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2006 COMPREHENSIVE REPORT ON U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

CONSISTENT WITH TITLE I OF THE TRADE AND DEVELOPMENT ACT OF 2000, THE "2006 COMPREHENSIVE REPORT ON U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT"

JUNE 6, 2006.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

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EXECUTIVE OFFICE OF THE PRESIDENT,
THE UNITED STATES TRADE REPRESENTATIVE,
Washington, DC, May 17, 2006.

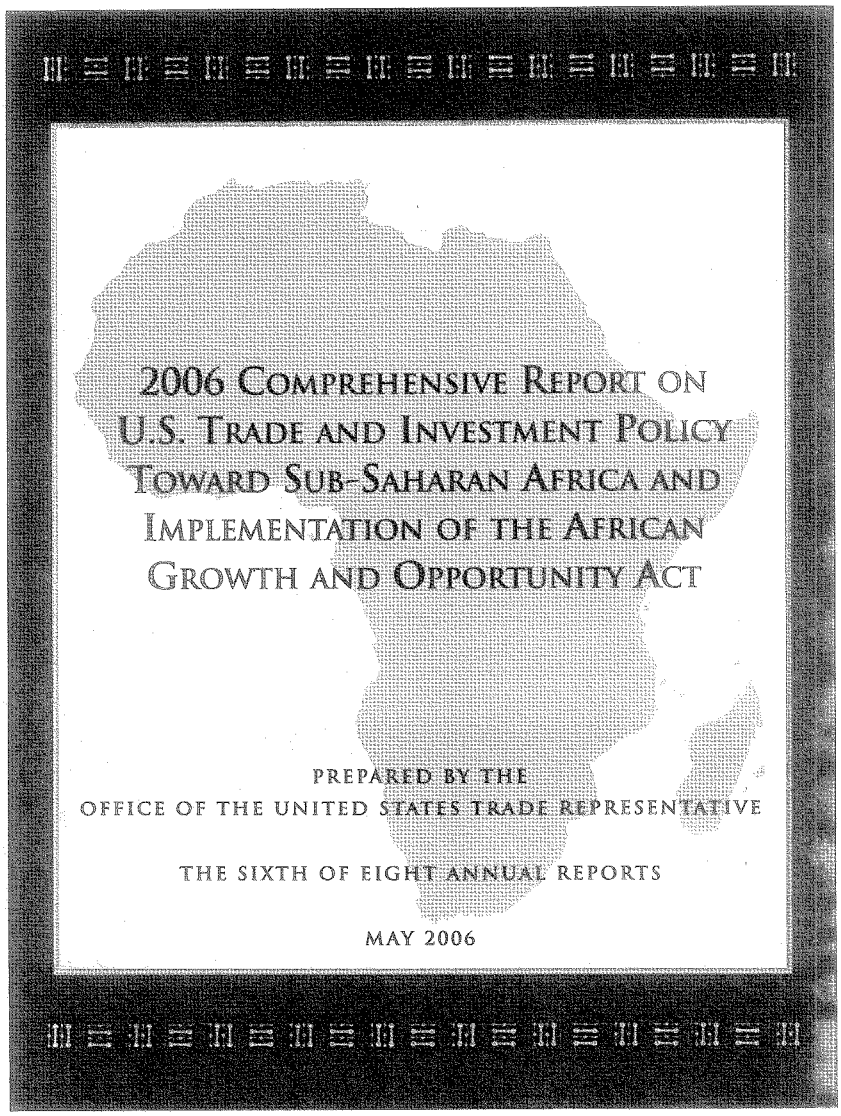
Hon. J. DENNIS HASTERT,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Pursuant to Section 106 of the African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, and Executive Order 13346 of July 8, 2004, I am pleased to transmit the 2006 comprehensive report on trade and investment policy toward sub-Saharan Africa and implementation of AGOA.

AGOA continues to expand U.S.-Africa trade and investment, stimulate economic growth, and facilitate sub-Saharan Africa's integration into the global economy. It also supports the efforts of sub-Saharan African countries undertaking difficult economic, political, and social reforms and provides incentives for countries considering such reforms.

Sincerely,

ROB PORTMAN.


2006 Comprehensive Report on
U.S. Trade and Investment Policy
Toward Sub-Saharan Africa and
Implementation of the African
Growth and Opportunity Act
PREPARED BY THE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
THE SIXTH OF EIGHT ANNUAL REPORTS
MAY 2006

2006 Comprehensive Report on
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and
Implementation of the African Growth and Opportunity Act
The Sixth of Eight Annual Reports
May 2006

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Foreword

Section 106 of the African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, states that the President shall submit a report to Congress annually through 2008 on trade and investment policy toward Africa and on implementation of AGOA. The Act also states that the President shall submit a report to Congress on potential free trade agreements with sub-Saharan African countries. These reports under AGOA continue a series of annual Presidential reports to Congress on U.S. trade and investment policy toward Africa under the Uruguay Round Agreements Act of 1994. The President delegated the reporting requirement to the United States Trade Representative by Executive Order 13346 of July 8, 2004.

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

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

- Thirty-seven of the 48 sub-Saharan African countries are eligible for benefits under the African Growth and Opportunity Act (AGOA) – which provides them duty-free access to the U.S. market for virtually all products. On January 1, 2006, Burundi was added to the list of eligible countries, and Mauritania was removed from the list. As of April 2006, twenty-five sub-Saharan African countries are eligible to receive AGOA's apparel benefits. Fourteen of these countries also qualify for AGOA's provisions for handloomed and handmade articles. One country, Nigeria, qualifies for AGOA's ethnic printed fabric benefits.

- Since its inception in 2000, AGOA has helped increase U.S. two-way trade with sub-Saharan Africa by 115 percent. In 2005, U.S. total exports to sub-Saharan Africa rose 22 percent from 2004, to $10.3 billion. U.S. total imports from Africa increased by 40 percent to $50.3 billion. In 2005, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.

- U.S. imports from sub-Saharan African countries under AGOA (including its GSP provisions) totaled $38.1 billion in 2005, up 44 percent over 2004 – largely due to oil. Several non-oil sectors experienced increases, including footwear, toys, sportswear, fruits, nuts and cut flowers. However, total non-oil AGOA trade declined by 16 percent, to $2.9 billion in 2005, mainly due to: increased global competition in the apparel sector, resulting in part from the end of global apparel quotas and the anticipated end of AGOA third country fabric provisions; an appreciation of key currencies such as the South African rand; decreased demand for key minerals and metals such as manganese; and production shifts in the South African automotive sector.

- The Administration is intensifying its work with AGOA stakeholders in the United States (including Congress, private sector and civil society) as well as with African governments, international financial institutions, and others to identify and address barriers inhibiting country and product utilization of AGOA.

- The United States devoted $199 million to trade capacity building activities in sub-Saharan Africa in FY2005, up more than 10 percent from FY2004, and up about 50 percent from FY2003. In addition to ongoing trade capacity building (TCB) work conducted by regional trade competitiveness hubs in Ghana, Botswana, and Kenya, a fourth hub was opened in Dakar, Senegal in October 2005 to help eligible African countries increase their exports under AGOA.

- The United States was a leading provider of foreign direct investment to Africa. At year-end 2004, the U.S. direct investment position rose 23.4 percent from 2003, to $13.5 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships.

- The United States and the Southern African Customs Union (SACU) remained committed to concluding a comprehensive free trade agreement (FTA). In April

2006, the United States and SACU agreed to establish a framework that would form the basis for pursuing the FTA over the longer term, develop a joint work program to address a broad range of FTA and other related issues, and seek to conclude concrete trade- and investment-enhancing agreements.

- The fourth annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum was held in Senegal in July 2005. The official U.S. delegation, led by Secretary of Agriculture Johanns, included Secretary of State Rice at the closing ceremonies, and other senior U.S. government representatives. Ministers and senior officials from nearly all AGOA beneficiary countries participated, as well as private sector and civil society representatives from the United States and AGOA countries. During the Forum, President Bush announced a new Presidential Initiative – the African Global Competitiveness Initiative (AGCI) – providing $200 million in funding over five years to support expanded African trade and improved African export competitiveness.

II. Executive Summary

The African Growth and Opportunity Act (AGOA) provides duty free access to the U.S. market for substantially all products exported from 37 eligible sub-Saharan African countries.[1] AGOA amends the U.S. Generalized System of Preferences (GSP) statute with respect to AGOA-eligible beneficiaries by extending duty free treatment until 2015 and expanding GSP product coverage (about 4,600 products) by more than 1,800 additional tariff lines. AGOA also exempts beneficiary countries from GSP competitive need limitations. As a result of AGOA, substantially all imports from sub-Saharan Africa are eligible to enter the United States duty-free. In 2005, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.

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

AGOA continued to support the efforts of sub-Saharan African countries undertaking difficult economic, political, and social reforms and provided incentives for countries considering such reforms. The United States maintained an ongoing dialogue with sub-Saharan African countries on topics related to the AGOA eligibility criteria and continued to encourage progress in those countries not yet eligible for AGOA. On January 1, 2006, following the annual AGOA-eligibility review, a new AGOA-beneficiary country – Burundi – was added to the list of AGOA-eligible countries, and another country – Mauritania – was removed from the list, bringing the total to 37. As of April 2006, 25 countries are eligible to receive AGOA apparel benefits.[2] Fourteen of these countries[3] also qualify for AGOA's provisions for handloomed and handmade articles (known as Category 9). The AGOA Acceleration Act of 2004 added ethnic printed fabrics to the types of goods that could be exported under Category 9. Ethnic prints must meet a specific set of criteria and are also subject to government to government consultations. Nigeria is the only country to have ethnic printed fabric benefits. The Committee for the Implementation of Textile Agreements (CITA) in the

[1] The 37 AGOA beneficiary countries are Angola; Benin; Botswana; Burkina Faso; Burundi, Cameroon; Cape Verde; Chad; Republic of Congo; Democratic Republic of Congo; Djibouti; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia. On January 1, 2006, Burundi was added to the list of eligible countries, and Mauritania was removed from the list.

[2] The 25 countries eligible to receive AGOA apparel benefits are Benin; Botswana; Cameroon; Cape Verde; Chad; Ethiopia; Ghana; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Senegal; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia.

[3] The fourteen countries are: Kenya, Lesotho, Botswana, Malawi, Swaziland, Namibia, Zambia, Ghana, Mozambique, Tanzania, Senegal, Ethiopia, Nigeria, and Sierra Leone.

U.S. Department of Commerce is also working with the Government of Mali in order for it to qualify for this benefit.

In 2005, AGOA continued to boost U.S. two-way trade with sub-Saharan Africa and diversify the range of products being traded. Two-way total trade (exports plus imports) between the United States and sub-Saharan Africa increased 37 percent from 2004 to just over $60.6 billion in 2005. U.S. total exports to Africa rose 22 percent to $10.3 billion, with notable gains in agricultural goods, machinery, and transportation equipment. U.S. total imports (AGOA and non-AGOA) from Africa increased by 40 percent to $50.3 billion, largely due to an increase in oil imports. The United States remained sub-Saharan Africa's largest single-country export market, accounting for 27.3 percent of the region's total exports in 2004.

U.S. imports from sub-Saharan Africa under AGOA (including its GSP provisions) totaled $38.1 billion in 2005, up 44 percent, primarily due to an increase in AGOA oil imports. Non-oil AGOA imports declined by 16 percent, to $2.9 billion in 2005, due to declines in AGOA imports of apparel, minerals and metals, and transportation equipment. These declines were mainly due to increased global competition in the apparel sector, resulting in part from the end of the global apparel quotas under the Multifiber Arrangement (MFA) and the anticipated end of AGOA third country fabric provisions; the appreciation of major currencies such as the South African rand; decreased import demand for key minerals and metals including manganese; and production shifts in the South African automobile sector. However, there were also some notable gains in non-oil AGOA trade in 2005. AGOA imports of chemical products rose 48 percent from 2004, to $329.3 million; agricultural products increased by 3 percent, to $272.1 million, with increased imports of fruits, nuts, and cut flowers; miscellaneous manufactures rose by 15 percent, to $72 million, with increased imports of toys and sportswear; machinery products were up by 12 percent, to $19.3 million; electronic products increased by 22 percent, to $19.2 million; and footwear rose by 104 percent, to $1.9 million.

Beyond careful analysis of the specific factors that caused the decline in overall AGOA non-oil imports in 2005, the Administration is intensifying its work with AGOA stakeholders in the United States (including Congress, private sector and civil society) as well as with African governments, international financial institutions, and others to identify and address barriers inhibiting country and product utilization of AGOA. Such efforts will need to take account of ongoing systemic challenges experienced by AGOA-eligible countries, including inefficient and costly transport and energy and other supply-side constraints affecting trade competitiveness. It will also need to determine appropriate policy responses to particular trends and prospective changes affecting one of AGOA's key sectors – apparel, including the end of AGOA's third country fabric provision in September 2007.

The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum is one of the cornerstones of AGOA. Known informally as "the AGOA Forum," this event institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries, including ministers of trade, foreign affairs and finance. The

AGOA Forum is the Administration's premier platform to articulate and advance its trade and economic policy toward Africa and to foster closer economic ties between the United States and the region. The fourth AGOA Forum was held July 18-20, 2005 in Dakar, Senegal, with the theme of "Expanding and Diversifying Trade to Promote Growth and Competitiveness." The official U.S. Government delegation, led by Secretary of Agriculture Johanns, included Secretary of State Rice at the closing ceremonies, and other senior U.S. government representatives throughout the event. Hundreds of U.S. and African businesses and organizations participated in the private sector and civil society dialogues held at the AGOA Forum.

During the July 2005 AGOA Forum, the United States announced the African Global Competitiveness Initiative (AGCI). The AGCI, to be administered by USAID, will provide $200 million in funding over five years to help build sub-Saharan Africa's competitiveness and capacity to trade. The AGCI will work with host-country governments and private sector partners primarily through the four USAID-managed regional Trade Hubs for Global Competitiveness in Botswana, Kenya, Ghana, and Senegal. Further, during the Forum, a consultative group was formed by African Trade Ministers (chaired by Ghana) to specifically address the challenges of increasing AGOA implementation in individual countries. A follow-up meeting of the consultative group to review and discuss progress will be held just prior to the fifth AGOA Forum in June 2006 in Washington, D.C.

The Administration views trade capacity building and technical assistance programs as essential components of its trade and investment policy in sub-Saharan Africa. Sub-Saharan African countries need technical assistance to maximize gains from AGOA, participate more effectively in the WTO negotiations, and increase their benefits from global trade. The United States provided $199 million in trade capacity building assistance to sub-Saharan Africa in FY2005, up more than 10 percent from FY2004, and up about 50 percent from FY2003.

The Administration also remains committed to helping sub-Saharan Africa address the challenges of debt, poverty, infrastructure development, and HIV/AIDS and other infectious diseases. The President's Millennium Challenge Account initiative, for which Congress appropriated $2.5 billion in FY2004-2005, will invest in areas that the country's themselves identify as the largest obstacles to poverty reduction and growth. MCC invests in any sector that will help reduce poverty, including agricultural development, education, private sector development, governance, health, and trade capacity building. While the MCA is a global initiative, twelve[4] of the 23 countries selected as eligible to apply for MCA assistance to date are in sub-Saharan Africa.

The MCC Threshold Program recognizes countries that, while not having met the criteria to be selected as MCA eligible countries, have demonstrated the potential to undertake the reforms necessary to improve policy performance and qualify for future MCA

[4] The twelve countries are: Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Lesotho, Madagascar, Mali, Mozambique, Namibia, Senegal and Tanzania.

assistance. Five[5] of the 13 countries selected to participate in the FY2006 Threshold Country Program are in sub-Saharan Africa. Burkina Faso and Tanzania, which were previously selected for the Threshold Program, and became MCA eligible countries in FY 2006, will continue to work on threshold programs while they develop compact proposals that MCC will consider for funding.

In FY2005, the United States, through the MCC, signed compacts with Cape Verde and Madagascar, each totaling more than $110 million. In February 2006, the United States and Benin signed a five-year compact for approximately $307 million. Several other compacts with African countries are expected to move forward in FY2006.

The United States continues to be a leading provider of foreign direct investment to Africa. At year-end 2004, the U.S. direct investment position increased 23.4 percent from 2003, to $13.5 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S.-African business partnerships. Hundreds of U.S. companies are present in sub-Saharan Africa, and these companies which include small- and medium-sized enterprises and minority-owned businesses are enhancing their trade and investment with sub-Saharan African businesses as a result of AGOA.

By enhancing U.S.-African dialogue on trade and investment issues, AGOA also facilitates U.S.-African cooperation in the World Trade Organization (WTO), supporting efforts to extend and expand trade liberalization across the globe. The 38 sub-Saharan African members of the WTO constitute the largest regional bloc in that body. Increased and more effective participation of sub-Saharan African countries in the WTO's Doha Development Agenda negotiations is an important step toward Africa's integration into the global economy. WTO issues were at the top of the agenda during the trip made by USTR Portman and Secretary Johanns to sub-Saharan Africa in November 2005. The handling of cotton in the WTO Doha negotiations was of particular importance to sub-Saharan African WTO members and was a major focus of U.S.-African discussions on WTO trade liberalization negotiations at the Hong Kong Ministerial in December 2005. In March 2005, the United States formally submitted to the WTO a request for a waiver from most favored nation rules to cover AGOA's preferential trade provisions.

The United States and the five members of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, South Africa and Swaziland – continued negotiations toward an FTA. Although seven rounds or mini-rounds of negotiations were held from 2003 through 2005, progress toward an agreement – which would be the first-ever U.S. FTA with sub-Saharan African countries – moved more slowly than initially expected, due largely to capacity constraints on the SACU side and divergent views between the parties on some key issues. The United States has underscored the need for a comprehensive FTA that covers all trade-related issues, including investment, intellectual property rights, government procurement, labor, and the environment. Since the last full round of negotiations in June 2004, there have been several high-level U.S.-SACU discussions and meetings on the FTA, including a "deputies" meeting in Pretoria, South Africa in April 2006, at which Deputy U.S. Trade Representative Karan Bhatia clarified

[5] The five countries are: Kenya, Malawi, Sao Tome and Principe, Uganda and Zambia

with SACU senior officials the status and future of the FTA and agreed on how we can most effectively pursue a robust economic partnership with SACU that remains mutually beneficial and constructive. At the April 2006 Deputies Group meeting, the United States and SACU agreed to establish a framework that will develop a joint work program to address a broad range of FTA and other trade- and investment-related issues and, potentially in the near-term, seek to conclude concrete trade and investment-enhancing agreements. The framework would establish a basis and building blocks for pursuing the FTA over the longer term. The proposed framework requires further consultations with Congress and other stakeholders, including the private sector.

III. The African Growth and Opportunity Act

A. AGOA Summary, Country Eligibility, and Product Coverage

This section provides a summary of AGOA, country eligibility requirements, and product coverage. AGOA's trade and investment-centered policy approach seeks to: (1) increase U.S.-Africa trade and investment; (2) reinforce Africa's economic and political reform efforts; (3) provide greater access to U.S. technical assistance and trade finance facilities; and (4) promote high-level U.S.-sub-Saharan African dialogue on trade and investment-related issues. Achieving these policy objectives benefits both the United States and eligible countries in sub-Saharan Africa by creating healthier and more stable economies in sub-Saharan Africa, strengthening democratic governments, and expanding markets for U.S. exports.

AGOA Summary

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

AGOA:

- Offers eligible countries in sub-Saharan Africa duty-free U.S. market access for substantially all products;
- Provides additional security for investors and traders in African countries by extending GSP benefits for AGOA beneficiaries through 2015;
- Eliminates the GSP competitive need limitation for beneficiary countries in sub-Saharan Africa;
- Provides incentives for African countries to achieve political and economic reform and growth;
- Institutionalizes a process for strengthening U.S. trade relations with African countries;
- Establishes the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular ministerial-level trade and investment policy discussions; and
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relations between U.S. firms and firms in sub-Saharan Africa.

Country Eligibility

AGOA requires the President to determine annually whether sub-Saharan African countries are, or remain, eligible for benefits based on their progress in meeting criteria set out in the Act. These criteria include continual progress toward the establishment of a market-based economy and the rule of law, the elimination of barriers to U.S. trade and investment, implementation of economic policies to reduce poverty, the protection of internationally recognized worker rights, and establishment of a system to combat corruption. Additionally, countries cannot engage in: i) violations of internationally recognized human rights, ii) support for acts of international terrorism, or iii) activities

that undermine U.S. national security or foreign policy interests. The full list of eligibility criteria is contained in Annex B.

An interagency AGOA Implementation TPSC Subcommittee, chaired by USTR, conducts the annual eligibility review, drawing on information from the public, NGOs, the private sector, and prospective beneficiary governments. Following the last eligibility review in December 2005, and based on the recommendation of the U.S. Trade Representative, the President signed a Proclamation on December 22, 2005 stating that 37 sub-Saharan African countries met AGOA's requirements for eligibility. On January, 1, 2006, Burundi was designated as a new AGOA beneficiary, while Mauritania, previously AGOA-eligible, had its AGOA beneficiary status terminated. The country reports in Chapter IX provide specific information on AGOA beneficiary status and country performance with respect to AGOA eligibility criteria.

AGOA requires that, in order to receive the apparel benefits in the Act, designated beneficiary countries meet certain customs-related requirements, such as the establishment of an effective visa system. As of April 2006, 25 AGOA-eligible countries had instituted acceptable customs measures to prevent illegal transhipment and, accordingly, had been certified for AGOA's textile and apparel benefits. Annex A contains a list of eligible countries for AGOA and of those that had met requirements for textiles and apparel benefits as of April 2006. This information can also be found at http://www.agoa.gov.

Product Coverage

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA, GSP, or under a category for which the United States maintains a zero normal-trade-relations rate of duty. In 2005, over 98 percent of U.S. imports from AGOA beneficiary countries entered duty-free. Substantially all agricultural exports from AGOA beneficiary countries entered the United States duty free. In the few cases where U.S. tariff rate quotas (TRQs) exist – for sugar, tobacco, peanuts, beef, and some dairy products – goods of AGOA beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

- First, AGOA extends the GSP program (which covers 4,650 products) for beneficiary countries through September 30, 2015. For regional exporters, this provides stable, longer-term access to the U.S. market than they enjoyed under the existing GSP program, which applies to developing countries around the world. AGOA also eliminates the GSP's competitive need limitation for beneficiary developing countries in sub-Saharan Africa.

- Second, AGOA granted the President authority to provide duty-free treatment for certain goods not covered under the existing GSP program. Using his authority to expand GSP, on December 21, 2000, the President proclaimed duty-free treatment for an additional 1,835 items. Certain unwrought manganese was added to the list in January 2003.

- Third, separate AGOA provisions grant duty-free treatment to qualifying apparel articles of beneficiary sub-Saharan African countries and to textile or apparel articles that are determined to be handloomed, handmade or folklore items, or ethnic printed fabrics.

As a result of these provisions, very few products of beneficiary countries are not eligible for duty-free treatment under AGOA. Ineligible items currently include flat goods, most textile articles, certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products that may enter the U.S. duty-free under AGOA may be found at the following website:
http://www.ustr.gov/Trade_Development/Preference_Programs/AGOA/AGOA_Implementation_Guide/Section_Index.html .

AGOA Apparel and Textile Benefits

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

- Apparel made of U.S. yarns and fabrics;
- Apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap;
- Apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap;
- Apparel made of certain yarns and fabrics not produced in commercial quantities in the United States;
- Certain cashmere and merino wool sweaters; and
- Eligible handloomed, handmade, or folklore articles or ethnic printed fabrics.

Other Textile and Apparel Provisions

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

- Determination of the annual caps on imports of apparel that is assembled in beneficiary countries from regional and third-country fabrics;

- Determination that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, and to extend preferential treatment to eligible apparel from such yarn or fabric (commercial availability);

- Determination of eligible handloomed, handmade, or folklore articles, or ethnic printed fabrics (such products may be imported duty-free);

- A "tariff snapback" in the event that a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry;

- Determination of whether U.S. manufacturers produce interlinings in the United States in commercial quantities, thereby rendering articles containing foreign interlinings ineligible for benefits under the Act; and

- Determination of whether exporters have engaged in illegal transshipment and to deny benefits to such exporters for a period of five years.

Regional Caps

The AGOA, as amended, limits imports of apparel made with regional or third country fabric to a fixed percentage of the aggregate square meter equivalents (SMEs) of all apparel articles imported into the United States. The cap on apparel made from regional fabric applies through 2015. The Special Rule allowing for lesser developed countries to use third-country fabric is available through September 30, 2007.

The quantitative limitation for the twelve-month period beginning October 1, 2005 will be an amount not to exceed 5.8735 percent of the aggregate SMEs of all apparel articles imported into the United States in the preceding 12-month period for which data are available, which equals 1,344,476,567 SMEs. Of this overall amount, apparel imported under the special rule for lesser-developed countries is limited to an amount not to exceed 2.9285 percent, which is 670,349,813 SMEs. These quantities are recalculated for each subsequent year. Apparel articles entered in excess of these quantities will be subject to otherwise applicable tariffs. The duty-free cap is not allocated among countries. It is filled on a "first-come, first-served" basis.

Beginning on October 1, 2004, Mauritius was allowed to participate in the third-country fabric provision established for lesser-developed countries. This special provision for Mauritius expired on September 30, 2005.

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

Commercial Availability

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

As of April 2006, nine commercial availability petitions have been approved, six were denied, and one is under consideration. For details on products that receive duty-free treatment under the AGOA, please visit http://otexa.ita.doc.gov and click on "Commercial Availability".

Handloomed, Handmade, and Folklore Articles, and Ethnic Printed Fabrics

AGOA provides duty-free benefits for handloomed, handmade, and folklore articles, and ethnic printed fabrics made in beneficiary sub-Saharan African countries. This provision is known as "Category 9" and requires a separate consultative process with CITA. As of

April 2006, fourteen countries – Botswana, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Senegal, Sierra Leone, Swaziland, Tanzania, and Zambia – are eligible for this benefit. CITA approved Ethiopia, Nigeria, Senegal, and Sierra Leone for Category 9 in 2005, and is in the process of consulting with three additional countries – Madagascar, Mali, and Niger. AGOA III added ethnic printed fabrics to the types of goods that could be exported under Category 9. Ethnic prints must meet a specific set of criteria and are also subject to government to government consultations. Nigeria is the only country to have ethnic printed fabric benefits. CITA is also working with the Government of Mali in order to qualify them for this benefit.

B. AGOA Trade in 2005

Since its enactment in 2000, AGOA has helped increase our two-way trade with Africa and diversify the range of products being traded. U.S. total trade with Sub-Saharan Africa (exports plus imports) continued to grow in 2005, as both exports and imports increased. Two-way trade was $60.6 billion, up 37 percent from 2004. U.S. exports to Sub-Saharan Africa rose 22 percent to $10.3 billion, due to increased sales of oil field equipment and parts, aircraft, vehicles, wheat, and electrical machinery (including telecommunications equipment) – the same set of products which drove U.S. exports in 2004. U.S. exports to South Africa grew by 22 percent, to Nigeria by four percent, to Angola by 56 percent, to Kenya by 61 percent, and to Ethiopia by 45 percent. The large increases in Kenya and Ethiopia resulted from aircraft sales to both countries.

