in the international Harmonized System. Include the invoice number as shown on the commercial invoice or, if the invoice number is not known, include another unique reference number such as the shipping order number;
(6) In block 5, insert the letter that designates the preference group which applies to the article according to the description contained in the CFR provision cited on the Certificate for that group;
(7) Blocks 6 through 10 must be completed only when the block in question calls for information that is relevant to the preference group identified in block 5;
(8) Block 6 should state the legal name and address (including country) of the fabric producer;
(9) Block 7 should state the legal name and address (including country) of the yarn producer;
(10) Block 8 should state the legal name and address (including country) of the thread producer;
(11) Block 9 should state the name of the folklore article or should state that the article is handloomed or handmade;
(12) Block 10, which should be completed only when preference group "H" is inserted in block 5, should state the name of the fabric or yarn that is not formed in the United States or a beneficiary country or that is not available in commercial quantities in the United States;
(13) Block 16a should reflect the date on which the Certificate was completed and signed;
(14) Block 16b should be completed if the Certificate is intended to cover multiple shipments of identical articles as described in block 4 that are imported into the United States during a specified period of up to one year (see § 10.216(b)(4)(ii)). The "from" date is the date on which the Certificate became applicable to the article covered by the blanket Certificate (this date may be prior to the date reflected in block 16a). The "to" date is the date on which the blanket period expires; and
(15) The Certificate may be printed and reproduced locally. If more space is needed to complete the Certificate, attach a continuation sheet.