U.S. total imports rose 40 percent from 2004 to $50.3 billion, due to a large increase in imports of crude oil (mainly driven by rising demand and high oil prices) as well as smaller increases in imports of platinum, diamonds, and cocoa. Imports continued to increase from all of the oil producing countries with imports from Nigeria growing by 49 percent, from Angola by 88 percent, from Gabon by 14 percent, from the Republic of Congo by 89 percent, from Equatorial Guinea by 33 percent, and from Chad by 98 percent. Imports from South Africa declined a little more than one percent, caused by declines in the imports of manganese and vehicles.

AGOA-eligible countries accounted for most of the 2005 gains in U.S. imports from the region. In 2005, AGOA imports increased 44 percent to $38.1 billion. Petroleum products continued to account for the overwhelming portion of total AGOA imports with a 92 percent share. With these fuel products excluded, AGOA imports were $2.9 billion, declining by 16 percent from 2004. AGOA transportation equipment imports declined by 49 percent to $273.6 million, AGOA minerals and metals imports declined by 32 percent to $493.9 million, and AGOA textile and apparel imports declined by 12 percent to $1.4 billion. These declines were mainly due to increased global competition in the apparel sector, partly because of the end of the global apparel quotas under the Multifiber Agreement (MFA) and the anticipated end of AGOA third country fabric provisions; the appreciation of key currencies such as the South African rand; decreased demand for key metals and minerals such as manganese; and production shifts in the South African automotive sector.

Several non-oil sectors, however, experienced increases, including AGOA chemical and related product imports increasing by 48 percent to $329.3 million; AGOA agricultural imports increasing by three percent to $272.1 million, with increasing imports of fruits, nuts, and cut flowers; AGOA miscellaneous manufactures imports, rising by 15 percent, to $72 million, with increasing imports of toys and sportswear; AGOA machinery product imports increasing by 12 percent, to $19.3 million; AGOA electronic products rising by 22 percent, to $19.2 million; and AGOA footwear imports rising by 104 percent, to $1.9 million.

In 2005, thirty-three countries exported products to the United States under AGOA. The top five AGOA beneficiary countries remained Angola, Chad, Gabon, Nigeria, and South Africa. However, several countries expanded their AGOA exports including Botswana, Guinea, Malawi, Mozambique, Mali, Niger, Rwanda, and Tanzania. Other leading AGOA beneficiaries included Cameroon, the Republic of Congo, Kenya, Lesotho, Madagascar, Mauritius and Swaziland. And despite the overall decline in apparel exports, some countries (including Botswana, Ethiopia, Mozambique, Tanzania, and Uganda) experienced increases in their apparel exports.

C. AGOA Implementation and Outreach

Beyond careful analysis of the specific factors that caused the 2005 decline in overall AGOA non-oil imports, the Administration is intensifying its work with AGOA stakeholders in the United States (including Congress, private sector and civil society) as well as with African governments, international financial institutions, and others to identify and address barriers inhibiting country and product utilization of AGOA. Such efforts will need to take account of ongoing systemic challenges experienced by AGOA-eligible countries, including inefficient and costly transport and energy and other supply-side constraints affecting trade competitiveness. It will also need to determine appropriate policy responses to particular trends and prospective changes affecting one of AGOA's key sectors – apparel, including the end of AGOA's third country fabric provision in September 2007.

During the July 2005 AGOA Forum, the United States announced the African Global Competitiveness Initiative (AGCI). The AGCI will provide $200 million in funding over five years to expand African trade with the United States under AGOA, with other international trading partners, and regionally within Africa; and to promote export competitiveness of sub-Saharan African countries. Further, during the Forum, a consultative group was formed by African Trade Ministers (chaired by Ghana) to specifically address the challenges of increasing AGOA implementation in individual countries. The first follow-up meeting of the consultative group to review and discuss progress will be held just prior to the fifth AGOA Forum in June 2006 in Washington, D.C.

The Administration recognizes that outreach to the private sector, civil society, and African governments is critical to the success of AGOA. USTR and other U.S. agencies have made outreach on both sides of the Atlantic a priority in their efforts to implement

AGOA. In sub-Saharan Africa, outreach efforts have included seminars, speaker programs, media programs, and information dissemination. In the United States, outreach has included meetings with the African diplomatic corps, the private sector, and leading non-governmental organizations. Regional organizations, U.S. and African governments, private sector organizations, and civil society organizations have actively supported outreach efforts.

USTR and other U.S. government agencies are implementing AGOA through the annual AGOA eligibility review process, ongoing U.S.-SACU FTA negotiations, the AGOA Forum, and trade-related U.S. government technical assistance provided to eligible sub-Saharan African countries. As a result of these implementation efforts, since 2000, AGOA has helped transform the economic landscape of sub-Saharan Africa, stimulated new trading opportunities for U.S. and African businesses, created new jobs, and attracted millions of dollars in new investments to the region.

In speeches and press conferences in 2005, Ambassador Portman and other senior USTR officials highlighted AGOA-related opportunities for both sub-Saharan Africa and the United States. In meetings with heads of state, trade ministers, and other government and private sector officials, USTR and other senior U.S. Government officials discussed AGOA implementation and ways in which countries can maximize AGOA benefits. Administration officials also participated in numerous seminars, conferences, and other events in the United States and in Africa related to AGOA. USTR and Commerce Department officials met with Industry Sector Advisory Committees and companies interested in AGOA. In October 2005, USTR, in close collaboration with USAID, led an AGOA regional seminar in Ethiopia, which focused on several sectors with particular potential to increase exports under AGOA. Other regional AGOA seminars are being planned for West, Central and Southern African AGOA-eligible countries.

U.S. agencies continue to make outreach materials broadly available, including the comprehensive AGOA Implementation Guide and via the official AGOA website (www.agoa.gov), which is maintained by the Department of Commerce. Information about AGOA is also available at the official USTR and State Department websites. Each of the four USAID regional Missions in Sub-Saharan Africa (in Botswana, Ghana, Kenya and Senegal) manages a Hub for Global Competitiveness that aims to connect African business to the global market. Each Hub has developed significant outreach programs to the AGOA African and U.S. private sectors. Each of the Hubs also provides technical assistance in the areas of export development (with a focus on targeting the American market under AGOA), trade policy, regional road transportation, customs reform, and the application of sanitary and phyto-sanitary standards.

The Commerce Department's Trade Information Center (TIC) provides information to U.S. companies on federal government export assistance programs including country specific counseling for sub-Saharan Africa. The TIC participates in trade-related events pertaining to AGOA to encourage broader participation of U.S. companies that are interested in doing business with countries in sub-Saharan Africa. The TIC responds to inquiries on AGOA from U.S. and African companies, commercial attaches from African countries, and trade associations. TIC callers are also referred to appropriate federal

agencies for further assistance. The TIC maintains a comprehensive, regularly updated database on how to do business in each African country. The TIC's international trade specialists have made presentations on available U.S. government resources that show how U.S. companies can take advantage of AGOA. TIC specialists provide advice and counsel U.S. companies on export documentation and regulations; sources of market research, trade leads, and export financing; trade promotion events; state and local assistance; and foreign opportunities, regulations, business practices, and tariffs. To contact the TIC and the USA Trade Center, call 1-800-USA-TRAD (E), email TIC@ita.doc.gov, or visit http://export.gov/tic.

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

In addition to extensive outreach efforts by Washington officials, almost all U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns. The following are examples of outreach efforts undertaken at U.S. embassies in 2005:

- In Botswana, an AGOA forum was launched to raise public awareness of the preferential access offered into U.S. markets. The forum was a collaborative effort by the Botswana Ministry of Trade and Industry, the Embassy, and USAID's Southern African Global Competitiveness hub based in Gaborone.

- The U.S. Embassy in Ethiopia launched a two-year export promotion program (AGOA PLUS). The Embassy hosted several workshops, seminars and forums on AGOA, and sponsored a booth at the Addis Chamber International Trade Fair.

- In Mali, the U.S. embassy assisted the Government of Mali in hosting an AGOA roundtable that brought together representatives of seven AGOA eligible countries in Francophone and Lusophone Africa to discuss development strategies.

- The U.S. Embassy in Swaziland launched a number of significant initiatives, including funding a study identifying barriers to investment in Swaziland, and sponsoring a two day seminar to present the findings; and hosting a seminar on export diversification and a Digital Video Conference (DVC) on export potential.

- In Madagascar, the U.S. Embassy's commercial office convinced the Government of Madagascar customs authority to establish a satellite AGOA visa-issuing office to decrease time to export.

- The U.S. Embassy in Tanzania organized an AGOA exhibit at the Dar es Salaam International Trade Fair.

IV. Economic and Trade Overview

A. Economic Growth

According to the World Bank, global economic growth slowed in 2005 with an estimated 3.2 percent growth, compared to 3.8 percent growth in 2004. High oil prices, capacity constraints in resource sectors, and tightening monetary policy in the United States and elsewhere contributed to the world economic slowdown.[6] Economic growth in developing countries as a whole declined in 2005, falling from 6.8 percent in 2004 to 5.9 percent in 2005, but remained strong overall. High GDP growth in China (in excess of nine percent) and in India (of about seven percent) offset some of the overall decline among developing countries.[7]

Optimism in sub-Saharan Africa continued to grow. Strong global growth and rising commodity prices, coupled with economic and political reforms on the continent, have supported relatively robust growth in sub-Saharan Africa during the last two years. In 2004, real GDP growth for the region reached an eight-year high of 5.6 percent annually and inflation touched a historic low of 9.8 percent. After a slight slowdown in 2005 to 5.1 percent real GDP growth and an uptick in annual inflation to 10.7 percent, growth in 2006 is expected to rebound to 5.3 percent with inflation subsiding.

In 2005, sub-Saharan African economies grew by an estimated 5.1 percent, which was lower than the average developing country growth rate, but above average world growth. According to the World Bank, sub-Saharan Africa has experienced GDP growth in excess of three percent for six consecutive years.[8]

Country performance within sub-Saharan Africa was mixed. Growth in oil exporting countries remained strong, but fell from 8.2 percent in 2004 to 5.8 percent in 2005 due to capacity constraints in the oil sector and production disruption in Nigeria. Due to the large relative size of the South African economy, strong growth in South Africa (of over four percent) drove growth among oil importers. High metal prices, high business and consumer confidence, relatively low interest rates, and recent depreciation of the South African rand against the U.S. dollar, helped spur South Africa's growth. Growth among oil importers remained essentially constant, edging up from 4.9 percent in 2004 to five percent in 2005.[9] According to World Bank and International Monetary Fund (IMF) assessments, rising commodity prices helped reduce the negative impact on economic growth among oil importing countries of rising oil prices, particularly for some of the smaller countries in West Africa.[10] The IMF also notes that higher oil prices, combined

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[6] *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, 3 (Washington, DC: World Bank, November 2005).
[7] *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, 5.
[8] *Global Economic Prospects 2006: Overview and Global Outlook*, 41 (Washington, DC: World Bank, November 2005).
[9] *IMF's Sub-Saharan Africa Regional Economic Outlook, March 10, 2006, page 95.*
[10] *Global Economic Prospects 2006: Overview and Global Outlook*, 42; and *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 11 (Washington, DC: International Monetary Fund, October 2005).

with poor harvests in some countries, have caused an increase in inflationary pressures in the region.[11]

Both the World Bank and IMF emphasize that the removal of textile and apparel quotas by World Trade Organization (WTO) members at the beginning of 2005 resulted in an increase in competition from Chinese imports, helping to slow economic growth in several countries including Kenya, Lesotho, Madagascar, Mauritius, and Swaziland.[12] Over the longer term, continued economic growth will depend on several factors including weather, commodity prices, macro- and micro-economic management, infrastructure investment, and political and social stability.[13]

B. Africa's Global Trade[14]

Sub-Saharan Africa's total merchandise imports continued to increase in 2004 (the latest year available), growing 32.6 percent to $146.0 billion, compared to 28.2 percent in 2003. South Africa and Nigeria accounted for almost half of sub-Saharan Africa's total imports with a 46.2 percent share. In 2004, South Africa's imports increased by 38.9 percent to $47.2 billion, and Nigeria's imports increased by 35.8 percent to $20.3 billion. Based on a review of data for some of the major exporters to sub-Saharan Africa, no single sector accounts for the majority of the growth in sub-Saharan African imports. Instead the imports appear to be spread over a range of sectors, including a variety of electrical and other machinery, refined oil, telecommunications equipment, vehicles, aircraft, and wheat.[15]

Sub-Saharan Africa's total merchandise exports were $138.7 billion in 2004, a 26.2 percent increase, compared to a 20.3 percent increase in 2003. In 2004, South Africa and Nigeria accounted for 56.5 percent of sub-Saharan Africa's total exports. South Africa's exports grew by 25.3 percent to $45.6 billion and Nigeria's exports grew by 36.1 percent to $32.8 billion.

Sub-Saharan Africa's 26.2 percent increase in exports kept pace with growth in total world exports, which was at 21.4 percent, and developing country exports, which was at 27.5 percent. Sub-Saharan Africa, however, accounted for only 1.5 percent of world trade in 2004, virtually unchanged from 2003.

Shares of Africa's Export and Import Markets

Sub-Saharan Africa accounts for slightly more than one percent of U.S. merchandise exports, and slightly more than two percent of U.S. merchandise imports, of which about

[11] *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 6.
[12] *Global Economic Prospects 2006: Overview and Global Outlook*, 42; and *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 15.
[13] *Global Economic Prospects 2006: Overview and Global Outlook*, 43-44.
[14] Unless otherwise noted, the data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2005).
[15] Based on a review of European Union, United States, China, Japan and South Africa trade data in the World Trade Atlas.

70 percent is petroleum products. Proportions are similar for sub-Saharan African trade with the European Union. The United States is Africa's largest single country market, purchasing 27.3 percent of the region's exports in 2004. The United Kingdom came in a distant second at 8.2 percent, and Japan was third at 6.0 percent. The EU purchased 36.4 percent of sub-Saharan Africa's exports, down from 40.5 percent in 2003.

- The U.S. market share in sub-Saharan Africa decreased slightly in 2004 to 5.8 percent, from 6.2 percent in 2003.

- The market share of all major industrial countries, except Japan, declined from 2003 to 2004.

- The market share of the EU as a whole also decreased to 32.7 percent.

- Non-traditional trading partners maintained their share of the African market. South Africa continued to export more than Italy and almost as much as Japan to sub-Saharan Africa, with exports to the region of $5.7 billion in 2004.

- China also continued to be a major supplier to sub-Saharan Africa, with exports of $9.9 billion in 2004, growing 32.4 percent from 2003. China maintained its share of the African market at 6.8 percent. China's exports to sub-Saharan Africa were larger than most industrial countries, except Germany. Increased shipments of electrical and other machinery, motorcycles, woven fabrics, and low-end footwear comprised the largest share of China's growth in shipments to sub-Saharan Africa.

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

	2003	% Share	2004	% Share
Sub-Saharan Africa's Imports				
Germany	8.7	7.9%	10.7	7.3%
France	9.5	8.6%	9.8	6.7%
United States	6.8	6.2%	8.5	5.8%
United Kingdom	6.4	5.8%	7.4	5.0%
Japan	4.0	3.7%	5.7	3.9%
Italy	3.5	3.2%	4.0	2.8%
Total EU	41.4	37.6%	47.8	32.7%
Sub-Saharan Africa's Exports				
United States	27.0	24.6%	37.8	27.3%
United Kingdom	9.1	8.3%	11.3	8.2%
Japan	6.1	5.6%	8.3	6.0%
France	6.8	6.1%	7.0	5.0%
Germany	6.0	5.5%	6.3	4.5%
Italy	4.4	4.0%	5.4	3.9%
Total EU	44.5	40.5%	50.5	36.4%

Source: Derived from IMF Direction of Trade Statistics Yearbook, 2005

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

	2002	2003	2004	2005
U.S. Exports	6,026.1	6,870.9	8,438.5	10,314.7
U.S. Imports	17,891.4	25,633.3	35,879.5	50,289.7

Source: U.S. Dept. of Commerce, Bureau of Census

C. Trade with the United States

U.S. total trade with sub-Saharan Africa (exports plus imports) continued to grow in 2005, as both exports and imports increased. Two-way trade was $60.6 billion, up 37 percent from a year earlier. U.S. exports to sub-Saharan Africa rose 22 percent to $10.3 billion, due to increased sales of oil field equipment and parts, aircraft, vehicles, wheat, and electrical machinery (including telecommunications equipment) – the same set of products which drove U.S. exports in 2004. U.S. imports rose 40 percent from 2004 to $50.3 billion, due to a large increase in imports of crude oil (mainly driven by rising demand and high oil prices) as well as smaller increases in imports of platinum,

diamonds, and cocoa.

Regarding oil trade, the U.S. is the single largest importer of African crude, purchasing about 30 percent of total African oil exports. The largest AGOA eligible exporters of crude to the U.S. are Nigeria, Angola, Gabon and Chad. From 2004 to 2005, total barrels of oil imports from AGOA eligible nations to the U.S. increased by 50 percent. In addition, sub-Saharan Africa's overall increased oil consumption, at least partially, reflected increased energy supplies and services to African citizens and increased economic activities in key African countries.

Trade between the United States and sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- U.S. exports to South Africa grew by 22 percent, to Nigeria by four percent, to Angola by 56 percent, to Kenya by 61 percent, and to Ethiopia by 45 percent. The large increases in Kenya and Ethiopia resulted from aircraft sales to both countries.

- U.S. imports continued to increase from all of the oil producing countries with imports from Nigeria growing by 49 percent, from Angola by 88 percent, from Gabon by 14 percent, from the Republic of Congo by 89 percent, from Equatorial Guinea by 33 percent, and from Chad by 98 percent. Imports from South Africa declined a little more than one percent, caused by declines in the imports of manganese and vehicles.

- In 2005, African Growth and Opportunity Act (AGOA) imports increased 44 percent to $38.1 billion.[16] This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions.

- Petroleum products continued to account for the overwhelming portion of total AGOA imports with a 92 percent share. With these fuel products excluded, AGOA imports were $2.9 billion, declining by 16 percent in 2005 compared to 2004 imports. AGOA transportation equipment imports declined by 49 percent to $273.6 million, AGOA minerals and metals imports declined by 32 percent to $493.9 million, and AGOA textile and apparel imports declined by 12 percent to $1.4 billion. These declines were mainly due to increased global competition in the apparel sector, the appreciation of key currencies such as the South African rand, decreased demand for key metals and minerals such as manganese, and production shifts in the South African automotive sector.

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

- Several non-oil sectors, however, experienced increases, including AGOA chemical and related product imports increasing by 48 percent to $329.3 million; AGOA agricultural imports increasing by three percent to $272.1 million, with increasing imports of fruits, nuts, and cut flowers; AGOA miscellaneous manufactures rising by 15 percent, to $72 million, with increasing imports of toys and sportswear; AGOA machinery products increasing by 12 percent, to $19.3 million; AGOA electronic products rising by 22 percent, to $19.2 million; and AGOA footwear rising by 104 percent, to $1.9 million.

- The U.S. merchandise trade deficit with sub-Saharan Africa continued to widen in 2005 to $40.0 billion, from $27.4 billion in 2004. Nigeria, Angola, Gabon, and South Africa accounted for 87 percent of the U.S. trade deficit with sub-Saharan Africa in 2005.

D. Investment and Debt

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

Investment

Against a background of rising commodity prices, foreign direct investment (FDI) flows into sub-Saharan Africa were strong in both 2003 and 2004, totaling approximately $14 billion each year.[17] Efforts to improve business climates, including those assisted by Millennium Challenge Account grants, should reduce barriers to doing business and increase efficiency, attracting more foreign investment. Improving fiscal policy performance and further debt-relief awarded to Highly Indebted Poor Countries (HIPC) under the Multilateral Debt Relief Initiative (MDRI) have led to increased investment in government paper in some countries on the part of private investors. These trends can help to bring down the cost of borrowing.

Heavily Indebted Poor Countries Initiative (HIPC)

To date, 25 sub-Saharan African countries (Benin, Burkina Faso, Burundi, Cameroon, Chad, Republic of Congo, Democratic Republic of the Congo, Ethiopia, The Gambia, Ghana, Guinea, Guinea Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé & Principe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia) have reached their HIPC Decision Points, enabling them to benefit from relief on debt payments coming due. Fourteen of these countries have reached the HIPC Completion Point, qualifying for a reduction in their stock of debt. Of the 14, two were added in 2005 (Rwanda, Zambia) while the other 12 countries (Benin, Burkina Faso,

[17] United Nations, World Investment Report, 2005.

Ethiopia, Ghana, Madagascar, Mali, Mauritania, Mozambique, Niger, Senegal, Tanzania, and Uganda) had qualified in previous years.

Overall debt reduction for these countries, including from traditional mechanisms and additional bilateral relief provided by some creditors, will reduce their debts by about two-thirds. The United States has agreed to provide 100 percent bilateral debt reduction (on debt contracted before the June 1999 Cologne Summit) for qualifying HIPC countries. In addition, the United States has thus far contributed a total of $675 million to the HIPC Trust Fund, the multilateral component of the enhanced HIPC initiative. The Trust Fund helps regional development banks and other multilateral institutions (but not the World Bank/IDA or IMF) meet the costs of providing HIPC debt reduction.

For countries that complete the HIPC process, based on performance on economic policies and poverty reduction efforts, the landmark Multilateral Debt Relief Initiative (MDRI) aims to more conclusively achieve debt sustainability, and end the lend-and-forgive cycle, by providing 100 percent debt cancellation on obligations to the International Monetary Fund (IMF), the International Development Association (IDA), and the African Development Fund (AfDF). Under MDRI, thirteen sub-Saharan African countries that have reached their HIPC Completion Points have received 100 percent debt cancellation from the IMF and will receive similar treatment from IDA and AfDF once their MDRI implementation takes effect. The remaining ten Decision Point countries will be eligible for MDRI debt relief when they reach Completion Point.

E. Economic Reforms

Reforms in the business environment

While macroeconomic policies have been improving, much work is still needed to improve the ease of doing business. In the World Bank's Doing Business Indicators report, Africa is noted as having the "lowest reform intensity" of any region in terms of making it more attractive for business. This means that entrepreneurs face more regulatory obstacles in Africa than in any other region. The African countries that remained at the top of the "Doing Business Indicators" list (that is, those with the most business-friendly environments) were Mauritius, South Africa and Namibia.

Financial Sector reforms

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

Oil producers versus non-oil producers

Continental averages mask significant differences across countries in terms of economic growth. The eight oil-producing countries (Angola, Cameroon, Chad, Congo-Brazzaville, Cote d'Ivoire, Equatorial Guinea, Gabon, and Nigeria) broadly enjoy higher growth rates, stronger fiscal positions, and higher international reserves than the other 40 sub-Saharan countries. GDP growth in oil-producing countries has averaged 7 percent the last three years due to higher oil prices and increases in production compared to 4 percent growth in non-oil producing countries.

The IMF projects an average fiscal surplus of almost 10 percent for oil producers in 2006 with continued strong growth and improved expenditure management. This compares favorably with an average fiscal deficit of 3 percent of GDP in non-oil producers. A similar pattern holds for external current account balances. One important policy challenge for both oil importers and exporters is to ensure the full pass-through of rising costs.

Reform efforts are needed in nearly all the oil exporters to improve transparency and accountability in their oil sectors. Several of the countries (Gabon, Republic of Congo and Nigeria) are implementing the Extractive Industries Transparency Initiative (EITI), while others are considering how and when to pursue EITI.

Donor inflows

Many African countries remain dependent on donor resources – the size of ODA relative to recipients' GDP averages 6.2 percent, almost six times larger than the next largest region (16 percent of the Sub Saharans have a dependency ratio above 10 percent). Much of the scaled up aid has come in the form of debt relief as African countries comprise 14 out of the 18 MDRI-eligible countries. Absorbing donor flows effectively is a challenge for many African countries, which need to accompany higher aid flows or debt relief with a policy framework which facilitates effective absorption of those flows. The macroeconomic impact of new inflows depends on how a country uses the resources and particularly how fiscal policy interacts with monetary and exchange rate management.

Strong recent growth has not resulted in considerable reduction of poverty

Thirty four of the world's 48 poorest countries and 24 of the 32 countries ranked lowest in the UNDP human development report are in Africa and poverty has actually grown the last 40 years. Most Africans (70-80 percent) live off the land, though agriculture accounts for only 17 percent of Africa's GDP. Given the reliance on agricultural commodities, and the paucity of value added industries or the lack of improvements in productivity, Africa remains highly vulnerable to exogenous shocks. Hence, reforms to improve agricultural productivity, such as greater access to irrigation, new agricultural technologies, better farm-to market roads, and a reduction in distortive subsides, are needed.

F. Regional Economic Integration

The United States supported regional economic integration efforts in sub-Saharan Africa as a means to stimulating economic growth by improving economies of scale and reducing transaction costs for the region as well as for international businesses. The United States supported integration in sub-Saharan Africa through a number of trade-related initiatives, including the provision of technical assistance to build capacity and strengthen trade and investment relations with the region (see Chapter V – USAID Activities for more information).

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

To encourage regional integration, the United States has entered into Trade and Investment Framework Agreements (TIFAs) with UEMOA and COMESA. The next U.S.-UEMOA TIFA meeting is to be held in June 2006 and a U.S.-COMESA TIFA meeting is to be held in October 2006. Both meetings will focus on bilateral trade and AGOA implementation, trade facilitation, trade financing and ongoing WTO negotiations. The United States also began negotiations for a free trade agreement (FTA) with SACU in June 2003. An FTA with SACU would deepen U.S. economic and political ties to sub-Saharan Africa and lend momentum to development efforts in the region. (See Chapter VIII for more information on the U.S.-SACU FTA.)

Major regional trade organizations in sub-Saharan Africa include the following: (i) the African Union (AU), with 53 member states; (ii) the Central African Economic and Monetary Community (known by its French acronym, CEMAC), with six members; (iii) the Common Market for Eastern and Southern Africa (COMESA), with 19 members; (iv) the East African Community (EAC), with three members; (v) the Economic Community of West African States (ECOWAS), with 15 members; (vi) the West African Economic and Monetary Union (known by its French acronym, UEMOA) with eight members, all also members of ECOWAS; (vii) the Southern African Development Community (SADC), with 14 members; and (viii) the Southern African Customs Union (SACU), with five members, all also members of SADC. (See Annex C for a list of member countries in each regional organization).

AU: The AU continued to play a major coordinating role. In 2005, the AU coordinated Africa's negotiating position for the WTO's Hong Kong Ministerial in December 2005. It also organized a Trade Ministerial in April 2006 to coordinate positions for the end-April deadline for modalities in Doha negotiations. The AU continued to monitor Economic Partnership Agreement (EPA) negotiations between the EU and African sub-regional organizations. In 2005, the AU released a declaration and plan of action to improve Africa's commodity trade performance through increased intra-African trade

and diversification.

The African Peer Review Mechanism (APRM) is a voluntary program under NEPAD through which a country's economic, political, corporate and social governance is reviewed by the country itself and peers, and a national action plan to address shortcomings is developed. As of January, 2006, 25 countries had signed on to the APRM. In January 2006, Ghana and Rwanda – completed their reviews, which should be made public in the coming months.

The AU continued to play an active role in resolving conflicts in a number of countries including Cote d'Ivoire, Togo, and Comoros. There were approximately 7,000 AU peace keeping soldiers in Darfur in 2005.

CEMAC: CEMAC continued to focus on regional infrastructure and security. In September 2005, CEMAC began a transportation project to improve transport infrastructure in the region. On November 25, 2005, CEMAC and Sao Tome and Principe met with the EU to discuss the process for negotiating an Economic Partnership Agreement (EPA). They agreed on a timeline for the negotiations and to begin drafting the text and legal provisions, and discuss issues related to market access in 2006.

COMESA: As of December 2005, eleven COMESA countries had joined the COMESA Free Trade Area and eliminated tariffs on items produced in member countries. A committee was established to finalize guidelines on enhancing regional trade and cooperation and to address differences in the regulatory and procedural requirements of member states. COMESA aims to create a customs union by 2008. The United States provided technical assistance to support COMESA's integration efforts, including: assistance on trade and the WTO; capacity building for institutional strengthening of key management systems within the COMESA Secretariat; identification of barriers to investment and development of regional solutions; private sector capacity building; telecommunications harmonization; and study of rules of origin as related to the WTO, World Customs Organization, SADC, and other organizations. The European Union continued negotiations on an Economic Partnership Agreement (EPA) with countries in eastern and southern Africa, including member countries in COMESA, EAC, and SADC. In 2005, EPA discussions focused on regional issues, market access, trade-related areas, development cooperation aspects, agriculture, and fisheries. According to the EU, a main challenge for the EPA negotiations is the overlapping membership of various regional integration organizations with diverging integration agendas.

EAC: In January 2005, the EAC established a new Customs Union that simplified and harmonized the tariff structure of the three EAC member countries. While the new Customs Union appears to have generally lowered EAC member tariffs, it increased tariffs on some products deemed "sensitive," including products of special export interest to the United States, such as used clothing, almonds, and certain wheat and corn products.

ECOWAS: ECOWAS plans to create a customs union with a common external tariff by 2007 and a West African Monetary Zone with a common currency by 2009. The United

States continued to support integration in ECOWAS through a number of means, including technical assistance to the West African Power Pool and the West African Gas Pipeline Project (see Chapter VI. Section E). In support of ECOWAS' regional integration efforts, USAID's West Africa Regional Program (WARP) has sponsored programs focused primarily on harmonizing customs and trade regulations within West Africa and removing barriers to intra-regional trade. WARP is also supporting the adoption of a common external tariff throughout West Africa. In October 2005, the government of Nigeria implemented ECOWAS' common external tariff, reducing Nigeria's tariff bands from twenty to five, and bringing its weighted average tariff down from 29 percent to below 20 percent. The new tariff system has four bands: 0 percent, 5 percent, 10 percent, and 20 percent. However, there are a number of temporary measures, including a temporary 50 percent tariff, which can be placed on certain imports until the end of 2007.

SACU: SACU is close to concluding an FTA with EFTA countries that would liberalize trade in certain sectors. SACU is also engaged in discussions about possible future FTAs with India and China. In June 2003, the United States began negotiations for a free trade agreement (FTA) with SACU, the first FTA initiative between the United States and countries in sub- Saharan Africa (see Chapter VIII for additional information on the U.S.-SACU FTA).

SADC: SADC aims to create an FTA by 2008 and a customs union by 2010. In December 2005, Malawi and Mozambique set up a bilateral trade arrangement to provide duty free treatment for certain products beginning in July 2006. Malawi and Mozambique plan to reduce their tariffs to 3 percent and 1.8 percent, respectively, by 2008, and to zero by 2012. EU discussions with SADC on the Economic Partnership Agreement (EPA) focused on regional integration issues, technical barriers to trade, and sanitary and phytosanitary standards. Some SADC members are negotiating an EPA with the EU under the SADC framework, and other SADC members are negotiating with the EU under the COMESA framework. Therefore, overlapping membership in the various regional organizations has become a major challenge in the SADC EPA negotiations.

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

G. Africa and the WTO

Supporting African countries' integration into the global economy is one of the main elements of the Administration's Africa trade policy. An important step toward this end

is encouraging fuller participation in the WTO by African Members, including the undertaking of greater commitments under WTO agreements. Accordingly, the United States consults closely with the 38 sub-Saharan African Members of the WTO and provides technical assistance to facilitate African participation in the WTO, for example via work on trade facilitation, services, and sanitary and phytosanitary measures carried out by the four USAID-managed Regional Trade Hubs in sub-Saharan Africa. In 2005, the United States also provided technical assistance to two African countries -- Cape Verde and Ethiopia -- working their way through the WTO accession process.

Issues arising out of the WTO's ongoing, multilateral Doha Development Agenda negotiations continued to be a major topic of U.S. trade policy engagement with African countries in 2005. Senior USTR officials participated in a wide range of Africa-focused multilateral meetings at which WTO issues were a central focus. In November 2005, U.S. Trade Representative Portman and Agriculture Secretary Johanns met with West African trade and agriculture ministers in Burkina Faso to discuss the handling of cotton in the Doha negotiations. Deputy USTR Allgeier participated in a WTO mini-ministerial in Nairobi, Kenya in March 2005 and an African Union (AU) Trade Ministerial in Cairo in May 2005. Deputy USTR Bhatia attended the G-90 Ministerial in Brussels (most G-90 countries are in Africa) in November 2005 and the AU Trade Ministerial in Nairobi, Kenya in April 2006. USTR officials also participated in the LDC Ministerial in Lusaka, Zambia in June 2005 and the AU Trade Ministerial in Arusha, Tanzania in November 2005.

Issues that figured prominently in U.S.-African discussions on Doha included the three pillars of the agriculture negotiations (market access, domestic support, and export competition), cotton, the Non-Agricultural Market Access (NAMA) negotiations, TRIPS and access to medicines, and the full range of development-related issues, including Aid for Trade and duty-free, quota-free market access for LDCs. The handling of cotton in the Doha negotiations involved particularly high-level engagement. At the December 2005 WTO Ministerial in Hong Kong, WTO Members agreed to end developed country export subsidies for cotton in 2006, to provide duty-free, quota-free access for LDC cotton exports in developed country markets, and to seek to reduce trade-distorting domestic supports for cotton more ambitiously and more quickly than under the general formula to be agreed in the Doha negotiations. The Hong Kong Declaration also contained guidance related to the development-related concerns of the Cotton-4 countries. (See Chapter V, Section B for more information on efforts being undertaken to address the cotton-related development concerns of the Cotton-4.)

AGOA helps to promote sub-Saharan Africa's integration into the multilateral trading system by strengthening Africa's trade and investment linkages with the United States and the world, and underscoring the importance of trade liberalization for African growth and development. The AGOA Forum (see Section VII) also provides an opportunity for senior U.S. officials to discuss WTO and other trade issues with their African counterparts. WTO issues were the subject of a special ministerial roundtable at the July 2005 AGOA Forum in Dakar, Senegal.

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

In March 2005, the United States formally submitted a waiver request for AGOA to the WTO. The request asks WTO Members to waive certain U.S. obligations under the 1994 General Agreement on Tariffs and Trade in order to permit the United States to provide duty-free treatment for certain eligible products from AGOA beneficiary countries. As of April 2006, WTO Members were still consulting with the United States on the waiver request, which is ultimately to be considered by the WTO General Council.

V. Trade Capacity Building

A. Overview

Trade Capacity Building assistance (TCB) is a cornerstone of the U.S. Government's strategy to promote economic growth through trade and to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. TCB helps to improve the linkage between trade and development by providing developing countries with the tools to maximize trade opportunities. Many developing countries lack a framework for understanding how reciprocal agreements to lower trade barriers serve their development interests. Furthermore, they may need assistance to implement their trade commitments in a full and timely manner. Countries also need assistance to build the physical, human and institutional capacity necessary to take full advantage of trade opportunities and to increase growth and reduce poverty.

The United States devoted $199 million to TCB activities in sub-Saharan Africa in FY2005 – up more than 10 percent from FY2004 and up roughly 50 percent from FY2003. USTR works closely with several U.S. agencies, including USAID, Customs and Border Protection, USTDA, OPIC, and the Departments of State, Agriculture, Commerce, and Transportation to ensure that U.S.-sponsored TCB assistance is comprehensive and responsive to both African needs and U.S. trade policy objectives. Helping AGOA beneficiary countries to improve their capacity to trade and to make the most of the opportunities afforded under AGOA has been a major focus of U.S. TCB programs. The activities of the four USAID-managed Regional Trade Hubs for Global Competitiveness in sub-Saharan Africa (in Botswana, Ghana, Kenya, and Senegal) reinforce this goal.

The United States is the largest single-country contributor to the World Bank and other multilateral development banks and is a major contributor to other international organizations, which together provide an increasingly broad range of TCB assistance to sub-Saharan African countries and to other developing countries worldwide. The United States is aggressively funding programs and developing new initiatives at the multilateral and bilateral levels to address the specific needs of African countries with respect to reducing poverty and spurring economic growth. The United States has matched its broad trade initiatives with more focused assistance at the regional, sub-regional, and country levels.

Trade capacity building is an important element of AGOA implementation. In FY2005, the United States provided over $150 million in trade-related technical assistance to AGOA beneficiary countries, up 53 percent from FY2004. Several U.S. agencies – including USAID, Customs and Border Protection, and the Departments of State, Agriculture, and Commerce – have conducted technical assistance and outreach programs designed to assist beneficiary countries to take full advantage of their AGOA benefits. AGOA implementation is a major focus of the four Regional Trade Hubs, which conduct seminars and workshops designed to help African businesses make the most of AGOA's trade opportunities.

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

As part of its response to the WTO Doha Development Agenda, the United States, through USAID, is providing a wide range of support for the Integrated Framework (IF) initiative, a multi-agency, multi-donor program that helps least-developed countries to expand their participation in the global economy and to enhance their economic growth and poverty reduction strategies. Twenty-six sub-Saharan African countries have benefited to date from the IF or are targeted for assistance under it: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Eritrea, Ethiopia, The Gambia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Sudan, Tanzania, Uganda, and Zambia. Eritrea, however, has "taken a pause" from the IF processes at this time. The United States is a strong supporter of the IF and, along with Switzerland, served as one of the two bilateral donor coordinators in the Integrated Framework Working Group during 2004-2005. In addition, the USAID missions in Mali and Mozambique are currently serving as IF donor facilitators in the field, and several other missions have offered to assume this role in other IF countries.

The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies (DTIS) and Window II projects. The DTIS identifies: 1) constraints to trade in the targeted country; 2) sectors with export potential, and 3) a plan of action to integrate the country into the global trading system. Window II projects are transitional, priority projects funded by the IF Trust Fund to bridge the time it takes donors to get their trade integration programs running. Further, USAID's bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority "behind-the-border" capacity building needs designed to accelerate integration into the global trading system. In FY2005, U.S. bilateral TCB assistance to the 26 sub-Saharan African countries currently participating in the IF exceeded $128 million, a 98 percent increase from the nearly $65 million provided in FY2004. [18]

TCB is an important element of U.S. engagement with West African countries to address concerns related to the international cotton trade that the United States pursues on two tracks – a trade track handled in the WTO negotiations and a development track handled primarily through bilateral processes. The United States actively participates in the WTO Secretariat's monthly meetings with donors and recipient countries to discuss the development aspects of cotton and continues to mobilize its development agencies to support development-related cotton initiatives and to address the obstacles faced by West

[18] The $42 million figure reported for FY2004 in the 2005 report did not include late-term FY2004 developments. The figure has been revised upward to include all FY2004 TCB assistance to sub-Saharan African IF countries.

African countries in the cotton sector, particularly in Benin, Burkina Faso, Chad, Mali, and Senegal. These countries are often referred to as the "Cotton-4." The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others on the multilateral effort to address the development aspects of cotton.

On a bilateral level, the Millennium Challenge Corporation, USAID, USTR, USDA, and the U.S. Trade and Development Agency are working together to devise a coherent long-term development program for cotton based on West African needs. In the past year, U.S. agencies have carried out a number of activities related to the development aspects of cotton.

In November 2005, the United States announced the newly-created West Africa Cotton Improvement Program (WACIP) that provided an initial $7 million to improve production, transformation, and marketing of cotton in West Africa, based on U.S.-funded assessments of the sector. In January 2006, USAID and USDA officials met with Cotton-4 representatives in Benin to identify country-specific and regional activities for implementation under the WACIP. The meeting resulted in a recommendation that the development of the cotton sector be viewed in terms of the entire regional agricultural development policy outlined in NEPAD's Comprehensive Africa Agriculture Development Program. The meeting also highlighted nine key areas supported by WACIP for cotton-specific development, including: expansion of good practices (pest management, soil conservation and fertility) and research linkages between U.S. and West African organizations; better classification of seed cotton; establishment of regional training programs for ginners; support for policy development to facilitate private management of the cotton sector; expanded access to high quality inputs (seeds, fertilizer, agrochemicals); and exploration of ways to add value to West African cotton through regional processing. Participants in the meeting further recommended that national advisory committees should be established in each country to guide program implementation. At the regional level, the national advisory committees shall be coordinated by a regional advisory committee. The work of the WACIP program will be closely coordinated with initiatives of other donors involved in the cotton sector.

In addition to the WACIP, U.S. agencies are also providing other assistance to the Cotton-4 and other West African cotton producing countries. Most notably, the selection of Benin, Burkina Faso, Mali, and Senegal for prospective FY2006 funding under the Millennium Challenge Account (MCA) initiative provides an opportunity for these countries to address development constraints in their cotton sectors. On January 30, 2006, the MCC signed a $307 million compact with Benin that addresses a series of strategic investments designed to improve core physical and institutional infrastructure and increase investment and private sector activity. Of particular note, the compact will reduce delays at the Port of Cotonou and increase the volume of exports in areas important to Benin such as cotton. (See Chapter VI, Section A for more on the MCA.)

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

- USDA education exchanges: USDA sponsored a cotton classing program for West African cotton sector officials in June 2005 and a soils management training program in July 2005;
- USAID/National Cotton Council (NCC) entomologist program: USAID, in collaboration with the NCC, sponsored four West African entomologists to receive field training at Tuskegee University. This program was followed up on by an NCC entomologist and others visiting West Africa in December 2005 for further discussions on recommended measures to control insects and the application of biotechnology in the cotton sector.
- 2004 and 2005 Biotechnology Conferences: Ministers attending the 2005 conference on agricultural biotechnology and biosafety, which was held at the request of the Cotton-4 ministers and in association with ECOWAS, made over 20 recommendations concerning biotechnology.

B. USTR Activities

USTR coordinates closely with a wide range of federal agencies on the trade capacity building activities described above. In addition, USTR was actively involved in 2005 in the planning and implementation of many U.S. TCB programs in sub-Saharan Africa, especially those related to AGOA, the WTO, and the FTA negotiations with the Southern African Customs Union. (See Chapter VIII for more on the FTA.)

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

In December 2005, U.S. Trade Representative Portman announced during the WTO Ministerial in Hong Kong that the United States will more than double its grant contributions to Aid for Trade, from $1.3 billion in 2005 to $2.7 billion annually by 2010, subject to developing countries prioritizing trade in their development plans and the President's budget request being approved. U.S. cumulative TCB spending in 2001-2005 totaled over $4.2 billion in grants; and it is likely, given recent growth in U.S. trade-related assistance, that cumulative spending will more than double over the next five years. This will help countries create the legal, administrative and physical infrastructures needed to participate fully in the market openings envisioned by the Doha Development Agenda.

United States TCB funding for SACU countries in FY2005 was $10.3 million, up almost 78 percent from FY2004. An additional $5.4 million in TCB support for SACU comes from regional funding. USTR leads U.S. participation in the Cooperative Group on TCB established to support the U.S.-SACU FTA. The objective of the Cooperative Group is to help identify and address the needs of the SACU countries in preparing for the

negotiations, implementing the eventual agreement, and making the transition to free trade. Despite the slow progress in the SACU FTA negotiations (see Chapter VIII), FTA-related TCB to SACU countries continues, though the pace of the activities has slowed.

C. USAID Activities

USAID is one of the principal U.S. Government agencies involved in implementing the Administration's goal to promote economic growth and reduce poverty in Africa. Increasingly, African countries are recognizing the crucial role that trade can play in promoting economic development and are actively seeking to expand their participation in the global economy. Helping African countries to integrate into the world economy is a primary objective of USAID's economic growth and trade activities, which support African trade and investment policy, institutional analysis and reform, trade capacity building and technical training, and the promotion of U.S.-Africa private sector development. USAID's TCB activities are mainstreaming trade into economic development programs. USAID development programs work in tandem with trade legislation such as AGOA and multilateral efforts such as the Integrated Framework to help African countries expand their capacity to trade. In FY2005, USAID provided $83.5 million in TCB funds for sub-Saharan Africa.

In FY2005, USAID supported AGOA and increased trade and investment in Africa through several programs, especially President Bush's Trade for African Development and Enterprise Initiative (TRADE). TRADE was a four-year, $70 million Initiative that helped African businesses in eligible countries take advantage of increased trading opportunities provided through AGOA. It promoted regional cooperation and trade and also provided technical assistance for economic policy formation. The TRADE Initiative began in 2002 and ended in FY2005 when it was superceded by the African Global Competitiveness Initiative (AGCI) announced by President Bush at the July 2005 AGOA Forum in Dakar, Senegal. The AGCI is a $200 million Presidential Initiative covering the 2006–2010 period.

The AGCI operates within the framework of AGOA and builds on the platforms established under the TRADE Initiative. The goal of AGCI is to promote the export competitiveness of sub-Saharan African enterprises in order to expand African trade with the United States, with other international trading partners, and regionally within Africa. Its operational objectives include: 1) improving the policy, regulatory, and implementation environment for private sector-led trade and investment; 2) strengthening the knowledge and skills of sub-Saharan African private sector enterprises to take advantage of market opportunities; 3) increasing access to financial services for trade and investment; and 4) facilitating investments in infrastructure.

The AGCI works with host-country government and private sector partners primarily through the four Trade Hubs for Global Competitiveness: in Gaborone, Botswana; Nairobi, Kenya; Accra, Ghana; and Dakar, Senegal. (The establishment of the Dakar Hub was announced at the 2005 AGOA Forum and was officially opened in November

2005.) Each Hub is staffed by a team of experts in various trade-related fields and responds to region-specific needs and serves as a central point where African and U.S. government agencies, donor and civil society organizations, and the private sector can find information and technical assistance on trade, investment, and business activities in the region, including training opportunities. The Trade Hubs also work with regional organizations to increase regional economic integration and reduce barriers to regional trade. USAID's bilateral missions also partner directly with the Trade Hubs on cross-sectoral economic growth and trade activities. Further information about the Hubs can be found on the Internet at www.watradehub.com (for the two hubs in West Africa), www.satradehub.org (for Southern Africa), and www.ecatradehub.com (for Eastern and Central Africa).

Of particular importance to the implementation of AGOA, USAID funds agricultural standards advisors from USDA's Animal and Plant Health Inspection Service to work with each Trade Hub and with USAID missions on coordinating pest risk assessments for prospective agricultural exports to the United States from African countries. (See the USDA section below for more information on this program.)

USAID's bilateral and regional missions also play an important role in the Administration's efforts to assist countries in the region to develop AGOA strategies and strengthen their capacities to respond to trade opportunities.

Southern Africa Trade Hub and Regional USAID Mission

The Southern Africa Global Competitiveness Hub (SAGH), based in Gaborone, Botswana, is works in four core areas: capacity building and policy reform for trade and competitiveness; customs modernization and transport facilitation; financial services; and building private sector advocacy and outreach. The SAGH works to increase export volumes, reduce transaction costs, promote viable new deals, enhance private sector advocacy, and promote pro-competitive policies.

The SAGH carried out a range of services in support of AGOA in 2005, including assistance to countries in developing national AGOA export strategies, firm-level export assistance, and a wide range of training programs. The Hub's AGOA program includes: awareness and information-oriented activities at the country, sub-sector, cluster and enterprise levels; promotion of apparel and agricultural exports eligible for duty-free treatment; and responses to demand-driven requests by private firms for match-making between suppliers and buyers to facilitate export transactions.

The Hub's AGOA export strategy initiative supports governments' efforts to diversify their exports across a wider range of AGOA-eligible products. Botswana, Swaziland, and Namibia are incorporating their respective AGOA export strategies into existing national economic planning programs. In each of these countries, working groups composed of the public and private sector have identified short-term and long-term strategies to take full advantage of AGOA. The Hub provided training in 2005 to over 500 small to medium-sized enterprises in Botswana, Mozambique, Lesotho, Swaziland,

Malawi, Namibia and Zambia. The programs improved understanding of U.S. market requirements, helped exporters to organize themselves to meet large marketing orders, and led to export contracts for producers. In the agriculture sector, the Hub is prioritizing agricultural products based on market potential in the United States with the aim of increasing AGOA exports in the medium term.

The Southern Africa Hub continued capacity building programs in the apparel sector in the context of the expiration of global apparel quotas. In 2006, the Hub is conducting a demand survey of U.S. retailers and importers to identify sourcing needs. Results of the survey will be used as a roadmap to direct further TCB activities in the apparel sector. The Hub is also identifying apparel producers in Lesotho and Swaziland as part of a cluster approach to improve competitiveness and maintain AGOA exports in niche apparel markets.

Through its Trade Competitiveness Project, the Hub seeks to improve the capacity of regional businesses to produce and market competitive goods and services. The project aims to develop value-added export relationships within the region and internationally. It also seeks to assist producers, exporters and countries to maximize benefits from AGOA opportunities. Priority target sectors include agribusiness, apparel and tourism.

In agriculture, the Southern Africa Hub is building new market links in Mozambique and Swaziland with seasonal supply advantages into South Africa. In Zambia, the Trade Hub continues to support new floriculture investment with the aim of increasing jobs in this important sector.

A pillar of the Hub's trade capacity building work is its support of the FTA negotiations between the United States and the SACU. (See also Chapter VIII.) A key objective of this assistance is to improve the SACU negotiators' understanding of the components of a free trade agreement and the actions necessary to comply with WTO agreements. The Hub funded trade facilitators at the trade ministries in Botswana, Lesotho, Namibia, and Swaziland and organized workshops on the analysis of trade data. The Hub also assisted the SACU Secretariat to develop an operational plan to facilitate implementation of the new 2002 SACU agreement. At the request of the SACU Secretariat and the South Africa Department of Treasury, the Hub is assisting Members to resolve some of the difficulties in implementing the new SACU Revenue Sharing Formula.

The Trade Hub continues to assist customs agencies in Botswana, Malawi, Mozambique, Namibia, and Zambia as they introduce risk management practices aimed at facilitating faster customs clearance. The Hub supported the launch of Time Release Studies in Southern Africa, and facilitated the adoption of a single administrative document for customs clearance along the Trans Kalahari Corridor which is now being rolled out throughout SACU. In addition, the Hub has worked to facilitate implementation of a regional customs bond guarantee, and undertook a needs assessment of trade facilitation in Zambia to identify the implications for implementing new WTO disciplines in this area. The objectives are to reduce transaction costs, stimulate economic activities, enhance regional integration, and promote global competitiveness for the region.

East and Central Africa Trade Hub and Regional USAID Mission

The East and Central Africa (ECA) Hub, based in Nairobi, Kenya, has four components: trade policy/capacity building, AGOA, transport, and customs. The ECA Hub's AGOA component centers on business linkages, business development assistance, the provision of technical assistance, and training and knowledge-sharing about AGOA opportunities. In 2005, the Hub conducted country-specific AGOA training workshops for the private sectors in Ethiopia, Kenya and Uganda. Over 500 business persons were trained. In Uganda, training included specialized sessions for Ugandan and regional customs officials on AGOA rules of origin. In October, the ECA Hub, in close collaboration with USAID and USTR, held the first Regional AGOA Export Diversification Workshop in Addis Ababa, Ethiopia. The two-day workshop brought together U.S. government experts, sector specialists, importers and business representatives from throughout East and Central Africa to explore ways to enhance AGOA utilization in the region. The workshop included breakout sessions in three sectors: handicrafts, home accessories/home furnishings and leather goods.

The ECA Hub organized four trade missions to the United States in 2005 for handicrafts/home accessories, furniture, textile/apparel, and processed food/beverage manufacturers. Collectively, 30 companies from the region participated in these trade shows and completed deals worth over $11 million in exports to the United States. Each dollar spent by the ECA Hub in direct technical assistance and trade show support resulted in $182 of exports to the United States under AGOA. This return on Hub investment was five times greater than that of 2004. The Hub provided firm-level technical assistance, chiefly through International Executive Service Corps Volunteer Experts, to several export-ready firms in the textiles/apparel, handicrafts, leather/leather goods and specialty food and beverage sectors. The technical assistance provided specialized support in such areas as design, pricing and marketing for penetration of the U.S. market under AGOA.

In addition to its active regional AGOA program covering 13 AGOA-eligible countries, the ECA Hub designed and implemented additional, country-specific "AGOA Add-on" programs in Ethiopia, Tanzania and the Republic of Congo. The programs, managed by the ECA Hub in close collaboration with the respective bilateral missions, provided technical assistance and trade promotion assistance in selected sectors.

The ECA Hub continued to support women-owned/managed businesses. It commissioned an assessment of women-owned and -operated businesses in selected countries in the East and Central Africa region, with emphasis on the businesses' experience with and utilization of AGOA. The report served as the basis for a roundtable discussion at the July 2005 AGOA Forum in Dakar.

The ECA Hub staff includes a trade facilitation specialist based at COMESA headquarters in Lusaka, Zambia as part of the partnership between USAID and COMESA. The ECA Hub also works closely with a USDA/APHIS Advisor based in Kampala, Uganda. Pest Risk Assessments (PRAs) were completed for baby corn,

carrots, and garden peas from Kenya, as well as litchis from Madagascar. PRAs have been initiated for bananas from Uganda and passion fruit from four countries in the region.

In the area of trade capacity building and policy formation, the Hub's emphasis is on assistance related to WTO, COMESA, and SPS issues, as well as export strategy development and policy analysis. ECA Hub efforts in the area of customs harmonization and trade facilitation are directed toward enhancing customs capabilities so as to facilitate trade. The Hub's work on transport and trade efficiency is focused on the development of a commercially viable transport corridor that links Kenya, Uganda, Rwanda, Burundi and the Democratic Republic of Congo, with offshoots toward Sudan and Ethiopia.

The ECA Hub carried out a wide range of TCB activities in 2005. These included multilateral efforts such as WTO/COMESA Trade in Services training and WTO Information Technology Agreement training in Kenya, Rwanda, Tanzania and Uganda. The ECA Hub continued to assist COMESA with the implementation of a Customs Regional Bond Guarantee Scheme through the provision of technical manuals and workshops. It also continued to provide institutional support to the Northern Corridor, private sector associations, the Kenya Shippers Council, clearing and forwarding agents in Kenya, Uganda and Rwanda, and the Kenya Transport Association. Finally, the ECA Hub developed a National AGOA Export Strategy in Seychelles, the fifth such strategy the ECA Hub has undertaken in the region. The strategies identify key constraints and opportunities under AGOA and provide country-specific action plans.

USAID's Regional Economic Development Services Office for Eastern and Southern Africa (REDSO/ESA), also based in Nairobi, continues to support the AGOA Linkages in COMESA (ALINC) project begun in October 2002. ALINC is an export assistance program designed to accelerate completion of trade transactions under AGOA between U.S. buyers and export-ready companies in COMESA countries. ALINC provides technical assistance to firms in specific AGOA commodity areas, such as textiles, handcrafts and leather goods. In addition, ALINC provides valuable feedback to policymakers in COMESA and the United States on the special challenges and constraints firms face in making the most of AGOA. For example, ALINC continues to coordinate closely with USDA and APHIS on SPS requirements for agricultural exports to the United States.

REDSO/ESA is also implementing several other trade-related assistance projects. To improve trade and food security in the region, REDSO/ESA is supporting the provision of technical assistance to regional African institutions to improve performance in governance, program management, external relations and outreach, and information technology. USAID is working with COMESA to reduce trade barriers within COMESA and track progress on policy reform and trade volumes. Training is being provided to more than 200 private and public sector representatives on trade in services and to over 350 entrepreneurs on accessing trade under the WTO and AGOA. REDSO/ESA also supports analysis, advocacy and dialogue to advance policies to enhance trade and food security in the region. Technical assistance is being provided to develop biotechnology

regulations, streamline customs procedures, and harmonize regional policies in investment, trade in commodities, seeds, services, and telecommunications.

West Africa Regional Program and Trade Hub

USAID's West Africa Regional Program (WARP), based in Accra, Ghana, manages programs that increase trade competitiveness in West Africa and assist governments and the private sector to take advantage of AGOA. WARP's programs focus on improving the enabling environment to conduct trade, assisting the private sector to compete globally and take advantage of AGOA, and facilitating investment in critical infrastructure in support of trade.

To improve the enabling environment for trade, WARP continues to provide critical support to its primary regional partner, ECOWAS, in the final stages of adoption and implementation of the ECOWAS Common External Tariff (CET). In FY2005, Ghana, Nigeria, Guinea and Sierra Leone adopted and began implementation of the CET. As a result of this project, Nigeria reduced tariffs on some items by as much as 100 percent, improving the ability of its neighbors to trade with the region's economic powerhouse.

In support of a better enabling environment, the West African Global Competitiveness Hub, also based in Accra, assisted ECOWAS and UEMOA in regional efforts to improve road governance on major transport corridors and to develop harmonized SPS standards. The West Africa Hub also continued to support ECOWAS' Community Computer Center in Lome to develop a regional customs information system that allows for sharing of customs data throughout the region.

To support the private sector, the West African APHIS Advisor based out of WARP completed seven pest risk assessments in FY2005, including asparagus and melon from Senegal; okra, mango and eggplant from Ghana; and tomatoes and papaya for all of ECOWAS. The PRAs are a first step toward Africa exporting these fresh products to the United States under AGOA. The APHIS Advisor is also working with the Hub to facilitate discussions between national atomic energy departments and USDA, State, USAID, USTDA and the MCC on whether irradiation technology can be an effective technology to support the export of more West African agricultural commodities to the United States under AGOA.

To expand AGOA opportunities, the West Africa Hub has provided technical assistance to six countries to help them obtain AGOA apparel visas and to ten countries in support of obtaining Category 9 certification for export of handloomed and folklore products under AGOA. The West Africa Hub sponsored "AGOA Days" in Nigeria, Chad, Burkina Faso and Niger in FY2005, publicizing the advantages of AGOA and training the private sector on how to do business in the United States. Overall, in FY2005 the West Africa Hub trained over 2,000 businesspeople on AGOA, product design, marketing, production, financial management and packaging in sectors where West Africa can compete globally. The Hub's export promotion program sent 62 companies from 12 countries to eight U.S. trade shows in FY2005. The West Africa International

Business Linkages project also continued to connect U.S. and West African businesses through trade shows, conferences, and sector-specific meetings. The combined result of the training and business linkages facilitated in FY2005 in West Africa was $28 million in new exports to the United States from West Africa in manufactured apparel, flowers, shea butter, fish and seafood, and handcrafts/home décor.

USAID/WARP continued its support of the Market Information Systems and Trade and Producer Organizations for West Africa project (MISTOWA) in FY2005. This project trained hundreds of leaders of producer and trader organizations to use information technology to trade regionally. The MISTOWA project puts technology at the disposal of thousands of small and medium-sized West African agribusinesses so that they can increase regional trade. In 2005, a network of regional partners and organizations was developed to provide price, quantity, contact and other information necessary for trade at the disposal of these businesses. Businesses can now look beyond markets in their capital city to meet demand elsewhere in the region. In 2006, it is expected that partner organizations will increase their intraregional trade in commodities such as maize, cassava, rice and onions by five percent over previous years.

Selected Trade Activities at USAID's Bilateral Missions

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

- Ethiopia: In 2005, USAID/Ethiopia launched AGOA Plus, a two-year export promotion program providing technical assistance in areas such as export promotion, trade show support, and information and communications technology. Under this program, four Ethiopian companies attended the ASAP Global sourcing show in August 2005, the first time Ethiopian garment and textile firms ever participated in a U.S. trade show. In addition to gaining knowledge and experience, these Ethiopian firms negotiated significant orders during the trade show, with the bulk of shipments to take place in 2006. USAID also worked closely with several women-owned businesses to help them take advantage of AGOA's "Category 9" provisions for handloomed and handwoven goods.

- Ghana: Under the Trade and Investment Program for a Competitive Export Economy, USAID/Ghana is assisting the private sector to add value and increase competitiveness through improvements in meeting quality grades and standards, branding of products, linkages between smallholders and exporters, traceability, and increasing Ghana's international market participation in non-traditional exports.

- Malawi: The Malawi Revenue Authority (MRA) carried out a Time Release Study with financial and technical assistance and guidance from the Southern Africa Trade Hub and the World Customs Organization in an effort to streamline and simplify clearance procedures. An action plan is being designed to address the constraints mentioned in the study.

- Mali: USAID's TradeMali project, begun in September 2003, aims to increase the export of agricultural products for which Mali has a comparative advantage. The project is organized around two campaigns: one to support Malian efforts to create a pro-trade policy environment and under which technical and managerial training is provided to associations, agribusinesses, and selected government trade promotion units; and a second to generate real trade prospects by linking products and buyers. Targeted products include mango, potato, red meat, rice and other agricultural-based products. Regional West African markets and European markets are the main focus of TradeMali.

- Nigeria: USAID/Nigeria's agricultural competitiveness program, MARKETS, is expanding economic and trade opportunities in the Nigerian agricultural sector by working along the commodity development chain from producers to end consumers to increase agricultural productivity and competitiveness to improve the potential for regional and international trade. The program is focusing on transforming traditional agriculture from low-output, subsistence farming to commercially competitive agriculture, focusing initially on cowpeas, rice, and sorghum.

- Senegal: USAID/Senegal launched the Support for Accelerated Growth and Increased Competitiveness (SAGIC) program to increase trade with North America, Europe, and Africa. SAGIC will increase exports in priority sectors, develop public-private partnerships, and support policy reforms to improve the business environment. USAID/Senegal's Agriculture and Natural Resource Management program helped develop supply chains and export markets for baobab fruit, cashews, fonio (a nutritious local grain) and karaya gum (similar to gum Arabic).

- Zambia: Two of USAID/Zambia's Economic Growth projects are working throughout the cotton value chain to increase productivity and to access foreign markets. Both projects are also collaborating on the production and sales of chili peppers to the American company that sells Tabasco Chili Sauce.

USAID also provides significant support related to the Integrated Framework initiative described in Chapter V, Section A.

See Chapter VI, Sections B-E for additional information on USAID programs that relate to trade and development.

D. U.S. Department of Commerce Programs

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

In 2005, CLDP continued to provide technical assistance to the Angolan judiciary

through consultations and actual implementation of case management techniques in the Angolan Criminal and Civil Courts. CLDP also evaluated the performance of the courts that benefited from past CLDP technical assistance programs. The evaluation revealed that such courts are now more efficient and display significantly greater transparency. CLDP will continue to implement case management techniques in other Angolan courts. It is also training Angolan clerks so that eventually they will be able to perform this function independently. More recently, CLDP cooperated with the government of Portugal in connection with the automation of the Angolan courts.

CLDP activities for the remainder of the project and in the medium term will focus on the automation of the largest Luanda Provincial Court in partnership with the Portuguese Ministry of Justice, as well as the continued implementation of case management techniques in additional provinces. In response to the Angolan Arbitration law, which was recently approved but not yet implemented, CLDP also intends to conduct consultations on arbitration and mediation for small claims. The continuation of CLDP activities in Angola will serve to strengthen the Angolan judicial system, improve access to courts for Angolan citizens, and increase court efficiency and transparency, as well as enhance the credibility of the judiciary.

E. U.S. Department of Agriculture

The U.S. Department of Agriculture (USDA) is actively involved in planning and coordinating TCB programs in sub-Saharan Africa. In 2005, USDA supported the AGOA agenda through the following initiatives and program implementation activities.

Madagascar Trade-Related Agriculture Assistance: During a July 2005 visit to Madagascar, Secretary of Agriculture Johanns signed a Memorandum of Understanding between USDA and the Madagascar Ministry of Agriculture to promote and strengthen cooperation in the agricultural sector. He also signed a food aid agreement, valued at $10 million, in which the government of Madagascar will sell USDA-provided commodities and use the proceeds to support market-oriented agriculture and economic development programs.

Science and Technology Conferences: USDA assisted Mali in facilitating an ECOWAS Ministerial Conference on Biotechnology in June 2005, as a follow-up conference to the June 2004 Science and Technology Conference held in Burkina Faso. The purpose of the Bamako conference was to encourage regional harmonization of biotechnology research, regulations, and public outreach.

Biotechnology Outreach Activities: The goal of this broad group of activities is to encourage African scientists and their institutions to provide science-based information to the general public on technical matters that impact trade, agricultural production, and food security. For FY2005, USDA allocated over $100,000 for biotechnology outreach activities in sub-Saharan Africa. Activities implemented included an August 2005 study tour for East African regulators and policy makers on biotechnology field trials in the United States and a March 2006 farmer-to-farmer workshop on agricultural

biotechnology in South Africa for farmer and seed industry leaders from Kenya, Tanzania, Malawi, Uganda and Mozambique. These activities were coordinated with ongoing U.S. government outreach programs (primarily through USAID) and supported the training of African scientists and policymakers with a view to field testing of biotech crops. The safe conduct of field trials will facilitate the development of biotechnology products relevant to African agriculture, encourage African ownership and acceptance of agricultural biotechnology and help jumpstart functioning regulatory systems. These activities are a collaborative effort among key U.S. regulatory agencies, the USDA/Biotech Group, USDA overseas posts, private industry, the American and African Seed Trade Associations, and NGOs including AfricaBio. In addition, USDA biotechnology capacity efforts in Africa are coordinated with USAID's Agricultural Biotechnology Support Project II and Program for Biosafety Systems, which have a number of regulatory and public outreach activities that support specific crop improvement programs.

SPS Work and the Trade Hubs: USDA, in collaboration with USAID, continued to provide three risk assessment advisors from APHIS to the Southern, East, and West Africa Trade Hubs for Global Competitiveness. The advisors work directly with national plant health and protection authorities to draft pest risk assessments (PRAs) for fruit and vegetable crops, facilitate communications with APHIS risk assessment review teams, and help PRAs progress through the review, mitigation review, and rulemaking processes. The project has identified about 50 commodity/country pairs from across sub-Saharan Africa for possible consideration by APHIS for review, dialogue with countries on mitigation procedures, and finally a rulemaking process. If the rulemaking process is successful, commodities are certified as enterable into the United States. As of April 2006, three commodities had entered the rulemaking stage (baby corn and baby carrots from Zambia, and table grapes from Namibia); many others were in various stages of APHIS review. Additional work in 2006 includes establishing pest survey and detection protocols and assisting in the development of an accessible national pest database in West Africa.

West African Cotton Improvement Program (WACIP): USDA is a key participant in the interagency work being done under this program, described in further detail in Section V.A.

Cochran Fellowship Program: This program provides short-term technical training in the United States for mid-to-senior-level public or private professionals from eligible countries in areas that include agricultural trade, marketing, management, policy and technology transfer. Cochran is active in 12 countries in sub-Saharan Africa. In FY2005, there were 54 participants from sub-Saharan Africa. In June 2005, the Cochran Program sponsored four West African representatives (one from each of the "Cotton-4" countries of Benin, Burkina Faso, Chad, and Mali) to visit the United States on a program to help address the problems faced by the cotton sector. The participants attended two cotton conferences and one week of technical sessions tailored to their interests. The training sessions were conducted by experts from the USDA Agricultural Marketing Service and the National Cotton Council. In July 2005, the Program also supported one

representative from each Cotton-4 country to participate in two days of meetings in Washington, followed by two weeks of tailored training at Tuskegee University. The training program addressed sustainable soils management, soil fertility, soil quality assessment, farming systems, and technology transfer strategies for the countries' extension systems. As part of the SPS work with USAID, five participants from four African countries came to the United States under the Cochran Program to conduct market analysis activities in which exporters meet with U.S. horticultural brokers, buyers, and others in the horticultural marketing industry to get a clearer picture of the markets for their exports. In partnership with the Cochran program, APHIS also provides hands-on PRA training at the APHIS headquarters for risk assessment in Raleigh, North Carolina. As a result of these efforts, countries working with the project are making more informed decisions going into the PRA process.

Trade and Investment Missions: USDA led several trade and investment missions to sub-Saharan Africa in the fall of 2005. The mission to Madagascar brought together eight U.S. and 32 Malagasy agribusinesses. Over 150 individual meetings were held between Malagasy agribusinesses and U.S. companies. Mission results through the end of 2005 show sales of $435,000, with projected sales over the next 12 months of $1.5 - $3 million. The Southern Africa Region Mission brought together 15 U.S. and 66 African agribusinesses. Initial reports of sales to the United States from participating countries include $125,000 in fresh fruit and $40,000 in wine. Other joint ventures with potential sales are still in development.

F. U.S. Trade and Development Agency

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

Recognizing the importance of trade to the region's growth, USTDA worked closely in FY2005 with USTR, other U.S. government agencies, and the regional economic communities in Africa to develop trade capacity in sub-Saharan Africa. The following is a sampling of recent USTDA trade capacity building activities:

- UEMOA Agency for Aviation Safety and Security: USTDA sponsored $353,000 in technical assistance to the West African Economic and Monetary Union (known by its French acronym, UEMOA) to analyze and make recommendations for the establishment of a regional aviation safety and security regulatory agency. The new agency is part of UEMOA's overall COSCAP project, which involves numerous entities such as the International Civil Aviation Authority (ICAO), the U.S. Federal Aviation Administration, and the World Bank.

- UEMOA Regional Rail Integration: USTDA provided a $614,600 grant to UEMOA for a feasibility study to analyze a regional railway interconnection project with three sub-components: a railway connection between Mali and Burkina Faso, a connection between Burkina Faso and Niger, and a connection between Niger and Benin. The rail integration project would also allow rail access to alternative seaports from the landlocked countries.

- NEPAD Transaction and Financial Advisory Assistance: USTDA is providing a $361,476 grant to partially fund a NEPAD Transaction and Financial Advisory Technical Assistance project. The purpose of this technical assistance is to provide financing, promotion, and advisory services to the NEPAD Secretariat to package and promote three key regional projects to financiers, including private U.S. financiers. The projects – the Benin/Togo/Ghana Interconnect Project, the COMTEL (COMESA Telecom) Project, and the Addis Ababa Dry Port Project – were selected among those listed in NEPAD's Short-Term Action Plan, which includes cross-border projects designated by regional economic communities as a priority for their members.

- Private Agribusiness Development Project: This $338,012 USTDA-sponsored feasibility study will provide assistance to help strengthen and diversify the agribusiness sector in Mali. The study will analyze and provide business plans for three private agribusiness firms currently operating in the country involved in four prospective projects: a fruit juice production line, an animal feed mill, a pasta snack production line, and a cold storage facility.

USTDA is dedicated to promoting public-private partnerships in all of its work. Through the provision of grant funding, USTDA assists AGOA partners in the critical planning phase of priority infrastructure and manufacturing projects. In the past year, USTDA funded numerous projects designed to expand African capacity to maximize economic growth under the AGOA framework. See Chapter VI, Sections C, D, and E for information on some of these projects, many of which are directly related to trade capacity building.

G. Small Business Administration

The U.S. Small Business Administration (SBA) continues to support AGOA through technical assistance and transfer of technology. In 2005, the SBA hosted officials from over 35 sub-Saharan African countries who were interested in how SBA develops technical assistance and finance programs and distributes those services to the business communities throughout the United States. The visits typically involved a 2-3 day overview of the SBA with visits to district offices, resource partners, and business information centers.

SBA continued to work with Botswana's Citizens Entrepreneurial Development Agency (CEDA) to streamline the written organizational structure of that agency. CEDA officials spent several days at SBA offices observing how the SBA functions and how the network delivery system of services works.

H. African Development Foundation

The African Development Foundation (ADF) is a U.S. Government agency and corporation that invests directly in African small and medium-scale enterprises, agri-businesses, and smallholder farming operations, in order to diversify their product lines, enhance quantity and quality of production, and enable them to access regional and global markets. ADF's business model – which involves African-led, on-the-ground operations, country- and industry-specific investment strategies, host government co-investment, and private sector partnership – allows the agency to serve as a catalyst for enterprise development in Africa and for advancing the goals of AGOA.

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

The Trade and Investment (T&I) program is ADF's fastest growing program area. ADF's investments in T&I projects have generated rapid and impressive impact over the past five years. During FY2005:

- ADF made direct investments in 25 new enterprises, totaling $5,627,298.
- T&I projects accounted for 49 percent of new obligations.
- The proportion of T&I projects in ADF's total portfolio grew to 26 percent, up from 10 percent in FY2002.
- 95 percent of all projects with export targets had already had export sales to regional markets in Africa and to overseas markets in the United States, Europe and Asia.
- The diverse range of almost 50 export products included organic spices (vanilla, ginger, paprika, chili peppers), specialty fruits and vegetables (organic mangoes, snow peas, dried pineapple), rock lobster, Nile perch, packaged ethnic foods, ostrich skins and wet blue hides, citronella and black teas, specialty and fair trade coffee, essential oils, textiles (reeled silk, dye-tie and embroidered clothing, and other finished products), decorative ceramics, and solar hearing aids.
- Export revenues of ADF-assisted enterprises totaled $33.8 million, an almost 60 percent increase over the previous year.
- ADF concluded two new strategic partnerships with African governments which leverage matching contributions for ADF-funded T&I projects. The highlight was a $5 million annual commitment from the government of Ghana to grow small, indigenous-owned businesses and involve them in the global market.

ADF's T&I program helps launch smaller-scale African enterprises and agricultural producers into the global economy by:

- Identifying and promoting the production of high-value, non-traditional crops that are in demand in world markets;
- Supporting the development of African-owned value-added processes so that more revenue remains at the level of the producers or with local enterprises;
- Providing producers with the technical assistance, training, and technology to enable them to meet international quantity requirements and quality standards;
- Forging supply chain opportunities for small producers; and
- Assisting small businesses in establishing trading partnerships with international buyers.

In FY2005, ADF funded T&I projects across a range of sectors, including agriculture and food processing, aquaculture, mineral extraction, printing, handicrafts, furniture construction, and transportation. After only a year, a number of these are already demonstrating substantial growth in outputs and revenue. Moreover, T&I projects funded in previous years continue to perform well, demonstrating a commitment by African small-scale enterprises to meet established business targets and the demands of international markets. Of equal importance is the impact that these enterprises are able to have on their communities, in terms of job creation and increased incomes and, in some cases, shared ownership among employees.

Four ADF-funded T&I projects illustrate the success and impact of ADF's investments in small, African-owned businesses.

- Bosbel Vegetable Oil Mills Ltd., located in southwest Ghana, specializes in the production of vegetable and groundnut oils for the Ghanaian and export markets. Aging equipment and limited resources were hampering Bosbel's ability to meet increased demand both from the local and export markets. In FY2004, Bosbel was approved for the equivalent of $245,117 in funding support, enabling it to expand production. Since ADF's intervention commenced, the company has experienced revenue growth of $306,977, of which over 50 percent is derived from exports.

- The Tanzania Mtibwa Sugar T&I project has demonstrated an impressive capacity to scale up its production to meet the demands of the export market through its support for the production of small-scale sugarcane outgrowers. First funded in FY2002, Mtibwa Sugar has increased its gross export revenues by 423 percent over the past three years, rising to over $5 million in FY2005.

- Ruembe Outgrowers Association, another small-scale sugarcane producer in Tanzania, has already exceeded most of the targets established when it was approved for $228,740 in ADF funding in FY2004. Yields per hectare are up 30 percent and cumulative export sales stand at $4.7 million. The number of participating cane farmers has increased by 50 percent since project inception and

the income of the 1440 growers has almost doubled as a consequence of ADF's investment.

- Kelvin Shaun Investments Ltd., Uganda, a hydrated lime processing business, received a $250,000 grant in FY2005 to enable it to expand production and meet market demand. Support from ADF allowed the firm to construct new facilities, procure equipment, and purchase inputs. Kelvin Shaun subsequently secured a contract to supply an international construction company with 200 metric tons of hydrated lime valued at $259,500. The company's net income has increased 17-fold since ADF support commenced.

ADF operated in 15 sub-Saharan African nations during FY2005: Benin, Botswana, Cape Verde, Ghana, Guinea, Mali, Namibia, Niger, Nigeria, Rwanda, Senegal, Swaziland, Tanzania, Uganda, and Zambia. Of these, Rwanda and Zambia represent new country programs established in FY205.

I. Other TCB Activities

Several other U.S. agencies carry out TCB activities in sub-Saharan Africa, including the Departments of Labor, State, Transportation, and Treasury, as well as the Bureau of Customs and Border Protection, the Environmental Protection Agency, the Federal Trade Commission, and the Peace Corps. Some of the activities described in Chapter VI, especially in Sections C, D, E, G, and J, have TCB aspects.

For more information about TCB activities by U.S. agencies see the TCB Database maintained by USAID at the following web site: http://qesdb.cdie.org/tcb/index.html.

VI. Other Assistance Supportive of AGOA Objectives

A. Millennium Challenge Account

In March 2002, President Bush announced his intent to establish a special development assistance program, the Millennium Challenge Account (MCA), designed to help spur economic growth in developing nations that are taking greater responsibility for their own development. Congress appropriated $1 billion for the MCA for FY2004 and $1.5 billion for FY2005. The President has requested $3 billion for FY2006 and pledged to increase annual funding for the MCA to $5 billion in the future.

The MCA is a new approach to development assistance. First, it rewards pro-growth development policies by assisting those countries that have demonstrated a commitment to ruling justly, investing in their people, and promoting economic freedom. Second, the MCA establishes a partnership in which the developing country, with the participation of its citizens, proposes its own priorities and plans for MCA funding. Finally, the MCA places a strong focus on results and transparency. Funds will go only to those countries with well-implemented programs that have clear objectives and measurable benchmarks. To reflect and carry out this innovative strategy, the Millennium Challenge Corporation (MCC) developed a set of quantifiable indicators to measure performance.

The process that can lead ultimately to MCA funding begins with the MCC Board of Directors naming countries that meet MCA's eligibility criteria as "eligible" to apply for MCA funding in a particular fiscal year. Eligible countries then work with the MCC to develop their proposals for MCA funding, ultimately culminating in the negotiation of a "compact" or contract between the country and the MCC. In November 2005, the MCC Board of Directors selected 23 countries for continued or first-time eligibility to apply for MCA assistance for FY2006. Of these, 12 are sub-Saharan African countries: Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Lesotho, Madagascar, Mali, Mozambique, Namibia, Senegal and Tanzania. Madagascar, Cape Verde and Benin have already signed compacts.

The MCC Threshold Program recognizes countries that, while not having met the criteria to be selected as MCA eligible countries, have demonstrated the potential to undertake the reforms necessary to improve policy performance and qualify for future MCA assistance. In November 2005, the MCC Board selected 13 countries for continued or first-time eligibility for participation in the FY2006 Threshold Country Program. Five are in sub-Saharan Africa: Kenya, Malawi, Sao Tome and Principe, Uganda and Zambia. Burkina Faso and Tanzania, which were previously selected for the Threshold Program, will continue to work on their approved threshold programs while they develop prospective compacts with the MCC. The threshold programs for Malawi and Zambia have also been approved.

In FY2005, the United States, through the MCC, signed compacts with Cape Verde and Madagascar, each totaling more than $110 million. In February 2006, the United States and Benin signed a five-year compact for $307 million in assistance. The MCC

continues to work with all of the eligible African countries on the development of their proposals for MCA assistance, and with Threshold Program countries on proposals submitted under that program. Several other compacts with African countries are expected to move forward in FY2006.

The MCC's Board of Directors is chaired by the Secretary of State, and includes the Secretary of Treasury, the U.S. Trade Representative, the USAID Administrator, four Congressionally-nominated members (two currently vacant), and the CEO of the MCC. On November 7, 2005, Ambassador John J. Danilovich began his duties as CEO of the MCC.

B. USAID Programs

The President's Initiative to End Hunger in Africa (IEHA)

The IEHA program, begun in 2003 and managed by USAID's Africa Bureau, focuses on promoting agricultural growth and building an African-led partnership to cut hunger and poverty. The primary objective of the initiative is to promote a rapid and sustainable increase in agricultural growth and rural incomes in sub-Saharan Africa. To grow out of poverty, smallholder farmers and agricultural firms need to generate profits and income from their products and services.

IEHA investments fall under six thematic areas: science and technology, agricultural trade and market systems, community-based producer organizations, human and institutional capacity building, environmental management, and vulnerable groups/transition countries. IEHA promotes a value-added approach that addresses constraints along the supply chain and results in measurable increases in smallholder incomes.

IEHA is primarily focused on African countries that have made agriculture a development priority and that have an appropriate policy environment, institutions and systems in place, and committed leadership. IEHA focus countries – Ghana, Mali, Mozambique, Uganda, Kenya and Zambia – are committed to improving smallholder livelihood; they are chosen to serve as regional growth poles, tying regional trading partners into their increasingly vibrant economies. IEHA has also developed regional platforms through USAID offices in sub-Saharan Africa which serve non-focus countries and work with African regional counterparts such as COMESA and ECOWAS to increase intra-regional trade. South Africa and Nigeria have IEHA biotech programs, initiated in FY2004. For FY2005, USAID committed $67 million for IEHA.

Noteworthy achievements under IEHA in 2005 included:

- 747 public and private partnerships have been formed, facilitating access to knowledge, markets, and improved technologies for member organizations;

- 1,165,311 rural households have received direct benefits from IEHA investments;

- Trade in selected commodities has increased by 15 percent in East Africa through technological improvements and efforts to improve access to market information;

- 503 new technologies have been shared with smallholder farmers across Africa;

- 247,420 men and 167,258 women have received training on a broad range of topics, including biosafety, market analyses and development, record keeping, crop quality control, post harvest handling, and product grading;

- 10,450 producer associations, water user associations, trade and business associations and community-based organizations have received technical assistance and support to strengthen their organizations.

- A Strategic Analysis and Knowledge Support System was established in each of the African sub-regions and is helping to promote and strengthen evidence-based decision-making at the regional and country level for the formulation and evaluation of agricultural and rural development strategies.

In 2005, IEHA played a key part in an African-led effort to spotlight the importance of agriculture development for reducing poverty and hunger and to galvanize the support of African leaders for the development and implementation of specific sub-regional agricultural development action plans. The New Partnership for Africa's Development (NEPAD), a program of the African Union, is a pledge by African leaders to place their countries on the path of sustainable growth and development and to participate in the global economy. In June 2005, African Heads of State and Government, under the auspices of NEPAD, endorsed targeted outcomes for the Comprehensive African Agricultural Development Program (CAADP), an integrated agricultural framework that promotes the critical role of agricultural development as a means to eliminate hunger, reduce poverty and food insecurity, as well as opening the way for increased trade. The core objective of CAADP is to achieve a six percent annual growth rate in agriculture, sustained over time.

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

In the near term, USAID will support actions in CAADP priority areas by building economic governance that will create the conditions for agriculture to flourish and reinforce a peer review process to ensure mutual accountability in the utilization of domestic and foreign development resources. Through IEHA, USAID will help spur private sector agribusiness investment in African agriculture by expanding alliances among public and private groups, including farmer-based organizations. IEHA will also continue to bring the power of markets (domestic, regional and global) to rural communities and households in Africa through agricultural trade liberalization and

capacity building. IEHA will continue to foster the development and dissemination of science and technology and a Framework for African Agricultural Productivity to support smallholder agriculture and stimulate employment and investment in the agricultural sector. IEHA will also support CAADP by helping meet the nutritional needs and build assets of the persistently poor and hungry to increase their ability to participate in economic growth processes.

Further information about the IEHA is available at: www.usaid.gov/locations/sub-saharan_africa/initatives/ieha.html

The President's Africa Education Initiative (AEI)

This Presidential Initiative, managed by USAID's Africa Bureau, began implementation in 2002 and is providing $600 million over nine years to address the immediate learning needs of African children. With increased levels of education, rich and poor countries become more productive, leading to higher rates of growth that in turn allow for improved standards of living. AEI focuses on: teacher training; providing textbooks and other learning tools for children; providing scholarships for girls and other vulnerable children; increasing parents' involvement in their children's education by working to make school systems more transparent and open to reforms proposed by parents; and mitigating the impacts of HIV/AIDS on the education sector. Over one-third of school-aged children in Africa do not attend primary school. USAID supports education for all, with every child having access to a basic education by 2015. To help meet this goal, the AEI supports education programs in Benin, Democratic Republic of the Congo, Djibouti, Ethiopia, Ghana, Guinea, Kenya, Malawi, Mali, Namibia, Nigeria, Senegal, South Africa, Sudan, Tanzania, Uganda and Zambia. Further information about the AEI is available at: www.usaid.gov/locations.sub-saharan_africa/initiatives/aei.html

Anti-Corruption Initiative

The Anti-Corruption Initiative (ACI) of USAID's Bureau for Africa is designed to reduce corruption in sub-Saharan Africa and lend support to efforts by African leaders to link good governance with sustainable development. Corruption undermines sub-Saharan Africa's social, economic, and political foundations and hinders trade, investment, and small and medium business growth needed for job creation and development. USAID focuses on reducing opportunities for corruption by promoting the transparency and accountability of government to its people, establishing checks and balances within and between government institutions, strengthening civil society, and supporting the rule of law in emerging democracies.

Since 2003, the ACI has supported anti-corruption programs in Benin, Kenya, Madagascar, Mozambique, Nigeria, Rwanda, Tanzania, Zambia, South Africa, and via the three USAID regional missions in Africa. The programs are achieving results in a wide range of areas, including enhanced legal reform; strengthened civil society; increased government capacity to fight corruption; enhanced capacity of legislatures to monitor the executive; and increased public awareness and other activities that decrease

petty and local level corruption. Examples of ACI progress include:

- Kenya: A study on corruption in the northern transport corridor led the Kenya Transport Association to stem illegal payments demanded by police;
- Benin: The number of public accounts audited by major auditing institutions rose substantially and a large number of officials were convicted as a consequence;
- South Africa: The Forensic Auditing Unit in the Department of Justice has filed its first criminal charges in court; and
- Nigeria: The USAID Mission supports the Extractive Industries Transparency Initiative, which has begun to introduce civil society oversight of oil revenues.

Further information about the ACI is available at: www.usaid.gov/locations/sub-saharan_africa/initatives/anti_corruption.html

See also Sections C, D, and E below for information on additional USAID programs.

C. Sustainable Development and the Environment

U.S. agencies – including USAID, the USDA Forest Service, the Environmental Protection Agency (EPA), the U.S. Department of Interior's Fish and Wildlife Service, and other offices of the Departments of State, Commerce, Agriculture, and Interior – are implementing projects and initiatives to assist African countries in protecting the environment while promoting sustainable economic development and equitable and just governance of renewable and non-renewable natural resources.

Key programs include:

- Congo Basin Forest Partnership: The U.S. contributions to the Partnership's natural resource conservation programs promote economic development, alleviate poverty, and improve local governance through conservation and improved natural resources management. U.S. activities focus on 11 key landscapes in Cameroon, Central African Republic, DRC, Equatorial Guinea, Gabon, and the Republic of the Congo. The partnership provides support for a network of national parks and protected areas, well-managed forestry concessions, and creation of economic opportunities for communities that depend on the conservation of the outstanding forest and wildlife resources of the Congo Basin. U.S. assistance is principally channeled through USAID.
- Community-Based Natural Resource Management: USAID environment programs in sub-Saharan Africa focus on preserving the continent's rare and endangered wildlife species and ecosystems while promoting rural economic growth. Such programs support the transfer of central government authority in natural resources management to sub-national governments and local communities in order to foster

eco-tourism, eco-enterprises, and other means of generating income. These efforts help alleviate environmental pressures on land and other resources important for food production and sustainable development and help build local networks to share agricultural and food security information and expertise. USAID investments in Africa for conservation of biodiversity, including management of tropical forests, exceeded $59 million in FY2005.

- The West Africa Water Initiative (WAWI) is a $42 million, seven-year partnership of 13 private and public organizations created in 2002 by the Conrad N. Hilton Foundation. WAWI's objective is to invest in small-scale potable water supply and sanitation activities in rural and peri-urban areas in Ghana, Mali, and Niger. The full range of activities that will be undertaken by all partners includes support for strengthening governance, well drilling and rehabilitation, alternative water source development, construction of latrines, household and school based sanitation and hygiene education, community mobilization, hydrogeological analysis, policy development, livelihoods, income generation and food security, and information management.

- Clean Fuels and Vehicles: Under the World Summit on Sustainable Development's Partnership on Clean Fuels and Vehicles, EPA and its partners have supported regional workshops throughout sub-Saharan Africa to assist countries in developing regional and national action plans for the phase-out of leaded gasoline. In addition, EPA has provided technical assistance and public outreach support to South Africa on lead phase-out. Total phase-out of leaded gasoline was achieved as of January 1, 2006. EPA and its partners will now focus on reducing the sulfur content in gasoline and promoting the use of cleaner vehicles.

- Urban Safe Drinking Water: In October 2000, EPA and Water for People launched the Water for Africa program, which aims to help the growing number of urban poor in the unplanned and informal settlements of African cities obtain safe drinking water. Under Phase 2, which began in 2004 funded by the U.S. State Department, EPA continues to partner with African NGOs to increase safe drinking water access in urban/peri-urban areas and is supporting an African NGO network to encourage the dissemination of lessons learned in this area.

- Urban Air Quality Management: EPA, with funding from USAID, is working to assist governments in monitoring and managing their urban air quality. They are working with South Africa's Department of Environmental Affairs and Tourism on the start-up of implementation of their new air quality legislation, and with national and municipal authorities in Accra and Dar es Salaam to establish urban air quality monitoring programs.

U.S. Trade and Development Agency Programs

The U.S. Trade and Development Agency (USTDA) has funded several projects in sub-Saharan Africa that contribute to environmental protection and sustainable economic

development, including the following:

- Uganda Jinja-Njeru Public-Private Partnership Water/Wastewater: USTDA has approved funding in the amount of $414,128 for a feasibility study that will examine public-private partnership options for water and wastewater treatment in the Jinja and Njeru municipalities. The project is expected to have strong development and environmental components and may serve as a model for similar projects in Uganda and the region. The project sponsor is Uganda's Ministry of Water, Lands, and Environment.

- Kenya Lake Victoria South Water/Wastewater: USTDA is providing partial funding in the amount of $358,145 for a water/wastewater treatment study for the Lake Victoria South area of Kenya on behalf of Kenya's Ministry of Water and Irrigation. The study will focus on defining an appropriate water supply and wastewater management system for the region and beginning the process of commercializing the related infrastructure.

D. Labor

The Department of Labor (DOL) funds and implements a number of international development projects aimed at assisting sub-Saharan African countries to address labor-related issues, such as strengthening industrial relations, assisting dislocated workers, improving mine safety, and combating child labor. Since 1995, DOL has funded $566 million for projects in developing countries, with sub-Saharan Africa receiving over $148 million for 58 projects covering 27 countries. DOL funds a wide range of projects in Africa in four basic areas:

- Combating Exploitative Child Labor: These projects benefit children involved in, or at risk of involvement in, commercial sexual exploitation, armed conflict, trafficking, forced labor, and other hazardous work such as mining, domestic service, tourism, street work, and commercial agriculture. Activities under these projects are designed to build capacity among local NGOs and governments, gather information, raise awareness about child labor, improve access to education and health services, and provide alternative income generation for families.

- Improving Economic Opportunities and Income Security for Workers: This program area seeks to promote workforce development, strengthen social safety nets, and improve workplace safety and health, thereby strengthening support for economic reform and trade liberalization.

- Protecting the Basic Rights of Workers: Projects in this program area assist developing countries to put in place basic protections so that workers everywhere can enjoy fundamental worker rights (including freedom of association and the right to bargain collectively), non-discrimination, and workplace safety.

- Combating HIV/AIDS Through Workplace Education: This initiative seeks to reduce the incidence of HIV/AIDS infection through workplace-based education and prevention programs, and to improve the workplace environment for people living with HIV/AIDS.

E. Transportation and Communication Infrastructure Development

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

U.S. Department of Transportation

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

DOT's Safe Skies for Africa (SSFA) program continues to enhance aviation safety, air navigation, and capacity building on the continent of Africa. In the last several years, the SSFA program has provided funding, training, and equipment – including over $5 million of U.S.-manufactured baggage and screening devices – to help SSFA program countries to meet the requirements of the post 9/11 aviation security environment. This effort enhances safety and Security for the United States as well as for the SSFA countries. In July 2005, Cape Verde's national air carrier commenced regularly scheduled flights to the United States as a result of receiving technical assistance under the SSFA program, as well as meeting FAA category 1 safety status. Also in 2005, the FAA's Office of Airport Safety and Standards and the USDA's Office of Wildlife Services conducted wildlife hazard assessments and provided wildlife hazard training for 105 airport personnel in Kenya, Tanzania, and Uganda. These sessions were also developed into training videos that were distributed to all other SSFA countries. All Safe Skies activities are intended to increase U.S.-Africa air traffic and assist African countries in taking advantage of AGOA and support from the MCC. For more information on SSFA, visit the program's website at http://www.intl.faa.gov/safeskies.cfm

The following is a sampling of other 2005 DOT activities and technical assistance for sub-Saharan African countries:

- The Pipeline and Hazardous Materials Safety Administration conducted inspections of applicants under the DOT program for approval of foreign cylinder manufacturers in Pietermaritzburg (Durban), South Africa.

- The Maritime Administration hosted a Nigerian port delegation to tour the ports of Detroit and Baltimore, and led briefings of the group on intermodal development and port operations and container terminal concessioning.

- DOT continues to support the Nigerian Ministry of Transportation to improve its transportation system. In 2005, DOT completed the second phase assessments of the western and eastern lines of the Nigeria Rail System and provided recommendations to the Nigerian Ministry of Transportation.

- The Federal Highway Administration (FHWA) traveled to Botswana to facilitate a training session on low-volume road management. FHWA officials also met with Botswana officials to discuss FHWA's Technology Transfer (T2) Center and map out work for FY2006 on the Botswana-New Mexico Twinning relationship. A second training session was conducted in South Africa in conjunction with the Southern Africa T2 Conference. FHWA presented a paper discussing opportunities for FHWA and others to share technology transfer methodologies at the second Africa Technology Transfer Conference.

USTDA Transportation Activities

USTDA's work in sub-Saharan Africa includes projects in the rail, port and aviation sectors. The following is a sampling of USTDA projects in the transport sector:

Namibia TransKalahari Corridor, Walvis Bay Airport, and Port Development: USTDA has funded three priority infrastructure projects related to trade. The first is the early project development of the TransKalahari Corridor, an intermodal port-rail-road project that connects Namibia, Botswana, and South Africa. The second is the upgrading of the Walvis Bay Airport to allow for more efficient transportation of goods into and out of Namibia. The third is a port development and expansion project for the Ports of Walvis Bay and Luderitz.

Sao Tome Deepwater Port: This $475,990 USTDA-funded feasibility study will support the establishment of a deepwater port on the island of Sao Tome in Sao Tome & Principe. The new port facility would decrease transportation costs for the country's exports and imports as well as provide onshore support capacity for offshore oilfield development.

Africa Regional Smart and Secure Tradelanes Pilot: USTDA is co-funding a $1,324,900 smart and secure logistics chain pilot project and feasibility study to enhance the trade capacity and supply chain security of the Southern African Customs Union. The grant was provided to the Namibian Ports Authority to examine transportation security technologies along both land-based and seagoing trade lanes connecting Walvis Bay, Namibia; Cape Town, South Africa; and the United States.

GNSS Project for the East Africa Community: USTDA provided $199,960 in technical assistance to the East African Community (EAC) in support of the implementation of Global Positioning System (GPS)/Global Navigation Satellite System (GNSS)

procedures. The EAC Secretariat is the grantee for this study, working with the Civil Aviation Authorities of Kenya, Tanzania, and Uganda. This project is a joint initiative between USTDA, the FAA, and DOT, and directly supports DOT's Safe Skies for Africa Initiative.

Tanzania Airports Authority ICT Infrastructure: This $371,750 grant provides funding for an ICT infrastructure study for the Tanzania Airports Authority (TAA). The purpose of the study is to allow the TAA to formulate a precise strategy for its ongoing ICT upgrades and prepare it to begin procurement in several priority areas. The study will also look at options for financing and for the TAA to structure parts of its strategy to finance through public-private structures in partnership with other airport stakeholders.

Communications Infrastructure

The Digital Freedom Initiative (DFI) is a five-year program organized by the Departments of Commerce and State, USAID, USA Freedom Corps, and the Peace Corps. The goal of DFI is to promote economic growth by transferring the benefits of information and communication technology to entrepreneurs and small businesses in the developing world. DFI leverages the leadership of the U.S. government, the creativity and resources of America's leading companies, and the vision and energy of entrepreneurs throughout the developing world. Key elements of the DFI are: (1) placing volunteers in small businesses to share business knowledge and technology expertise; (2) promoting pro-growth regulatory and legal structures to enhance business competitiveness; and (3) leveraging existing technology and communications infrastructure in new ways to help entrepreneurs and small businesses better compete in both the regional and global market place.

To expand the lessons and impact of the DFI program, USAID, the International Development Research Center, and the University of Western Cape in South Africa have formed a community of practice to develop custom software solutions and information technology systems. The partner agencies involved with the DFI would enter into a new program, in which each brings its competencies to bear on a key development challenge facing Information Technology (IT) sectors in Africa around software engineering and IT systems deployment that spans more than 13 universities in over 10 countries.

The USAID Leland Initiative and the Federal Communications Commission (FCC) have continued collaboration to strengthen telecommunications policy and build African regulatory capacity. The program strengthens associations of African regulators; uses experts from the FCC and state level regulatory bodies to help U.S. and African university programs on effective regulation; and provides technical assistance to regulators in more than 20 countries. In the past year, this effort has provided direct assistance to six countries. The program has also provided technical assistance for regional efforts to promote communications market integration in West Africa.

The Leland Initiative's NetTel@Africa program is an African-led network for capacity building and knowledge exchange in the African telecommunications sector. It has four primary components: training, a knowledge exchange network, a community-to-

community service, and research. In partnership with seven African universities, the NetTel@Africa program has developed ten learning modules for regulators. The course content is delivered both on-line and by a professor at participating African universities. Several U.S. universities have also made significant contributions. In partnership with Cheik Anta Diop University in Dakar, Senegal, NetTel is adapting its content to French-language courses focused on delivery across West Africa. NetTel recently incorporated and USAID is working with other donors to facilitate the transition from development program to a new partner institution in Africa.

The Leland Initiative is managing and implementing the USAID Administrator's Last Mile Initiative, which in the last year saw the beginning of program activities spanning eight African countries. The Initiative seeks to prove business and technology strategies for expanding rural telecommunications access. Existing Last Mile programs are starting to show results. In Nigeria, the government is moving forward on making the Universal Service Fund operational, and the public-private company NetPost opened its first rural telecom and postal office. An American trade association, the National Telecommunications Cooperative Association (NTCA), provided key support to achieve these results. The NTCA is also providing key assistance to the government of Ethiopia, which recently licensed the first community telecommunications cooperative in the country, which is a milestone in moving towards liberalization of value-added services and promoting viable small business models for rural access. In the coming year the Last Mile Initiative is expected to move forward in at least three additional countries.

F. Energy Infrastructure Development

The Department of Energy (DOE) continues to work with sub-Saharan African countries, both bilaterally and multilaterally, to promote enhanced energy security and expanded trade and investment, including through policy consultations, capacity building activities, and technology demonstrations. Cooperation encompasses all segments of the energy supply chain and emphasizes increased use of advanced and energy efficient technologies and enhanced transparency to attract and maintain foreign direct investment.

In May 2005, in partnership with two other International Energy Agency (IEA) country members (the United Kingdom and Portugal), DOE co-sponsored an in-depth energy program review of Angola. The IEA report focused on recommendations that would facilitate the development of an Angolan national energy strategy, which would promote expanded energy infrastructure development and domestic energy use, support economic and social development, and enhance transparency in the energy sector.

DOE continues to represent the United States on the steering committee of the World Bank's Global Gas Flaring Reduction Initiative (GGFR), a leveraged, multi-year, multi-million dollar public-private partnership. The GGFR provides assistance on the elimination of the flaring of associated gas from oil exploration and production. The GGFR has developed a baseline methodology for projects that could be conducted under the Clean Development Mechanism. The participating sub-Saharan countries are Angola, Cameroon, and Nigeria.

DOE and the State Department co-chair a Geothermal Energy Working Group in support of an initiative to promote the development of 1,000 megawatts of geothermal power in East Africa and to create significant economic and social development opportunities through human capacity building while addressing barriers and risk to geothermal infrastructure development. In addition to advocating for development of the project with the international financial donor community, the Working Group has sponsored or facilitated training for Ethiopian, Kenyan, and Djiboutian officials. In December 2005, DOE provided the Government of Djibouti with the Heatmap Econometric Model (developed in part with DOE funding) and provided hands-on training. The model is capable of quantifying the physical characteristics of an energy resource and determining the financial sustainability of the proposed energy systems.

DOE continues to provide policy and technical assistance to Nigeria, including through the American Association of Blacks in Energy Training Institute. In 2005, activities included continued assistance on natural gas policy, review of the recent Nigeria Oil Bid Round to encourage greater transparency, and submission of recommendations on effective approaches for expanding local content in the energy sector.

Multilaterally, including through the Joint Oil Data Initiative (an international initiative involving nearly 100 countries), the nascent African Energy Commission, and the IEA, the United States has been encouraging Angola, Nigeria, South Africa, and other oil and gas producing countries in sub-Saharan Africa to strengthen their energy data collection, reporting, and forecasting capabilities to improve decision-making processes and to attract FDI.

USAID

Increased availability of low cost, environmentally friendly electricity is critical to economic development and trade with West Africa. In FY2005, USAID's West Africa Regional Program continued to provide support to the West Africa Power Pool (WAPP), an industry organization created by electrical utilities in the region with the goal of increasing investment in the sector. The WAPP entered a new phase of its development with the approval in principle by the Energy Ministers of the ECOWAS States at the end of October 2005 of the Articles of Agreement for a Power Pool organization.
Also in FY2005, construction began on the West Africa Gas Pipeline by a consortium of U.S. and West African companies. The pipeline will be commissioned early in 2007. USAID's investment in the pipeline helped regulators and governments create the enabling environment allowing for this $615 million investment that will bring low cost fuel to power plants in Benin, Ghana, and Togo.

USAID is supporting the development of a secondary natural gas market in Ghana through training, technical assistance, and partnership programs. The program is being expanded to Nigeria, Togo, and Benin.

USAID also provides technical assistance to the Southern, West, and Central Africa

Power Pools. The objective of this support is to increase access to reliable, affordable electricity through economically-based, cross-border energy trading, while also building the capacity of the continent's electricity utilities to deliver essential services in a commercially viable manner.

In Angola, USAID has begun a new electricity program to help ensure that, in peri-urban areas where the energy distribution network is being expanded, economic impact is maximized by providing consumers with the knowledge, means and will to link access to electricity to productive activities and social services. In accordance with its new strategy for Angola, in which improved governance is the underpinning objective, the USAID electricity program also seeks to strengthen the quality of dialogue between government, civil society and the private sector and promote increased accountability and transparency in public sector initiatives.

In Zambia, USAID assisted the Rural Electrification Authority in developing a Rural Electrification Master Plan, which prioritizes rural electrification sites by their potential to increase economic growth.

In Uganda, Rwanda, and Tanzania, USAID supported a U.S. faith-based organization to provide solar electricity and clean water to rural clinics and schools. The organization partnered with local churches as well as a Ugandan Energy Services Company in order to ensure sustainability of the systems.

U.S. Trade and Development Agency

Energy was a key sector for USTDA in Africa during FY2005. With energy shortages constraining growth, USTDA made a committed effort to support energy infrastructure development in sub-Saharan Africa. The following is a sampling of USTDA projects in the energy sector:

- Madagascar Upstream Volobe Hydroelectric Power: USTDA provided a $370,366 grant to partially fund a feasibility study to examine the technical and financial viability of building a large-scale hydropower project on the Upper Volobé River. The project would supply energy for both domestic and industrial use. Given the current energy needs of Madagascar, the project is considered to be a development priority. The project sponsor is the Malagasy Ministry of Energy and Mines.

- Namibia IPP and Investment Market Framework: This $275,700 technical assistance grant to the electricity regulatory body of Namibia will focus on developing a formalized electricity market model that will facilitate investment by the private sector into Namibia's energy market. Like many members of the Southern Africa Power Pool, Namibia is preparing for 2007, when it is expected that demand for electricity in the region will exceed supply.

- Eastern Botswana Coal Bed Methane: USTDA is partially funding a feasibility study on behalf of the Botswana Development Corporation in the amount of

$525,000 for a coal bed methane (CBM) project in eastern Botswana. The project is intended to capture and process CBM from coalfields in eastern Botswana to meet growing domestic and regional demand for a low-cost, clean and efficient fuel for power plants and feedstock for industrial processes.

- Kenya Integrated Energy Management: USTDA awarded a $341,670 grant to the Kenya Tea Development Agency, Ltd. to fund a feasibility study on a proposed integrated energy management project aimed at improving the efficiency and reliability of energy at a number of tea factories. The proposal includes developing mini-hydroelectric power stations, increasing overall energy efficiency, and securing a supply of biomass fuel for boilers. In addition to lowering energy costs, it is expected that this approach will provide Kenyan tea producers with a more reliable primary energy source and reduce energy waste through equipment upgrades and better operating practices.

- Nigeria Natural Gas-Fired IPP: USTDA awarded a $353,000 grant to Owel Holdings Ltd., a privately-held Nigerian company, for a feasibility study on the development of a natural gas-fired independent power plant in Nigeria. The grant helps to advance key market reform and environmental protection policies in Nigeria related to commercial liberalization and the cessation of natural gas flaring. The proposed power plant is expected to supply 120 megawatts of electricity to the national electrical grid system and will provide electricity for up to 200,000 homes.

- Ethiopia Tendaho Geothermal Project: USTDA is providing a $277,788 grant to fund a feasibility study for the Tendaho Geothermal Site Project. The grant will allow the Ethiopia Electric Power Corporation to assess the development of a 2-5 megawatt pilot geothermal plant at Tendaho, which in turn could lead to the construction of a 30 megawatt plant at that site.

- Mozambique Lurio River Hydropower Project: USTDA is providing $597,960 for a feasibility study to examine the viability of developing two hydropower projects along the Lurio River. The objective of the study is to lay the groundwork for a private investor or a public-private partnership to develop the project in the future. The study also includes a rural electrification component.

- The Gambia Bonto Coal-Fired Power Plant: USTDA is providing $275,000 for a feasibility study to examine the viability of developing the Bonto Coal-Fired Power Plant. The project will provide power for an industrial zone, with the remaining power generated by the facility to be supplied to the state-owned power grid.

G. HIV/AIDS

The global HIV/AIDS pandemic has had a direct and negative impact on sub-Saharan African countries' ability to achieve their development goals, including poverty alleviation through increased trade.

The President's Emergency Plan for AIDS Relief (PEPFAR/Emergency Plan) marked a turning point in the worldwide response to HIV/AIDS. The Departments of State, Defense, Health and Human Services, Commerce and Labor, as well as USAID and the Peace Corps, have come together under the Emergency Plan to address the HIV/AIDS pandemic. In FY2005, the United States committed approximately $2.7 billion to the Emergency Plan, up from $2.3 billion in FY2004, the first year of implementation. President Bush has requested, and Congress has appropriated, approximately $3.3 billion for FY2006, keeping the Emergency Plan on track to meet the President's five-year, $15 billion commitment.

The Emergency Plan invests in partnerships with host nations to build locally-led HIV prevention, treatment and care strategies. Its FY2005 activities took place through bilateral programs in 123 countries, and in additional countries through support for multilateral efforts. Bilateral programs include a special emphasis on 15 focus countries in Africa, the Caribbean, and Asia that together account for approximately half of the world's 40 million HIV infections. In these focus countries over five years, the Emergency Plan has set goals of supporting prevention of seven million new infections, supporting treatment for two million HIV-infected people, and supporting care for 10 million individuals, including orphans and vulnerable children as well as people living with HIV/AIDS.

At the time President Bush announced the Emergency Plan, only an estimated 50,000 people in all of sub-Saharan Africa were receiving life-extending antiretroviral treatment (ART). Yet at the end of just two years of implementation, the Emergency Plan supported treatment for approximately 401,000 people in the 15 focus nations, including 395,000 in the 12 sub-Saharan African focus nations. PEPFAR has also provided support for treatment for approximately 70,000 additional people through U.S. bilateral programs in other nations, for a worldwide total of approximately 471,000 people receiving bilateral treatment support from the United States. Highlighting PEPFAR's commitment to pediatric treatment, approximately seven percent of those receiving treatment at U.S.-supported sites in the focus countries in FY2005 were children. As the numbers of orphans and vulnerable children and people infected with HIV continue to grow, the Emergency Plan is urgently scaling up support for effective interventions. In FY2005, PEPFAR supported care for nearly three million people in the focus countries. This number included over 1.2 million orphans and vulnerable children and over 1.7 million people living with HIV/AIDS. The Emergency Plan is also providing focused support for the development of human capacity to deliver HIV/AIDS services. In FY2005, the Emergency Plan supported training or retraining for more than 536,000 service providers (with individuals being trained in multiple areas in certain cases).

PEPFAR encompasses all existing and new U.S. Government international HIV/AIDS activities. The coordination and harmonization of the inputs from many U.S. agencies and office ensures an optimal use of resources and a focus on shared strategies and intervention approaches. As a result, the Emergency Plan offers developing countries new hope for the future and has accelerated the U.S. response to nations, communities and families facing HIV/AIDS.

For more detail on the President's Emergency Plan, see the following website: http://www.state.gov/s/gac/.

H. Overseas Private Investment Corporation

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

OPIC is currently providing over $1.7 billion in financing and political-risk insurance to 68 projects and investment funds in sub-Saharan Africa. These projects include:

- Africa Investment Funds: OPIC has committed a total of $340 million in guaranties for four new investment funds that will focus on Africa: the Emerging Market Partners (EMP) Africa Infrastructure Fund, the Ethos Fund V, the Sub-Saharan Africa Fund, and the Thesele icapital Africa Fund. Each of these funds fulfill an OPIC mandate contained in the AGOA legislation to establish equity funds in support of investment in sub-Saharan Africa. The EMP fund will invest in Africa generally with an emphasis on sub-Saharan Africa, while the Ethos Fund will focus on South Africa but also make investments in other sub-Saharan African countries. The Sub-Saharan Africa Fund will focus on the West African region but also on opportunities within countries of the Southern Africa Development Community. The Thesele icapital Africa Fund will target investments in small and middle-market companies in southern Africa, with a focus on South African enterprises capable of expanding into the larger region. OPIC's financing will combine with equity raised by the funds to leverage as much as $1.2 billion of new investment into the region.

- Low-Income Housing: With the support of a $46.3-million OPIC direct loan, Houses for Africa will develop low-income housing to expand home ownership for residents of Lusaka, Zambia. OPIC's loan will be used for the financing and administration of mortgage loans. The USAID Office of Development Credit Authority is also expected to participate with a partial credit guaranty for the financing of construction and infrastructure. In Angola, OPIC is providing $5.7 million of political risk insurance for a housing/construction material manufacturing and supply project. In Kenya, OPIC is providing $14.5 million of political risk insurance for a housing project.

- Risk Insurance for Relief Supplies: OPIC is providing political risk insurance covering equipment and supplies enabling the International Rescue Committee (IRC) to provide emergency shelter, food, and medical care to many of the more than two million Sudanese refugees in Chad who have fled violence in the neighboring Darfur region of Sudan. OPIC is also providing coverage for IRC's equipment and supplies in several other African countries.

- Nigeria Flour Mill: OPIC is providing $6.8 million in financing to support the construction of a flour mill in Nigeria. Using wheat imported from the United States, the project will produce bread flour and offal for local distribution. The project is located in a region where only two thirds of the population has access to sufficient supplies of bread flour and offal and will offer a basic staple to an underserved segment of society.

- Telecommunications: Two investments supported by OPIC will advance critical telecommunications infrastructure in Nigeria and Ghana. In Nigeria, OPIC is providing $7.6 million in financing to build a fixed wireless broadband network in the city of Port Harcourt. The network will offer internet services, including dial-up and DSL as well as voice services. In Ghana, OPIC and Citibank are jointly financing the expansion of cellular telephony. Millicom Ghana, one of several telecommunications businesses operating in Ghana, received a $15-million OPIC/Citibank loan to help finance an ambitious plan to increase the number of cell-phone users.

- Potable Water in Cameroon: OPIC is providing a $330,000 direct loan along with political risk insurance for the construction of a facility to produce water bottles as well as bottle mineral water. The project will make available potable water at a reasonable cost to the local population.

In May 2006, OPIC will sponsor an international investment conference focusing on the housing sector in sub-Saharan Africa. The conference will include leading housing experts, U.S. and African senior government officials, U.S. businesses and financial institutions actively investing in the housing sector, as well as legal experts, private equity fund managers, and local businesses and banks engaged in housing. The conference will offer opportunities to develop private-sector investment partnerships with U.S. businesses planning to invest in the sub-Saharan Africa housing sector.

I. Export-Import Bank Initiatives

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

When reauthorized by Congress in 1997, the Bank was mandated to increase its business in sub-Saharan Africa in a manner consistent with its reasonable assurance of repayment standard. Congress reaffirmed this mandate in the Bank's most recent reauthorization in June 2002. In FY2005, Ex-Im Bank authorized 115 transactions totaling $462 million in 20 sub-Saharan African countries or 4.5 percent of total U.S. exports to the region. (Worldwide, Ex-Im Bank covers approximately 1.3 percent of U.S. exports.) Over the last seven fiscal years, Ex-Im Bank has authorized transactions supporting nearly $3.3 billion in U.S. exports to sub-Saharan Africa.

Ex-Im Bank is developing numerous ways to maximize its efforts in the region. The challenge is to find the appropriate "business model" for the transactions in these markets. The Bank is actively engaged with its participants (exporters and lenders), other government agencies in the United States and the region, and local banks and other financial institutions on ways to better underwrite transactions in the market. For example, Ex-Im Bank staff traveled to Nigeria on several occasions in 2005 to meet with Nigerian bankers, government officials and Governors of the Nigerian Central Bank (CBN) to obtain a better understanding of the consequences of CBN's recapitalization policy on Ex-Im Bank support for transactions in Nigeria. The Bank also held a special workshop on the U.S.-Nigeria commercial relationship at its Annual Meeting in April 2005.

Ex-Im Bank's Sub-Saharan Africa Advisory Committee (SAAC) provides a forum where outside practitioners offer ideas on how the Bank can increase its support for exports to the region while still satisfying its reasonable assurance of repayment requirement. The SAAC also discusses issues facing the private sector, including banks, when using Ex-Im Bank for transactions in SSA. The SAAC met twice in FY2005 to review existing initiatives and provide suggestions for further improvements with regard to the Bank's activities in sub-Saharan Africa. In addition to its regular meetings, the SAAC formed three sub-committees, which met individually with Ex-Im Bank staff to concentrate on improvements for business development, credit risk, and country risk.

J. U.S. Department of Commerce Initiatives

The Department of Commerce's U.S. Commercial Service (CS) conducted a number of AGOA-related activities in 2005. The Regional Senior Commercial Officer conducted a presentation on "Doing Business with U.S. Companies" for AGOA exporters from West Africa. At the July 2005 AGOA Forum in Dakar, the Commercial Service, in partnership with the U.S. Small Business Administration, organized an IT exhibition at which U.S. and Senegalese IT companies showcased the latest IT tools and equipment. Also during the Forum, Deputy Secretary of Commerce Sampson officially opened the Commercial Service Office in Dakar, which functions as the West African regional office for the Commercial Service.

In July 2005, CS Nigeria and the Nigerian-American Chamber of Commerce organized and promoted a three-city seminar and workshops to create awareness for AGOA in Nigeria. CS Nigeria provided guidance for the event, working closely with the Nigerian-American Chamber of Commerce and the West African Trade Hub. The Senior Commercial Officer in Nigeria also gave speeches on AGOA and participated in several other AGOA-related events, including the African World Expo in Lagos in August 2005. He briefed the business community and U.S. companies at this event on how to leverage CS Nigeria's resources to facilitate bilateral trade and investment, including AGOA-related expertise and travel assistance.

CS Kenya heavily supported two U.S. trade missions and one Kenyan trade mission focusing specifically on AGOA-applicable Kenyan exports to the United States. In February 2006, the U.S. National Black Chamber of Commerce visited Kenya to pursue

business opportunities and forge AGOA linkages. In April 2005, a major delegation from Miami-Dade County in Florida visited Kenya to pursue AGOA opportunities and explore possibilities for direct flights between Kenya and the United States. In both cases, CS Kenya provided counseling on AGOA trade opportunities and arranged for one-on-one meetings for delegates with leading Kenyan exporters.

The Department of Commerce's U.S. Patent and Trademark Office (USPTO) conducted a number of activities with AGOA-eligible countries in 2005. These initiatives included:

- Visiting Scholars Program: One official each from Kenya and Ethiopia attended intensive one-week USPTO programs on intellectual property rights (IPR) held in Alexandria, Virginia.
- Judicial Training on IPR Enforcement: Officials from Kenya, Nigeria and Zambia attended this July 2005 USPTO program in Virginia, conducted in partnership with the World Intellectual Property Organization;
- Program on Counterfeit Medicines in Sub-Saharan Africa: This three-day program, offered by USPTO and the Department of State's Bureau of International Narcotics and Law Enforcement, was held in September 2005 in Johannesburg, South Africa. Officials from 15 sub-Saharan African countries participated.

The Department of Commerce's Minority Business Development Agency (MBDA) continues to promote business-to-business (B2B) linkages between U.S. minority firms and African small and medium enterprises. MBDA conducted a B2B workshop at the Corporate Council on Africa's 2005 U.S. Africa Business Summit in Baltimore and at the 2005 AGOA Forum in Dakar, Senegal. MBDA also participated in the Regional AGOA Export Diversification Workshop in Addis Ababa, Ethiopia in October 2005, along with three U.S. minority firms. One MBDA client has consummated a deal as a result of the Addis workshop and several other deals are in negotiation. In 2005, MBDA introduced its International Phoenix Opportunity database, an online tool designed to foster partnerships between U.S. minority firms and foreign business entities.

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

U.S. Customs and Border Protection (CBP) continued to provide assistance and technical training for sub-Saharan African government officials in 2005, and it is anticipated that this work will continue into 2006. In 2005, CBP officials visited South Africa, Namibia, Madagascar, and Kenya. In each of these countries, CBP officials met with host-country counterparts and provided practical, on-site training in the production verification process related to regulations governing AGOA's textile and apparel benefits. In addition to this training, separate seminars were held for larger audiences of customs officials in Namibia and Kenya, covering topics including apparel visa system enforcement and general AGOA requirements for apparel exports.

CBP provides advice and assistance to counterpart agencies in all AGOA beneficiary countries eligible to receive apparel benefits to help these agencies to properly implement and enforce the requirements of the AGOA. It is important to ensure that the AGOA's

rules are properly administered and utilized so that the program's benefits accrue to the governments and citizenry of the beneficiary countries rather than to ineligible third parties potentially involved in illegal trade practices.

CBP's Office of Field Operations and Office of Regulations and Rulings also continue to assist the U.S. Department of Commerce by participating in the consultation process that takes place with beneficiary countries prior to the granting of eligibility to ship textile and/or apparel goods to the United States under AGOA Category 9, which includes handloomed fabrics, hand-made articles of handloomed fabrics, folklore articles, and certain ethnic printed fabric.

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

The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum is one of the cornerstones of the AGOA. Known informally as "the AGOA Forum," this event, held in accordance with section 105 of AGOA, institutionalizes a high-level dialogue between officials of the United States and AGOA beneficiary countries. The AGOA Forum is the Administration's premier platform to articulate and advance its trade and economic policy toward Africa and to foster closer economic ties between the United States and the region.

The fourth AGOA Forum was held July 18-20, 2005 in Dakar, Senegal, with the theme of "Expanding and Diversifying Trade to Promote Growth and Competitiveness." The official U.S. Government delegation, led by Secretary of Agriculture Johanns, included Secretary of State Rice at the closing ceremonies, and other senior U.S. government representatives throughout the event. In his opening address, Senegalese President Abdoulaye Wade characterized AGOA as the "highway" African countries should take towards economic globalization. The event brought together more than 1,000 delegates, from government, civil society, and the private sector.

A consultative group was formed by African Trade Ministers (and chaired by Ghana) to specifically address the challenges of increasing AGOA implementation in individual countries. The Ministers drafted a paper entitled, "Proposals for Accelerating the Implementation of the African Growth and Opportunity Act (AGOA)." This paper, which Ministers plan to use in conjunction with the U.S. Government's 2005 "African Growth and Opportunity Act Competitiveness Report," provides a framework to help countries develop their strategic plans for improving benefits derived from AGOA. The first follow-up meeting of the consultative group to review and discuss progress will be held just prior to the fifth AGOA Forum in June 2006 in Washington, D.C.

VIII. Free Trade Agreement with the Southern African Customs Union

On November 4, 2002, the Office of the U.S. Trade Representative notified Congress of President Bush's decision to negotiate a free trade agreement (FTA) with the five member countries of the Southern African Customs Union (SACU). These nations – Botswana, Lesotho, Namibia, South Africa, and Swaziland – comprise the largest U.S. export market in sub-Saharan Africa, with $4.1 billion in U.S. exports in 2005. Total two-way U.S.-SACU trade was valued at $10.9 billion in 2005. The SACU countries are strong economic reformers and leading AGOA beneficiaries that have seen the positive role that trade can play in promoting economic growth and development.

U.S.-SACU FTA negotiations began in Pretoria, South Africa in June 2003, and five subsequent rounds were held in August 2003 (in Johannesburg), October 2003 (in Washington, DC), February 2004 (in Walvis Bay, Namibia), May 2004 (in Maseru, Lesotho), and June 2004 (Atlanta, Georgia). During these negotiations, each side has exchanged relevant information on its respective trade policies and regimes, held detailed discussions on the full range of FTA issues, and submitted texts covering almost all negotiating areas.

Since the last full round of negotiations in June 2004, there have been several high-level U.S.-SACU discussions and meetings on the FTA, including a Ministerial meeting in Walvis Bay, Namibia in December 2004 attended by former U.S. Trade Representative Robert B. Zoellick and a "deputies" meeting in Geneva, Switzerland in July 2005 attended by former Deputy U.S. Trade Representative Josette Sheeran Shiner. In September 2005, Assistant USTR Florizelle Liser attended a "mini-round" in Gaborone, Botswana to discuss a few selected core issues in the negotiations. In those and other discussions it became clear that there are certain areas (e.g., labor environment, government procurement, and investment) which are fundamental to U.S. FTAs but which pose challenges for the SACU countries since they are still in the process of formulating internal SACU policies in these areas. In April 2006, Deputy USTR Karan Bhatia attended a deputies meeting in Pretoria, South Africa to clarify the status and future of the FTA and determine how the United States can most effectively pursue a robust economic partnership with SACU that remains mutually beneficial and constructive. At that meeting, the United States and SACU agreed to establish a framework that will develop a joint work program to address a broad range of FTA and other trade- and investment-related issues and, potentially in the near-term, seek to conclude concrete trade and investment-enhancing agreements. The framework would establish a basis and building blocks for pursuing the FTA over the longer term. The proposed framework requires further consultations with Congress and other stakeholders, including the private sector.

The United States and SACU will continue to work together to resolve divergent views on the negotiations, including the scope and level of ambition of the FTA. The United States will continue to underscore the need for a comprehensive FTA that covers all subjects, including investment, intellectual property, government procurement, labor, and the environment. Concluding the first-ever U.S. FTA in sub-Saharan Africa will take

longer than initially expected, largely due to capacity constraints and divergent views on certain FTA issues. The United States and SACU remain committed to building on the success of AGOA and securing a more comprehensive and long-term trade partnership.

The FTA could significantly enhance the U.S.-SACU trade and investment relationship. Through potential significant increases in trade and investment, and related job creation, the FTA could expand reciprocal market access for U.S. and African firms. It could also contribute to southern Africa's economic development, encourage greater foreign investment in southern Africa, and promote regional economic integration and growth.

Trade capacity building efforts are being undertaken to help the SACU countries participate more effectively in the FTA negotiations. These efforts will also be important in helping SACU to implement its commitments under the FTA and maximize its benefits from free trade.

IX. AGOA Country Reports

This chapter contains information on all countries that have been reviewed for eligibility under AGOA by the interagency Trade Policy Staff Committee. Two countries – Somalia and Sudan – have not expressed an interest in receiving the benefits of AGOA and therefore have not been reviewed. A list of all 37 countries eligible for AGOA as of May 2006 is contained in Annex A.

Detailed information on the human rights situations in these countries can be found in the State Department's *Country Reports on Human Rights Practices* publication, which can be accessed at http://www.state.gov/g/drl/rls/hrrpt/2005/index.htm

Country Summaries:

ANGOLA

Status: AGOA eligible.

AGOA Trade and Investment: Angola's exports to the United States under AGOA and its GSP provisions in 2005 – almost entirely energy products – were valued at $8.3 billion, representing 98 percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Angola currently boasts one of the fastest growth rates in the world, with projected GDP growth of 28 percent for 2006. While most of this growth is attributable to high oil prices and increasing oil production, much is also being driven by postwar recovery, which involves significant expansion of the construction and agriculture sectors. Angola is benefiting from greater macroeconomic stability, having cut annual inflation from 31 percent in 2004 to 18 percent at end 2005. The government continues to negotiate with the IMF for a potential Staff Monitored Program. Since the end of the civil war in 2002, the government has accelerated development of a market-based economy and improved its fiscal management. In 2003, a new law on private investment was passed to provide tax incentives for potential investors and establish the National Agency on Private Investment to facilitate the investment process. A new customs regime came into effect in March 2005, lowering many tariffs by 5 to 10 percent.

Political Pluralism/Rule of Law/Anti-Corruption: Power is concentrated in the presidency and the Council of Ministers appointed by the president. The 220-member National Assembly generally endorses executive efforts but has become increasingly divided on budgetary issues. Presidential and legislative elections, originally expected to take place in 2006, may be delayed until 2007, and will be contested by active opposition political parties. The Audit Court established in 2001 has found several government officials guilty of embezzlement; however, few have followed court orders to return misappropriated funds. Petty corruption is a problem among poorly paid civil servants, particularly teachers and law enforcement officials. The government is cooperating with the World Bank to implement stricter budget controls designed to prevent off-budget

spending by government agencies. In early 2006, the Angolan Council of Ministers approved the UN Convention on Corruption and the AU Convention to Prevent and Combat Corruption.

Poverty Reduction: The government has been working with the World Bank to finalize a PRSP. The government is cooperating with donors and, to a limited extent, directly funding international NGOs to reduce poverty. In February 2005, the World Bank approved a grant and credit amounting to $102 million for the second phase of its Emergency Multi-sector Recovery Program, which aims to increase transparency, rehabilitate infrastructure, and deliver basic services. In the 2006 government budget, absolute spending on health and education increased slightly, but decreased as a percentage of total spending. Total social spending remains low by regional standards. The government is committed to major infrastructure improvements of rail, road, ports and buildings.

Labor/Child Labor/Human Rights: Angola has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The constitution provides for the right to form and join trade unions, engage in union activities, and strike. Although the government did not always protect these rights in practice, workers exercised these rights in 2005. Angola's labor laws prohibit employee lockouts and worker occupation of places of employment. Despite severe resource limitations, the government is making efforts to comply with the minimum standards for the elimination of trafficking of persons. Angola has laws against child labor; the legal minimum age for employment is 14. The government prohibits children younger than 16 from factory work, but these provisions are rarely enforced. The government is supporting a USDOL-funded project for the prevention or removal of children, particularly former child soldiers, from the worst forms of child labor through the provision of education. The government is increasingly open to civil society and opposition participation in political processes, as was demonstrated in particular during the debate and passage of the package of new electoral laws. While access to media in the provinces continues to be a concern, the government has been providing more access and information to independent media. The appointment of a Human Rights Ombudsman was an important step in ensuring that citizens are able to take their human rights concerns directly to an independent governmental body. While the government's human rights record showed improvement in some areas, problems remain with respect to unlawful killings and abuse of persons, harsh and life-threatening prison conditions, and arbitrary arrest and detention.

BENIN

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

AGOA Trade and Investment: Benin had $4,000 in exports under AGOA and its GSP provisions in 2005, representing less than one percent of Benin's total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Benin has adopted market-oriented economic policies and has had sustained robust economic growth over the past decade. Though the IMF commended the country's economic performance in 2005, it described its growth rate of 3.5 percent as weak. The poor cotton crop in 2004-2005 adversely affected the country's economic performance. Little progress has been made on privatization and other economic reforms. The government took over management of the gas parastatal, SONACOP, in March 2006 due to alleged management failures and gas shortages over the past year. In 2005, Benin obtained HIPC debt relief from the G8 countries. In February 2006, Benin signed a MCA compact with the United States. The legal system recognizes and protects property rights. Benin has new business and investment codes and a court of arbitration of business disputes.

Political Pluralism/Rule of Law/Anti-Corruption: The Presidential elections held in March 2006 were unanimously considered by international observers to be free, fair, and transparent. A run-off between the two leading candidates resulted in the election of Boni Yayi as Benin's new President. The formal structures for rule of law are in place. The rights to due process and a fair trial are respected; however there are serious administrative delays in criminal cases. The government respects equal protection under the law. The judiciary is independent, but inefficient and subject to corruption. Following several years of investigation, prominent police officers were arrested in 2005 for allegedly embezzling state funds. The Minister of Foreign Affairs was dismissed in February 2006, for alleged involvement in the illicit sale of the country's property in the United States, and the Ministry's former Director of Administration is awaiting trial in the same case. Significant donor resources are going toward the improvement of the judicial system.

Poverty Reduction: The government finalized its PRSP in late 2002, and obtained debt relief in June 2005. Sustained economic growth over the last ten years allowed Benin's per capita income to rise and most social indicators to improve steadily. However, these achievements have not translated into significant progress in poverty reduction. In March 2004, the World Bank approved a Poverty Reduction Strategy Credit (PRSC) of $20 million to support government policy measures for implementing the poverty reduction strategy and focused on the key sectors of health, water, and education. A second PRSC is now pending, which would provide a total of $30 million to support reforms in justice, public administration, and finance.

Labor/Child Labor/Human Rights: Benin has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor for which it has signed a memorandum of understanding with the ILO. Nevertheless, child labor remains widespread. Benin's labor law recognizes the right to form unions and engage in collective bargaining. Several generally independent union confederations operate in Benin, and there were several strikes in 2005. Each year, the government allocates funds to the unions. Nevertheless, child labor remains widespread. Domestic and international trafficking of children remains a problem. In 2005 Benin signed a bilateral anti-trafficking cooperation

agreement with Nigeria and a multilateral agreement with eight other countries in the sub-region. Benin is participating in two U.S. DOL-funded projects to combat child trafficking. In 2005, USAID launched a child trafficking initiative that targets new areas in the northern region, and the U.S. Department of Justice is working with the government to improve its capacity to investigate and prosecute trafficking cases and provide protection for trafficking victims. In January 2006, the National Assembly passed an anti-child trafficking law, which must now be implemented. Overall, Benin has a good human rights record. The government generally respects the rights of its citizens; however, problems in several areas are exacerbated by poverty and corruption. Problems are centered on the legal sector, police abuses, and the trafficking, violence, and discrimination against women.

BOTSWANA

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

AGOA Trade and Investment: Botswana's exports to the United States under AGOA and its GSP provisions increased 50 percent in 2005 to a total of $30.1 million. This increase is a result of expanded AGOA output and investments in apparel production. AGOA represents 17 percent of Botswana's total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Botswana is consistently ranked by international organizations as one of the most stable, market-oriented economies in sub-Saharan Africa. The government has promoted policies geared toward diversifying the economy away from dependence on diamond production, which accounts for one-third of GDP and over 75 percent of export income. The government still plays an overwhelming role in the economy, accounting for roughly 40 percent of formal employment. The government is committed to creating a regulatory framework favorable to investors. The Botswana Export Development and Investment Authority is developing a Foreign Direct Investment Strategy scheduled to be finalized in March 2006. In August 2005, Botswana approved a Competition Policy and Micro Lending regulations, aimed at redressing anticompetitive practices, protecting borrowers, and improving investment opportunities. The Botswana Stock Exchange Act of 1994 is expected to be replaced in 2006 by a modern Securities Act, which will cover such aspects as electronic clearing and capital requirements. The Public Enterprises Evaluation and Privatization Agency's annual plan for 2006 includes strategies for privatization of Botswana Telecom Corporation and Air Botswana. There are few trade or investment barriers in Botswana, apart from restrictions on licensing for some business operations reserved for citizen-owned and operated companies.

Rule of Law/Political Pluralism/Anti-Corruption: Botswana is a long-standing, multi-party democracy. It held its ninth general elections in October 2004. The elections were generally viewed as free and fair by domestic and international observers. However, ruling-party candidates were given preferential access to state-owned television. Botswana's opposition parties experienced a growth in support during the 2004 elections

which, if the trend continues, could lead to a more closely contested election in 2009. The judiciary generally operates independently and impartially. A shortage of judges has sometimes resulted in lengthy delays in processing cases. In 2005, Transparency International again ranked Botswana the least corrupt country in Africa. Nonetheless, the government has remained vigilant against corruption.

Poverty Reduction: The government estimated the national poverty level at 30 percent in 2005, representing a drop from the 47 percent estimated in 1993-94. The government has implemented the National Strategy for Poverty Reduction pilot program in collaboration with the UNDP, although the program has been slow to take off. Government spending on education and healthcare totals nearly 36 percent of the government's projected 2006-07 budget expenditure. Botswana has universal access to health care and primary education and the government is attempting to expand rural access to secondary education. The government has dedicated substantial resources to combating HIV/AIDS. The high incidence of HIV/AIDS exacerbates problems of low productivity and poverty.

Labor/Child Labor/Human Rights: The government generally respects workers rights and has ratified all eight core ILO conventions, including ILO Convention 183 on minimum age and ILO convention 182 on the worst forms of child labor. In April 2004, new legislation went into effect to allow civil servants, except those in security-related agencies to form unions and to allow trade unions to employ full-time officials. The government does restrict the right to strike and the burdensome arbitration process means few strikes have actually been legal. The Children's Act bars children under 14 from working outside the home; however, some child labor does occur. This is generally restricted to children in remote areas who worked as maids, cattle tenders, and child-care providers. The government has provided funding to NGOs whose work with orphans and street children helps keep vulnerable children out of exploitive labor. The government is participating in three U.S. DOL-funded projects, two for the elimination of child labor and one to improve compliance with labor law. Botswana generally has a record of respect for human rights, although some human rights groups have criticized the government's policy of relocating residents out of the Central Kalahari Game Reserve to settlements where it can provide services more easily.

BURKINA FASO

Status: AGOA eligible as of January 1, 2005.

AGOA Trade and Investment: Burkina Faso had $122,000 in exports under AGOA and its GSP provisions in 2005, representing six percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Burkina Faso is among the world's poorest countries. Nonetheless, IMF numbers show that real GDP growth has averaged over 6 percent per year since 1994. The government has

strengthened macroeconomic management and made structural reforms that have resulted in a more flexible, more market-based economy. The private sector remains generally underdeveloped, and the state still plays an important role in the economy, but there has recently been a movement toward less state intervention.

Political Pluralism/Rule of Law/Anti-Corruption: In November 2005, Burkina Faso held presidential elections that most observers considered free, if not necessarily fair, as President Compaore, in power since 1987, enjoyed a significant advantage in resources. Many candidates from the opposition participated, and media coverage of the election was generally balanced. The unresolved 1998 killing of journalist Norbert Zongo is emblematic for many Burkinabe of the inadequacy of the rule of law in Burkina Faso. Though the government voices support for strengthening the rule of law, most observers agree that the judiciary is very sensitive to executive influence. Corruption is a growing problem, particularly among the police and customs, but most observers agree corruption is less serious in Burkina Faso than in most of the region. The government is responding through initiatives such as the creation of several commissions.

Poverty Reduction: In December 2005, the IMF declared Burkina Faso eligible for debt relief because of its "overall satisfactory recent macroeconomic performance, progress in poverty reduction, and improved public expenditure management." The government continued to implement sound macroeconomic policies in the face of significant exogenous shocks. Progress is also being made in strengthening public expenditure management systems.

Labor/Child Labor/Human Rights: Burkina Faso has ratified all eight of the ILO's core conventions. Under the labor code, workers have the legal right to form associations; unions are common and relatively vocal. Child labor, however, continues to be problematic and the government is working with donors to eliminate it and to improve enforcement of labor standards. Burkina Faso participates in several U.S. Department of Labor child labor projects. Children are trafficked internally in Burkina Faso, and from Benin, Mali, and Togo to work in agriculture, domestic service, street vending, metal working, wood working, and mining and to be exploited in prostitution. The government's human rights record remained poor, but there were improvements in some areas, including continued government efforts to combat trafficking in persons. Poverty, unemployment, and a weak infrastructure hindered efforts to bring about wider improvement. Principal areas of concern included: security services' use of excessive force against civilians, criminal suspects, and detainees, which resulted in deaths and injuries; abuse of prisoners and harsh prison conditions; official impunity; arbitrary arrest and detention; and occasional restrictions on freedom of the press and assembly, including the forcible dispersion of demonstrations.

BURUNDI

Status: AGOA eligible as of January 1, 2006.

Market Economy/Economic Reform/Elimination of Trade Barriers: The private sector is largely comprised of small-scale merchants and importers of consumer goods. Further development of the private sector is hampered by interference of the state in the economy, including through government-set prices for basic commodities, prohibitively high taxes, and burdensome regulations. Although plans exist for privatizing state enterprises, no steps have been taken to realize these plans. Burundi's new government has stated its commitment to continued economic liberalization, private-sector-led growth, good governance, and transparency in financial management. In 2005, Burundi implemented a number of trade liberalization policies, including reducing the number of import tariff bands and rates; abolishing the foreign exchange surrender requirement for exporters; and instituting a market-based exchange rate. Burundi became a member of the COMESA Free Trade Area in 2004; it is expected to join the East African Community in 2006.

Political Pluralism/Rule of Law/Anti-Corruption: Burundi is a constitutional republic with an elected government. In February 2005, 90 percent of citizens voted to adopt a new constitution. Following local and parliamentary elections in June and July 2005, the country's two houses of parliament indirectly elected Pierre Nkurunziza president. International observers reported that the elections were generally free and fair. Although the ruling party currently dominates the parliament and government, other major parties are also represented. The next series of local, national, and presidential elections is scheduled to occur in 2010. The judicial system is inefficient and subject to bribes and other forms of corruption. In January 2006 Burundi's National Assembly passed a new anti-corruption law, which as of early 2006 was awaiting Senate ratification and the President's signature. The government also created a special anti-corruption court and investigative body.

Poverty Reduction: Burundi is one of the world's poorest countries. Per capita GDP is estimated at less than $100. The government has stated that poverty reduction is its largest priority. In 2006, donors are expected to allocate some $170 million toward poverty reduction programs. The IMF has stated that Burundi's performance under a $104 million Poverty Reduction and Growth Facility has been broadly satisfactory. The government is working with the World Bank and the donor community to draft a final PRSP. In a July 2005 review, the IMF judged Burundi's progress on implementing economic reforms to have been satisfactory, and in August 2005 Burundi became eligible for $1.5 billion in interim debt relief under the HIPC Initiative.

Labor/Child Labor/Human Rights: Burundi has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Workers in Burundi generally have the right of association and the right to organize, bargain collectively, and the right to strike, subject to some restrictions. Over the past year various trade associations and workers collectives have held strikes and bargained for wage and benefits improvements. Laws are in place prohibiting forced or compulsory labor, as well as all forms of child labor. Despite these legal protections, child labor remains a problem. Children in rural areas

regularly perform heavy manual labor, including in the mining and brick-making industries. Children are exploited in prostitution and are trafficked for forced soldiering by rebel groups, who operate outside of the law. There are reports that the security forces continue to use children to perform menial tasks without compensation. The government supports a World Bank-funded child soldier demobilization program that has demobilized 2,920 child soldiers to date. The government also assists former child soldiers with reintegration into their communities. The human rights record of the new government remains poor and it continues to commit serious human rights abuses, many of which have been documented by the United Nations Operation in Burundi. Political rights increased significantly with the adoption of the new constitution and national elections. Although the government has publicly stated that it thoroughly investigates alleged abuses and punishes those found to be responsible, local and international human rights monitors are not aware of any such investigations or punishments. The President has publicly acknowledged that police and security forces have committed human rights violations and has appealed for additional training and support from international donors.

CAMEROON

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

AGOA Trade and Investment: Cameroon's 2005 exports under AGOA and its GSP provisions were valued at $101 million – almost all of which was oil or energy-related products – representing 64 percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Cameroon is implementing macroeconomic and fiscal reforms and privatization of state-owned companies, in consultation with the World Bank and IMF. The government has published tenders for the privatization of Cameroon Airlines and Cameroon Telecommunications. Difficulties in resolving commercial disputes, particularly the enforcement of contractual rights, remain a serious obstacle to investment. American claimants are often frustrated with the slow pace of the Cameroon legal system. The government has harmonized tariffs with other members of the Economic and Monetary Community of the Central African States. Price controls are minimal and decreasing.

Political Pluralism/Rule of Law/Anti-Corruption: Cameroon is a multi-party democracy controlled by a strong presidency. Four major opposition parties are represented in the National Assembly. In October 2004, Paul Biya was re-elected as President in an election where primary opposition parties were able to field candidates. While the election had some irregularities, it was considered to represent the will of the people. In early March 2006, a working group led by Commonwealth experts started working on a project to create a fully independent electoral commission that will control the whole electoral process. The new commission should be operational before the municipal and legislative elections of June 2007. The government has taken steps to improve the public procurement system and modernize its taxation system, both of which have suffered from widespread corruption. In October 2005, the President appointed the

21 magistrates who will sit on the Audit Bench of the Supreme Court. In May 2005, the President created the National Agency for the Investigation of Financial Crimes, which was officially launched in January 2006. In February 2006, the Ministry of Justice launched a major anti-corruption campaign with the arrest and detention on embezzlement and corruption charges of one minister and several former managers of major state-owned companies.

Poverty Reduction: The IMF and World Bank approved Cameroon's PRSP in August 2003. The 2004 and 2005 budgets contained provisions to monitor government spending and focused on education, health and basic infrastructure. In October 2005, the IMF Board of Directors reviewed Cameroon's case under the Staff Monitored Program for the first six months and signed a new three-year PRGF with Cameroon. A joint IMF-World Bank mission in early February 2006 reviewed the performance of Cameroon's economy under the PRGF for the rest of 2005. If the IMF and World Bank determine that the program has been executed satisfactorily through the end of 2005, Cameroon will achieve HIPC completion point in May 2006, which could result in debt relief of more than $2 billion. The recent G8 initiative for very poor indebted countries is likely to result in further debt cancellation.

Labor/Child Labor/Human Rights: Cameroon has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Workers may form and join trade unions, but the government has restricted registration, supported minority factions, and harassed and fired union members and officers. Strikes organized by both public and private sector unions in 2005 were generally free of government interference. In 2005, the government, with the help of the ILO, held discussions with all trade unions in an effort to put in place a system for tracking and recognizing unions that would meet international criteria. The right to strike is recognized only after mandatory arbitration, but arbitration decisions are not enforceable by law and can be overturned or ignored by the government and employers. The law prohibits forced and bonded labor, yet authorities continue to contract out prison inmates to private employers or for municipal public works. While the law sets a minimum age of 14 for child employment and limits a child's workday to eight hours, child labor in the agricultural sector and child trafficking remain problematic. Cameroon is currently participating in a regional ILO-IPEC program to combat child trafficking and is cooperating with the ILO and other countries of the sub-region to eradicate trafficking in persons and child labor. On December 14, 2005, the National Assembly passed an anti-child trafficking and slavery law. The government's human rights record remains poor although there were significant improvements in a few areas. While security forces continued to commit numerous serious human rights abuses, there were no reports of disappearances of persons in the custody of security forces in 2005. The anti-gang unit notorious for past human rights abuses has been disbanded. The government investigated complaints against security personnel, and Cameroonian courts have sentenced human rights violators to pay fines and serve time in prison. The Constitution provides for freedom of speech and of the press and many independent newspapers and radio stations are openly critical of the government and politicians in general, although journalists have occasionally been

harassed.

CAPE VERDE

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

AGOA Trade and Investment: Cape Verde's 2005 exports under AGOA and its GSP provisions were valued at $2.1 million, representing 82 percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Cape Verde is considered by the Wall Street Journal and the Heritage Foundation to be one of the countries with the most economic freedom in Africa, and it ranks among the top 50 in the world. Cape Verde is expected to graduate from LDC status in January 2008. Over the past ten years the government has promoted a market-oriented economic model. Cape Verde has experienced strong economic growth, averaging six percent over the past few years. The government looks to private investment as the future engine of the country's economic growth. Over 20 state-owned enterprises have been privatized, including the national telecommunications company, the banks, and the power supply company. Cape Verde is in the process of acceding to the WTO. The government has copyright laws and has signed treaties that provide protection for IPR, but it has not ratified international agreements on IPR protection. Cape Verde's economy relies heavily on development and donor assistance to balance the external account.

Political Pluralism/Rule of Law/Anti-Corruption: Nationwide municipal elections were held in March 2004 in which the main opposition party made significant gains. Legislative elections took place in January 2006, with the ruling party returned to power. The results of the elections were contested, but the final Supreme Court decision was respected. Presidential elections took place in February 2006; the final results were also contested and a final decision was pending in the Supreme Court as of April 2006. An independent judiciary generally provides due process, though a backlog of cases causes trial delays. The constitution provides for the rule of law, due process, fair trials, and equal protection under the law. Parliament has added three additional prosecutors to enforce anti-corruption laws. The procurement process is open and transparent.

Poverty Reduction: About 98 percent of school-aged children are enrolled in school and complete basic compulsory education, with no difference between rates for boys and girls. The literacy rate is 75 percent. A National Poverty Alleviation Plan was enacted with World Bank funding. Relative to other African LDCs, Cape Verde has a lower percentage of population living in poverty, a lower HIV/AIDS infection rate, a lower birth rate, and longer life expectancy. However, 37 percent of the population lives in poverty, and 20 percent in extreme poverty. In July 2005, Cape Verde became the third country to sign a compact proposal with the MCC.

Labor/Child Labor/Human Rights: The government has ratified seven of the eight fundamental ILO Conventions including ILO Convention 182 on the worst forms of child

labor. It has not yet ratified including ILO Convention 138 on minimum age. The constitution recognizes core international labor standards. The constitution prohibits child labor and allows workers to form and join unions without government authorization or restriction. Union members have the right to strike, and the government generally respects this right. Forced labor is prohibited, and anti-union discrimination by employers is against the law. There is no established minimum wage for the private sector. The code of minors provides no one under 14 can be employed; however, the government rarely enforces the law and child labor remains a problem. In June 2005, the government, in cooperation with UNICEF, organized a meeting on children's rights, in which the need for institutional awareness was recognized. UNICEF and the government have a joint project to address all issues relating to children, including the worst forms of child labor. Recent legislation criminalized child trafficking, as well as the use of children in prostitution or pornography. Victims can collect compensation in civil courts. The government generally respects the human rights of its citizens.

CENTRAL AFRICAN REPUBLIC

Status: The Central African Republic's (CAR's) eligibility for AGOA benefits was terminated on January 1, 2004, after a military coup in March 2003.

Market Economy/Economic Reform/Elimination of Trade Barriers: President Bozize has pursued market-oriented policies and proclaimed a battle against corruption. His finance minister has initiated an ambitious campaign to reform public finance. Since 2004, the IMF has twice approved emergency post-conflict assistance for the government to stabilize the macroeconomic situation, support the ongoing reform process, and catalyze external assistance. Ongoing efforts to improve fiscal oversight and transparency are underway, but progress is slow due to weak capacity, resource constraints, and uneven political will. The government is slowly coordinating its macroeconomic policies with other Central African Economic and Monetary Union (CEMAC) members. It has undertaken substantial structural reforms to attract domestic and international private investment. After privatizing various parastatals, including water, petroleum and some banks, the government is planning to privatize its telecommunication and electricity companies. The government has chronic difficulty paying its employees. It is in arrears to both the African Development Bank and the World Bank. The majority of infrastructure development programs are funded by international assistance.

Political Pluralism/Rule of Law/Anti-Corruption: After a two-year transition following the 2003 coup, the Bozize government restored democratic processes with a constitutional referendum and presidential and legislative elections, completed in June 2005. The presidential elections, in which Bozize was one of 11 candidates, were peaceful and deemed by national and international observers to be relatively free and fair. More than 780 candidates competed for 109 seats in the National Assembly. President Bozize has appointed people from across the political spectrum to his government, including respected oppositionists. There is a need to strengthen fiscal management and

raise government revenues through the elimination of tax evasion and fraud. Misappropriation of public funds and corruption continue to be serious problems. The government has begun efforts to combat corruption within government ministries. About one hundred civil servants were arrested for fraud following a census of government employees in 2005. The diamond and timber sectors are vulnerable to corrupt practices, including false customs declaration and illegal re-exportation, though CAR is a party to the Kimberley process. The judiciary is often subject to executive influence.

Poverty Reduction: Chronic insecurity and instability, corruption, and mismanagement are among the many challenges the government faces. The CAR is one of the world's least developed countries, with an annual per capita income of $260. HIV/AIDS has a serious negative effect on the workforce. The government is working on an Interim PRSP, but it is unclear when it will be adopted. The IMF approved $10.2 million in emergency post-conflict assistance for the CAR in January 2006. This new IMF arrangement will facilitate assistance from donors and multilateral development banks.

Labor/Child Labor/Human Rights: The CAR has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Relations between labor and government are strained. Labor unions have used their right to strike, although the right to strike is limited by complicated procedures for mandatory arbitration and conciliation. In the event of a strike, the government has the right to requisition workers for the general interest. Legislation prohibits forced labor and employment of children under 14 years old, but enforcement is lax and an estimated 63 percent of children between five and 15 years old work. There is some forced labor, especially of the Ba'Aka people. The government acknowledges the incidences of child labor in the country and is seeking to raise awareness among the population about this issue. However, it lacks resources to enforce the laws against child labor and trafficking. Although there have been improvements in a few areas, the government's human rights record remains poor and serious problems remain. Arbitrary arrest and prolonged detention without trial reportedly remain problems and there are allegations that security forces commit extra-judicial and other unlawful killings with impunity. Some restrictions on freedom of the press, assembly, and association exist. A law adopted in December 2004 promised greater press freedom. It established a High Council for Communication, an independent institution whose stated mission is to assure press independence. However, the Council's effectiveness has been called into question since the arbitrary arrest and detention of its chair in October 2005.

CHAD

Status: AGOA eligible.

AGOA Trade and Investment: Chad's exports under AGOA and its GSP provisions more than doubled in 2005 – to $1.2 billion from $569 million in 2004 – as a result of the full coming on line in 2004 of the Chad-Cameroon petroleum pipeline. AGOA/GSP

exports – almost all of which were oil or energy-related products – represented 79 percent of Chad's total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government continues to promote economic reforms, though it restricts private investment in the cotton, electricity, and telecommunications sectors in order to protect parastatal enterprises. Efforts are underway to liberalize these and other sectors. A long-debated Investment Charter was approved by the Council of Ministers, but has yet to be introduced to the National Assembly for final approval. Chad has no price controls or currency restrictions. There are no legal barriers to trade with the United States. The United States has $4 billion in investments in Chad. The Chad Oil Project still garners the widest amount of attention, as a number of U.S. companies have entered the oil sector to assist in production efforts.

Political Pluralism/Rule of Law/Anti-Corruption: Chad's democratic institutions remain weak. The ruling party dominates the National Assembly. Presidential elections are scheduled for May 2006, but the government's ability to hold transparent elections remains in question. Political opposition parties and human rights groups operate in Chad, but lack significant resources to mobilize support. Rule of law also remains weak and the judiciary is vulnerable to executive branch interference. Corruption continues to hinder economic growth. The recently created Ministry of Moralization has initiated some anti-corruption cases against government officials, but they lack specific means to fulfill their mandate.

Poverty Reduction: The donor community curbed some of its assistance to Chad in early 2006 following modifications by the Chadian government of the Oil Revenue Management Law and the ensuing schism between the World Bank and Chadian authorities. Following the promulgation of the law by President Deby, the World Bank suspended $124 million in development loans for a number of priority sectors in the government's Poverty Reduction Strategy Paper. The IMF's Poverty Reduction and Growth Facility Program and budgetary support from the EU and the Africa Development Bank are also currently suspended.

Labor/Child Labor/Human Rights: Chad has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Labor unions are required to seek government authorization before forming, but have significant power to protest and demonstrate and play an important role in promoting worker rights and promoting government reform. The national labor union holds one of the nine seats on Chad's oil revenue oversight committee. The Chadian Labor Unions reported specific cases of abusive behavior by security forces against strikers in 2005. Child labor, largely poverty driven, remains a problem in the informal sector. There are reports that some children are trafficked into situations of forced labor. However, the government is making efforts to raise public awareness of the problem, assist children found in these situations, and punish offenders. The government, in collaboration with UNICEF, is taking steps to combat the worst forms of child labor. Chad's human rights record remains poor. Elements of the security

forces, frequently acting independently of government control, committed or sanctioned serious human rights abuses. The government has appointed a Minister for Human Rights to oversee the maintenance of sound human rights practices. However, security forces continued to commit serious human rights abuses, and prosecution by the government is rare. The government created a new ministerial post for human rights in 2005. Several incidents of press harassment occurred in 2005, but the independent press and radio are free to criticize the government.

COMOROS

Status: Not eligible.

Market Economy/Economic Reform/Elimination of Trade Barriers: Comoros has a fragile economy that has long been limited by political instability, government inefficiency, state ownership of assets, and lack of resources. Economic policy management has been haphazard and inconsistent in part due to 19 coups or attempted coup in the 30 years since independence. A December 2005 IMF Statement indicated Comoros had "mixed performance" under its Staff Monitored Program and required more time before entering into the Fund's Poverty Reduction and Growth Facility (PRGF). The Fund did note, however, that the government "remains strongly committed to the policy reforms that could open the door for future debt relief."

Political Pluralism/Rule of Law/Anti-Corruption: Since independence in 1975, Comoros has struggled with political stability. Current President Azali took power in a coup in 1999 and then won presidential elections in 2002, which were generally deemed free and fair. A presidential primary is scheduled on the island of Anjouan in April 2006, to be followed by national presidential elections in May. Corruption is rampant, and all government institutions are weak.

Poverty Reduction: Aside from donor assistance, the government has few resources and few plans for how to begin alleviating poverty. External shocks, including high oil prices and low vanilla prices, are partly to blame. Isolation, instability, and the absence of natural endowments attract few investors and tiny domestic enterprises lack credit, technology, and know-how. For decades, Comorians have responded to these conditions by emigrating elsewhere, with nearly a third of all Comorians living abroad.

Labor/Child Labor/Human Rights: Comoros has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor, respectively. Domestic law allows workers to form and join unions of their choice without previous authorization or excessive requirements. Approximately five thousand of the seven thousand-person wage labor force works for the government. Teachers, civil servant, taxi drivers, and dockworkers are all unionized and independent of the government. The rarely enforced labor code does not include a system for resolving labor disputes, and it does not prohibit anti-union discrimination by employers. The government has not taken any specific action to

protect or promote children's welfare. Provisions that address the rights and welfare of children are not enforced because of a lack of inspectors. The government generally respects the human rights of its citizens; however, there are problems in some areas, including poor prison conditions; restriction on freedom of religion; official corruption; discrimination against women; child abuse and child labor.

REPUBLIC OF CONGO

Status: AGOA eligible.

AGOA Trade and Investment: The Republic of Congo's 2005 exports under AGOA and its GSP provisions were valued at $574 million, consisting mostly of petroleum products and representing 35 percent of the country's total exports to the United States.

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

Political Pluralism/Rule of Law/Anti-Corruption: President Sassou-Nguesso was elected in 2002 in elections deemed "not to contradict the will of the people" by independent monitors. The president's party also won the legislative elections and controls 121 seats in the 136-seat National Assembly. Although opposition parties exist and are represented in the assembly, they lack political credibility. The judiciary is overburdened, under-funded, and subject to political influence, bribery, and corruption. The government has put in place two new courts, the Constitutional Court and the High Court, as well as a Human Rights Commission, to assist with addressing judicial branch issues and human rights complaints. Transparency and governance remain serious problems. Economic governance has improved somewhat, for example, via better budgeting and accounting practices; however, the government needs to intensify its efforts to improve, especially in the oil. Although the government has strong laws and policy against corruption, enforcement is lax.

Poverty Reduction: Despite some positive developments, Congo continues to face major challenges in addressing poverty. Meeting these challenges will require structural reforms and prudent macroeconomic management. The ROC qualified for an IMF Poverty Reduction and Growth Facility (PRGF) in December 2004. In early January 2005, an inter-ministerial committee and technical working group under the leadership of

the Planning Ministry were established to promote effective PRGF implementation and to rework the interim PRSP. To accelerate progress toward achieving the Millennium Development Goals, the government plans to use oil revenues that are in excess of budget assumptions to raise poverty-related spending.

Labor/Child Labor/Human Rights: Congo has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The government recognizes worker rights, including the right of association and to organize, strike, and bargain collectively, and there are constitutional prohibitions on forced or compulsory labor. Almost 100 percent of the workers in the public sector, except security forces, and 50 percent of the workers in the formal sector are union members. Children under age 16 are not permitted to work; however, in practice, this law is not widely enforced, particularly in rural areas and in the informal sector. The government's human rights record remained poor. Although there were some improvements in 2005, significant problems remain including mob violence, arbitrary arrest and detention, and abuse of citizens by security forces.

COTE D'IVOIRE

Status: Effective January 1,2005, Cote d'Ivoire's beneficiary status was terminated for reasons related to lack of progress on key economic reforms and the Ivoirian government's decision to unilaterally violate the UN monitored cease-fire in November 2004.

Market Economy/Economic Reform/Elimination of Trade Barriers: Despite the political crisis, Cote d'Ivoire has retained its free-market economy and remains the third largest economy in sub-Saharan Africa. In November 2005, the government brokered a settlement to a longstanding business dispute between an Ivoirian company and a U.S. firm, and the government is working diligently to settle a second, lingering investment/expropriation claim. While these are positive signals, U.S. companies doing business in Cote d'Ivoire continue to face many challenges, including pressure to pay commissions for basic governmental services, slow reimbursement of VAT and other taxes to tax exempt businesses, and harassment by security forces soliciting bribes at roadside checkpoints. Cote d'Ivoire continues to apply minimum import prices (MIP) on certain products, despite the expiration of its WTO waiver for MIPs in 2003. The MIPs in force include products not covered by the waiver. Reforms in the telecommunications sector, mandated by 2004 under Cote d'Ivoire's WTO Reference Paper Commitment, remain incomplete as the reform legislation is stalled in the National Assembly. The law will not come up for vote until after new parliamentary elections are held, which are unlikely to happen before 2007.

Political Pluralism/Rule of Law/Anti-Corruption: The country remains divided into the government-controlled south and ex-rebel-controlled north, despite multiple peace accords and interventions by the international community. The new transitional government, appointed in December 2005, is making incremental progress toward

holding free, fair and transparent elections. In January 2006, the country suffered four days of street unrest and attacks on UN facilities. Many companies continue to cite corruption and a lack of confidence in the legal system as significant barriers to doing business in Cote d'Ivoire. The government has taken some minor steps to combat corruption, but much remains to be done. For example, reforms in the cocoa sector continue to languish and farmers continue to suffer under a system that levies heavy taxes and other charges, yet provides neither investment nor market stabilization.

Poverty Reduction: In early 2002, the government agreed to a PRSP in cooperation with the World Bank, IMF and African Development Bank. The focus was on decentralization, good governance, transparency, the private sector and development. These projects have all stalled due to budget constraints, security concerns, and the complete withdrawal of World Bank and IMF funding after Cote d'Ivoire fell into non-accrual status with the Bank in November 2004. Despite the ongoing political instability, the economy registered modest positive growth in 2004 and 2005, though this growth has not increased employment or led to poverty reduction.

Labor/Child Labor/Human Rights: Côte d'Ivoire has ratified all eight of the ILO fundamental conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Labor laws guarantee the right to unionize, strike, and bargain collectively. Trade unions remain active and often strike peacefully. The law requires that there be protracted negotiations and a six-day notification before a strike can take place. However, labor laws apply only to workers in the formal sector. Child labor remains a pervasive problem, reinforced by both tradition and poverty. The majority of working children are found in the informal sector, including in agricultural sectors such as cocoa, family-operated artisanal gold and diamond mines, fishing, and domestic work. National armed forces and rebel groups are reported to recruit or use children in situations of armed conflict, sometimes on a forced basis, and girls are abducted by armed opposition groups for exploitation as sexual slaves. The government has begun cracking down on child labor, partly in response to international attention and threats of sanctions against coffee and cocoa products produced with child labor. Cote d'Ivoire participates in two U.S. DOL-funded projects to combat child labor in the cocoa sector and child trafficking that will end in 2006. The government's human rights record remained poor. The continuing political instability and uncertainty leading up to the end of President Gbagbo's mandate increased tensions throughout the country. The government made little progress on the implementation of the Marcoussis Accord, the 2003 peace treaty between the government and rebel forces. The New Forces rebel group suspended its participation in the Disarmament, Demobilization, and Reintegration program.

DEMOCRATIC REPUBLIC OF CONGO

Status: AGOA eligible.

AGOA Trade and Investment: The Democratic Republic of the Congo (DROC)

exported $50 million under AGOA and its GSP provisions in 2005, mainly oil, representing 19 percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: The Democratic Republic of Congo's (DRC's) development of a market-based economy is slowly progressing. The exchange rate has floated freely for three years without significant government intervention and has generally been stable. Private sector development remains a key government objective, in partnership with international financial institutions. The DRC does not have any specific barriers against U.S. trade and investment. The government has ratified key international intellectual property rights conventions, but a weak judicial system often results in inadequate domestic IPR protection. The government welcomes foreign investment in principle, although it is often difficult and time consuming to obtain final government project approval. The government is working with the World Bank to improve the investment climate. New investment, mining, forestry, and labor codes provide modern legal foundations for doing business in the DRC, and their implementation continues on an ad hoc basis. Several multinational mining corporations, including one American-led consortium, signed joint venture agreements with DRC parastatals in 2005. A Bilateral Investment Treaty between the United States and the DRC governs investment and trade disputes, though the DRC has yet to pay any arbitration awards entered in favor of American companies.

Political Pluralism/Rule of Law/Anti-Corruption: Political pluralism exists without government interference. Representatives from numerous factions fill legislative and executive branch positions. A variety of print and electronic news sources provide a broad range of political debate. Presidential and parliamentary elections are due to occur by June 2006. The installation of a democratically elected government will bring the political transition to a close. The international community continues to support government efforts to focus on implementing the rule of law and on combating corruption. The government is working with bilateral and multilateral donors to develop capacity building programs for the law enforcement and judicial sectors. The judicial sector is very weak, often corrupt, and due process is not regularly afforded, particularly in connection with pre-trial detention. Multilateral and bilateral donors, including the U.S., fund ongoing anticorruption efforts. The World Bank, IMF and other donors continue to pressure the government to reduce the number of workers on its payroll.

Poverty Reduction: The government has increased its level of welfare spending. It continues to work with the World Bank and IMF on its PRSP. The 2006 budget includes at least $100 million in social spending and poverty reduction programs, made available primarily due to interim debt relief and external bilateral and multilateral donor budgetary and indirect support for humanitarian, reconstruction and rehabilitation projects. The government is not meeting all of its IMF program budget targets, but the IMF remains committed to assisting with the DRC's transition.

Labor/Child Labor/Human Rights: The government has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor, respectively. While the 2002 labor

code protects worker rights, these rights are not enforced in practice, a situation exacerbated by war and economic collapse. The government generally does not interfere with the activities of the 300-plus unions, and it usually respects their right to strike. Unions are not normally influential enough to obtain regular, meaningful concessions from the government or the private sector. An estimated 80 to 90 percent of the Congolese workforce is in the informal sector and therefore does not benefit from the nominal labor law protection. The minimum wage law continues to be suspended. Child labor continues to be a problem, particularly in the mining and informal sectors, but over 14,000 child soldiers were demobilized and reintegrated. Children have been abducted and recruited into armed groups to serve as laborers, porters, combatants, "war wives", and sex slaves. As a result of government cooperation with various children's rights NGOs, a foundation is now in place for more effective implementation of existing laws. The DRC's human rights record remains poor. Serious human rights violations were perpetrated by armed groups operating outside of government control and also by the Congolese military itself. The government has on occasion restricted freedom of speech, press, assembly, association and movement. However, as the country took steps toward elections and as the security situation in the eastern provinces improved during the year, the incidence of severe human rights violations decreased. Several of the human rights violations reported in previous years, including militia attacks on internally displaced persons, were not reported this year; and there were fewer reports of the recruitment of child soldiers and of attacks on civilians by military forces.

DJIBOUTI

Status: AGOA eligible.

AGOA Trade and Investment: Djibouti did not export any products under AGOA and its GSP provisions in 2005.

Market Economy/Economic Reform/Elimination of Trade Barriers: Djibouti has a market-based, liberal economic regime with minimal interference from the government. It offers attractive incentives to foreign investors and does not impose barriers to U.S. trade. The Djibouti Free Zone offers incentives including tax breaks, simplified administration and 100 percent foreign ownership. Doraleh Oil Terminal, funded by Dubai Port World and Emirates National Oil Company, was inaugurated in February 2006. A container terminal and a commercial free zone are also planned. A French company was recently selected to manage and develop Djibouti's fishing port.

Political Pluralism/Rule of Law/Anti-Corruption: Eight political parties exist in Djibouti, grouped in the ruling and opposition coalitions. The opposition boycotted the presidential elections held in April 2005 because their conditions for transparency were not accepted by the ruling coalition. The opposition also boycotted regional elections in March 2006. Rule of law is progressing, though at a slow pace. The judiciary system, inherited from the French, is complex and far from transparent with government interference commonplace. Enforcement of laws and regulations remains difficult.

Djibouti ratified the UN Convention on Corruption in February 2005 and is making attempts to reduce corruption and promote transparency. The State General Inspection was given more support and authority. Also, the Minister of Finance has pledged to fight tax evasion, fraud and price speculation, and has reactivated the Finance Inspection section, an auditing body in his ministry. The government signed an agreement with Dubai Customs International in 2005 to manage, develop and promote transparency within Djibouti Customs.

Poverty Reduction: The increasing poverty rate is a direct consequence of the high unemployment rate. The poverty rate exceeds 40 percent while unemployment is at 70 percent among people 30 years of age or less. The government has finalized a long-term poverty reduction strategy ending in 2015. It promotes economic growth, human resource development, social safety nets, and good governance. The government submitted its need for the poverty program during a November 2005 Arab donors' round-table meeting held in Djibouti. The Arab donors, comprising the Islamic Bank of Development, the Kuwaiti Fund for Development and the Arab Fund for Economic and Social Development, approved $341 million for the poverty reduction program.

Labor/Child Labor/Human Rights: In 2005, Djibouti completed ratification of the eight fundamental ILO Conventions, by passing ILO Convention 111 on employment discrimination, ILO Convention 138 on minimum age, and ILO Convention 182 on the worst forms of child labor. However, the government continues to interfere in the internal affairs of labor unions, which are perceived as the opposition. The government continues to intimidate union leaders. Several union members were jailed and fired following a 2005 strike at the port. A new Labor Code was approved by the Parliament in December 2005. This new document is meant to attract and provide confidence to potential investors but is widely contested by labor unions. Trade unions feel that the new Labor Code limits the rights of employees. The new Labor Code also reportedly makes it difficult for employees to form unions. Child labor exists in Djibouti, although there are laws against the worst forms of child labor. The human rights situation remains poor, though some progress has been made. No political detainees were reported in 2005. However, police brutality resulting in several deaths was noted during one operation.

EQUATORIAL GUINEA

Status: Not eligible.

Market Economy/Economic Reform/Eliminating Barriers: Major oil discoveries have sparked dramatic economic growth and substantially increased U.S. investment in Equatorial Guinea. The government has also begun to invest in projects designed for the public good, although not at levels expected by the international community. Reforms have been undertaken to reduce the government's role in the economy, including privatizing the distribution of petroleum products. The government is modernizing its commercial law code. On paper, the investment climate is open; however, in practice the business climate remains difficult. Courts and administrative agencies often grant

preferential treatment to domestic firms and have been accused of corrupt practices. Application of the laws remains selective. The government has passed a series of measures restricting the operations of foreign companies, including a 2004 decree requiring that foreign companies have at least 35 percent local ownership. In 2005, the government introduced measures mandating a minimum percentage of locally hired workers. The Minister of Mines and Energy met with senior oil executives in early 2006 to ask that their firms increase their social welfare contributions or face restrictions to their licenses. Also in 2006, the government issued a decree requiring all private companies to advertise their activities and services through the state broadcaster. Equatorial Guinea accepts binding international arbitration of investment disputes and is a member of the International Center for the Settlement of Investment Disputes.

Rule of Law/Political Pluralism/Anti-Corruption: President Obiang, who has ruled since 1979, was re-elected with 97 percent of the vote in a December 2002 election marred by extensive fraud and intimidation and preceded by restrictions on political campaigning, arrests of candidates and restrictions on the press, Legislative elections in April 2004 were better, but were still marred by irregularities. They did result, for the first time, in two real opposition seats in Parliament (out of 100). The President's party controls the judiciary and the legislature. The judicial system is slow and fraught with administrative and legal bottlenecks. Investors may have difficulty obtaining a fair hearing in the courts. The government is attempting to modernize its institutions and legal codes. A training program for judges funded by the European Union began in 2005. Corruption remains a significant problem. In 2004, the government made some limited progress toward creating greater transparency, reducing levels of corruption, improving the rule of law and broadening legislative representation. The Minister of Justice oversees a commission that investigates allegations of government corruption. Government officials are now required to declare their personal assets before a new National Commission for Ethics, which prohibits bribes and malfeasance. In 2005, Equatorial Guinea declared its participation in the Extractive Industries Transparency Initiative, which will require the government to declare payments received from oil companies. Implementation, however, has been slow.

Poverty Reduction: The past two years have seen much progress in infrastructure development, such as roads, bridges, airports, schoolrooms, and the construction of two hospitals. Building on a U.S.-funded program launched by the U.S. NGO Business for Social Responsibility, the government signed an agreement with USAID in April 2006 to address more quickly public needs in the priority sectors of health and education. This agreement, funded by the government of Equatorial Guinea, will establish a USAID program to assist the government in implementing a Social Development Fund to support projects in health, education, women's empowerment, and sanitation. Although some citizens are enjoying the benefits from the country's oil wealth, an estimated 80 percent of the population lives in poverty. The process of allocating a more significant portion of oil revenues to improving living conditions for citizens has been slow and uneven. Lack of adequately trained personnel in all sectors is one factor preventing more rapid or sustainable change. Access to potable water, electricity and health care is still limited for the majority of the population.

Labor/Child Labor/Human Rights: Equatorial Guinea has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Despite legislation legalizing trade unions, only one union has been registered; others have been denied registration, and one unregistered union still operates in secret. The Labor Code recognizes the right to strike, collective bargaining, and the right of association, but these rights are not enforced. The Labor Code does not protect workers from anti-union discrimination. Employment, especially for highly desirable jobs in the petroleum industry, is sometimes awarded on a discriminatory basis to members in good standing of the dominant political party. Child labor remains common in the informal sector, but children are required to attend school through the primary level. A small number of children from other countries are reportedly trafficked for commercial and agricultural labor. In September 2004, the parliament adopted national legislation meeting international standards pertaining to smuggling migrants and trafficking in persons. In February 2006 the government adopted a national anti-child trafficking plan stemming from the 2004 legislation. The government's human rights record remained poor, and the government continued to commit or condone serious abuses. Security forces used force against persons considered to be a threat to senior government officials or their families. Prison conditions remained harsh and life threatening.

ERITREA

Status: Not eligible.

Market Economy/Economic Reform/Elimination of Trade Barriers: One of the world's poorest countries, Eritrea continues to implement policies contrary to free-market principles. The government and ruling party exert a dominant influence on the economy. The government severely limits foreign exchange and, in 2005, closed all registered private exchange bureaus and significantly reduced the number of private import licenses. Trade is strictly controlled, essentially preventing imports by private businesses, except for those companies owned by the ruling party. The government strictly limits the withdrawal of foreign currency from personal accounts.

Political Pluralism/Rule of Law/Anti-Corruption: Elections initially scheduled for 1998 were postponed due to the war with Ethiopia and have not been rescheduled. The 1997 constitution provides for democratic freedoms; however it has not been implemented. The only accepted political party is the ruling People's Front for Democracy & Justice. No independent press exists, and a number of journalists, editors and political dissidents who were arrested in 2001 remain incarcerated without due process. The government continues to detain three Eritrean U.S. Embassy employees, two of whom were arrested without charge in October 2001 and one in July 2005. While corruption is not a serious problem, rumors of petty graft exist. On paper, the judiciary system is fair, but government proclamations have undermined the strength of the judiciary and left it subject to executive influence. The government argues that until the

border with Ethiopia is demarcated, national security remains its primary concern, and all other issues, including democracy and economic freedoms, are secondary.

Poverty Reduction: Poverty is widespread and affects much of the population. The government appears committed to reducing poverty and is focusing on infrastructure development, health, and education. However, limited resources and capacity have constrained significant improvements and have led to confused and often inexplicable policy choices. For example, despite significant food shortages, the government has severely limited food aid distribution. Equally puzzling was the government's demand in July 2005, that USAID, Eritrea's largest bilateral development partner, cease its development programs in Eritrea. USAID's offices in Eritrea were closed in December 2005, with only a humanitarian affairs unit remaining in the U.S. Embassy.

Labor/Child Labor/Human Rights: Eritrea has ratified seven of the eight fundamental ILO Conventions. It has not ratified ILO Convention 182 on the worst forms of child labor. While the constitution forbids forced or compulsory labor, all males ages 18-40 and single women 18-27 who do not have children are conscripted into the national service program, some working in civilian jobs at significantly reduced wages. There are no formal restrictions on labor unions; however, freedom of assembly and association is greatly restricted. The labor law states that no one under the age of 14 may be employed and that young employees may not work more than 7 hours per day. The government's human rights record worsened in 2005. As tensions continued to build over the border impasse with Ethiopia, the government increased round-ups of young men and women for national service, and imposed additional travel restrictions on diplomats, humanitarian and development agencies, and UN personnel. In 2004, Eritrea was designated by the United States as a Country of Particular Concern for violations of religious freedoms. Members of non-registered religious groups are allegedly often arrested and held without charge.

ETHIOPIA

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

AGOA Trade and Investment: Ethiopia's 2005 exports under AGOA and its GSP provisions were valued at $5.2 million, representing eight percent of total Ethiopian exports to the United States. AGOA/GSP exports included apparel and a variety of agricultural products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Ethiopia has pursued a development strategy based on a mixed economy of both state and private enterprises since the early 1990s. It has eliminated discriminatory taxes and credits and tried to simplify bureaucratic regulations and procedures. Important progress was made in 2004 and 2005 in reforming tax administration and operations, reducing the number of days to register a business, and land certification. There has also been progress in the protection of intellectual property rights, including a copyright bill adopted in June 2004.

An August 2005 directive allows private companies to serve as an Internet service providers through the government's basic infrastructure. Ethiopia formally applied for WTO membership in January of 2003; further reforms, particularly in the services sector, are expected as a result of the accession process. However, the state remains heavily involved in most economic sectors, and parastatal and party-affiliated companies continue to dominate trade and industry, hampering full and free competition for the emerging private sector. There are no special barriers to U.S. trade and investment, although a limited number of sectors continued to remain closed to foreign investment and there are existing claims by U.S. citizens of property expropriation by the Ethiopian government. In 2005, Ethiopia and the United States signed an Open Skies air transportation agreement.

Political Pluralism/Rule of Law/Anti-Corruption: In May 2005, Ethiopia held its third national elections, in which the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) won a third consecutive five-year term. According to domestic and international observers, the May national elections, in which the EPRDF won 372 of 547 parliamentary seats, were generally credible although voting irregularities occurred. Opposition parties made an unexpectedly strong showing, increasing their seats in parliament from 12 to 172. The government subsequently rolled back elements of its pre-election openness, arrested thousands of protesters, and charged 131 political opposition, civil society, and media leaders with capital offenses. Security forces are alleged to have killed people in post-election violence in June and November 2005. There are also credible reports that police beat and mistreated detainees. Nevertheless, international observers, including the Carter Center, hailed the elections as an important development in the country's efforts at democratization. The law provides for an independent judiciary, but the judiciary remains weak and overburdened. Routine bureaucratic corruption is less pervasive in Ethiopia than elsewhere in the region.

Poverty Reduction: Poverty alleviation and food security remain government priorities. The government has decreased military spending from 13 per cent of GDP in 1999/2000 to 4 percent in 2004/05 and is redirecting the savings to poverty reduction and capacity building efforts. In coordination with donors, the government is finalizing its 2006-2010 Plan for Accelerated and Sustainable Development to End Poverty in Ethiopia (PASDEP). In addition to continuing poverty reduction strategies in areas such as human development, rural development, capacity building, and food security, the new PASDEP will increase efforts in commercialization of agriculture, greater private sector participation in the economy, and scaling-up efforts to achieve the Millennium Development Goals. Ethiopia is participating in the enhanced HIPC initiative and received debt relief totaling $1.7 billion in 2004/05.

Labor/Child Labor/Human Rights: Ethiopia has ratified all eight core ILO labor standards, including Convention 182 on the worst forms of child labor and generally enjoys peaceful labor relations. A new labor law went into effect in February 2004 but is generally considered pro-employer by some labor unions. There are laws against child labor; but the government does not fully enforce these laws in practice, and child labor remains a serious problem. Special provisions cover children between the ages of 14 and

18, including the prohibition of hazardous or night work. While the government made some effort to enforce these regulations within the formal industrial sector, social welfare activists, civic organizers, government officials, and employers agree that child labor is pervasive throughout the country, particularly in agrarian areas and in the informal sector. There are reports of forced or bonded labor of children who have been trafficked to work as domestic servants. Human rights remain a concern. Serious human rights abuses occurred after the May 2005 elections and in November 2005, after the Coalition for Unity and Democracy called for civil disobedience, which resulted in widespread riots and excessive use of force by the police and military. In addition, ethnic conflicts continued in Gambella, Oromia, and Somali Regions.

GABON

Status: AGOA eligible.

AGOA Trade and Investment: Gabon's 2005 exports under AGOA and its GSP provisions, mostly petroleum products, were valued at $2.5 billion, representing 88 percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Gabon's economy is heavily dependent on oil, which accounts for 77 percent of exports. The government continues to dominate much of the economy but has made some progress in privatizing the largest industries and is in the process of privatizing the state telecommunications and airline companies. The government used its 2005 oil budget surplus to reduce external debt, and to take election year measures such as paying the voters' utility bills. Nonetheless, the increased oil revenue should prevent the accumulation of further significant arrears. Several American businesses have complained about difficulties with investment, tax and customs procedures. There was a significant dispute with a U.S. firm involving VAT reimbursement, customs fees, and privatization implementation. Most disputes are resolved before going to outside arbitration.

Political Pluralism/Rule of Law/Anti-Corruption: President Bongo was re-elected to another 7-year term in November 2005; he has been in office since 1967. There are a number of opposition parties, but the president's party controls the government. The judiciary is subject to political interference. Public sector finances are poorly managed, making it possible for public officials to exploit their position for personal gain. In 2004 the government established an anticorruption ministry and appointed a 10-person commission to report quarterly on its activities. In December 2005 the government published its first report under the Extractive Industries Transparency Initiative (EITI), which showed a $32 million discrepancy in oil revenues. The anti-corruption commission has yet to publish a report.

Poverty Reduction: Gabon has one of Africa's highest per capita incomes – over $5000 in 2004. Still, income distribution is quite skewed, and Gabon's ranking on human social indicators is well below that of countries with comparable income levels. The

government previously committed to allocate 20 percent of its investment budget to education and health care, but never reached this level and continues to allocate much less than the problem requires. In December 2005, the government completed a Poverty Reduction and Growth Strategy, focusing on economic growth for poverty reduction.

Labor/Child Labor/Human Rights: Gabon has ratified seven of the eight fundamental ILO Conventions, including ILO Convention 182 on the worst forms of child labor. It has not yet ratified ILO Convention 138 on minimum age. Worker rights are protected by unions affiliated with the ILO and a government institution called the Labor Inspection Office, which mediates employer/employee conflicts. The constitution places no restrictions on the right of association and recognizes the right of citizens to form trade and labor unions. Virtually the entire private sector workforce is unionized. The Labor Code provides for collective bargaining by industry, not by firm. The government rigorously enforces child labor laws with respect to Gabonese citizens, but is less successful with respect to children from other countries. Although it has improved its efforts, trafficking in persons continues to be a problem for Gabon. Children, especially girls, continue to be trafficked into the country, primarily from Benin, Togo, and Nigeria, for use as domestic servants or in the informal commercial sector. The government passed an anti-trafficking law in 2004 and traffickers have been arrested. It has also conducted training and awareness workshops on the issue and participates in a regional USDOL-funded ILO-IPEC project to combat trafficking of children for exploitative labor in West and Central Africa. Gabon's human rights record remains poor, although there were improvements in several areas.

THE GAMBIA

Status: AGOA eligible.

AGOA Trade and Investment: The Gambia's 2005 exports under AGOA and its GSP provisions were valued at $9,000, representing two percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: The Gambia has a small, open economy based on regional trade, agriculture, tourism and fisheries. The government is seeking increased foreign investment, particularly through a joint project with the World Bank to foster development and to establish export processing zones. There is little state control of business activities, but privatization of state-owned enterprises is proceeding very slowly. The Gambia maintains liberal trade policies. It is a member of the World Intellectual Property Organization, a signatory to both the Berne and Paris Conventions, and has passed its own copyright law. The Gambia is open to foreign investment and accepts international arbitration in the settlement of investment and trade disputes.

Political Pluralism/Rule of Law/Anti-Corruption: The Gambia is a multi-party democracy with a president and a national assembly elected every five years. Presidential elections are expected to take place in October 2006 and National Assembly

elections in January 2007. There are five main opposition parties. It is expected that there will be a number of opposition candidates vying for the presidency. Corruption remains a problem, but the government has taken some steps to combat it. President Jammeh's anti-corruption campaign, "Operation No-Compromise" (launched in 2003), led to the imprisonment of a prominent public figure, the dismissal of several Central Bank officials and the establishment of a Commission of Inquiry that investigated the assets and properties of both former and current senior government officials. A number of senior government officials lost their jobs and/or property following the submission of the Commission's report and recommendations in March 2005.

Poverty Reduction: The end of 2005 marked the completion of The Gambia's first PRSP implementation cycle of three years. Implementation has been slow, partly due to low levels of donor assistance received. At the end of 2005, the government estimated that less than 40 percent of the PRSP programs had been implemented. The second PRSP cycle, from 2005-2008, is now underway. The 2006 budget allocated 59 percent of the budget, excluding debt service, but including donor funds, to poverty reduction programs. The 2006 budget anticipates spending $7.4 million, or 5.2 percent of the budget, on health and $10.1 million, or 7.1 percent, on education. The IMF suspended The Gambia's Poverty Reduction Growth Facility (PRGF) in 2003 because of corruption in the Central Bank and misreporting to the IMF. The government responded by restructuring the Central Bank and implementing new management controls. After favorably reviewing the changes at the Central Bank, the IMF began a six-month Staff-Monitoring Program in October 2005. The government hopes that this will lead to a new PRGF in 2006.

Labor/Child Labor/Human Rights: The Gambia has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Gambian labor laws give private sector workers the right to bargain collectively, prohibit forced labor, and codify acceptable work conditions. The law authorizes strikes but also places restrictions on strikes by requiring unions to give the Commissioner of Labor 14 days written notice before beginning an industrial action. No strikes occurred during the year. Gambian law prohibits child labor. In June 2005, the government enacted the Children's Act, designed to protect and promote the welfare of children. The Act raises the minimum labor age from 14 to 16. It holds corporate entities accountable for exploitative labor practices involving children on their premises, providing for fines and criminal liability of the executive officers. It also prohibits children from engaging in any type of work that affects a child's attendance at school. The government generally respects the human rights of its citizens; however, there are problems in some areas. Arbitrary arrest and detention and denial of due process are problems and the courts sometimes yield to executive branch pressure. The government limits freedom of speech and the press by intimidation and restrictive legislation; although in early 2006 there was indication of an improving government/media relationship.

GHANA

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

AGOA Trade and Investment: Ghana's 2005 exports under AGOA and its GSP provisions were valued at $59.4 million, representing 38 percent of Ghana's total exports to the United States. AGOA/GSP exports included energy-related products, apparel and a variety of agricultural products.

Market Economy/Economic Reform/Elimination of Trade Barriers: Ghana has a market-based economy with few barriers to trade and investment. Sound macroeconomic policies have resulted in declining inflation and interest rates, a stable currency, and real economic growth averaging 5-6 percent per year. Ghana has divested all or part of its holdings in 318 of 350 state-owned enterprises, although few divestitures have been made since 2001. Ghana requires foreign investors to satisfy a minimum capital requirement and prohibits them from investing in several traditional sectors. According to the World Bank, starting a business in Ghana takes an average of 81 days. Ghana has passed all of the six bills designed to bring it into compliance with TRIPS requirements. Ghanaian law protects private property rights, although disputes over land ownership are common. The government made significant progress toward resolving ongoing investment disputes involving U.S. companies in 2005, with two claimants dropping their respective international arbitration cases as a result of positive developments.

Political Pluralism/Rule of Law/Anti-Corruption: President John Kufuor was re-elected in December 2004 in an election that was generally considered free and fair by international observers, despite a few incidents of intimidation and minor irregularities. Eight political parties contested parliamentary elections and four parties contested presidential elections. Corruption in the judicial system and lengthy pre-trial detentions remain serious problems. "Fast Track" High Courts are dealing with routine commercial disputes and high profile corruption cases. The integrity of the legal system is limited by a lack of financial, human, and material resources. The judiciary is occasionally subject to executive influence and corruption. The government's Zero Tolerance policy on corruption yielded a few prosecutions. Government anti-corruption institutions continue to be under-funded. The government passed a law governing transparency in government procurement; however, there is no requirement that it be used universally, and in some cases winning bidders have seen contracts awarded to competitors with little or no explanation. Police corruption remains a problem.

Poverty Reduction: The government presented its second poverty reduction strategy (GPRS II) to donors in November 2005. Donors were critical of both the GPRS II process and final document for being poorly organized and its lack of coordination with other programs, such as the African Peer Review Mechanism. Nevertheless, donors have agreed to move forward with the GPRS II, making changes as they go. The current budget includes a number of initiatives to alleviate poverty. The National Health Insurance Scheme increased the VAT tax by 2.5 percent in August 2004 to fund expanded health coverage. Ghana has qualified for over $4 billion in debt relief from

official creditors under the HIPC Initiative and the Multilateral Debt Relief Initiative.

Labor/Child Labor/Human Rights: Ghana has ratified all of the fundamental ILO Conventions, except ILO Convention 138 on minimum age. The Labor Act of 2003 amends and consolidates previous labor laws, conforms to ILO conventions, enhances the right of every worker to form or join a trade union, and creates a National Labor Commission to help resolve labor disputes. The Constitution prohibits forced or compulsory labor; however there were reports that such practices occurred. The government has set a minimum employment age of 15 years and prohibits night work and certain types of hazardous labor for those younger than 18 years of age. However, child labor remains a serious problem in the informal sector. Children are trafficked both within and outside Ghana for forced labor in a variety of sectors. The government supports an ILO-IPEC Timebound Program that aims to eliminate child labor in targeted sectors, and a regional ILO-IPEC project, along with international chocolate manufacturers, that aims to eliminate the worst forms of child labor in the cocoa sector. The government generally respects human rights, though there have been some credible reports that police have beaten suspects in custody, and have arbitrarily arrested and detained people. In 2005, policed reportedly beat and damaged the dwellings of Ivorian refugees in a government camp. There are occasional reports that government officials pressure government media outlets to minimize coverage of opposition politicians.

GUINEA

Status: AGOA eligible

AGOA Trade and Investment: Guinea's 2005 exports under AGOA and its GSP provisions were valued at $107,000, representing less than one percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Inflation and unemployment in Guinea are high and currency depreciation severe. There is significant foreign investment in mining, but most private sector activity is in the informal sector. The government has reduced its efforts to control commodity prices, including rice. Gas prices have doubled in the past year. The government has taken steps to put in place the proposed ECOWAS common external tariff. Efforts have also been made to streamline and track trade through increased cooperation between Guinea's Ministry of Economy and Finance and the Central Bank. The official exchange rate is no longer fixed, minimizing the spread between the official and parallel rates. The change has done little to improve the Central Bank's foreign currency assets, as traders still seem to prefer working outside the formal sector. The U.S. government is aware of two claims of U.S. citizens that may be outstanding against the government of Guinea. Both involve intellectual property issues.

Political Pluralism/Rule of Law/Anti-Corruption: The government has made significant improvements in the democratic process. Nationwide elections in December

2005 for city and rural councils, though flawed, showed a marked improvement in certain technical areas. Opposition parties freely campaigned without government interference in 2005. Candidates also had equal time access to the government-controlled broadcast outlets. Elections for the National Assembly will be held in 2007. The judicial system continues to be marked by inconsistent applications of the law. It is widely perceived to be open to interference from the executive, as well as those with an ability to pay for routine decisions in civil cases. Corruption is endemic in both the public and private sectors. While it has not yet taken significant concrete action on corruption, the government has stated that fighting corruption a high priority. The government has made fighting corruption a high priority, but has taken little concrete action to fight corruption. A survey, sponsored by the World Bank and the government's anti-corruption committee, revealed that corruption is one of the biggest problems facing Guinea today, with particular problems in the justice system, utilities, and customs.

Poverty Reduction: The government has performed relatively well under an IMF Staff-Monitored Program. Negotiations on a letter of intent to enter into a Poverty Reduction Growth Facility (PRGF) are underway. The government is expected to develop a new PRSP in 2006. Current performance indicates the government has been unable to devote many resources toward poverty alleviation. Donor funding is a major source for health and education spending. Good performance under a PRGF with the IMF could have Guinea headed toward HIPC completion.

Labor/Child Labor/Human Rights: Guinea has ratified all eight of the fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The government respects collective bargaining and has ratified all core ILO Conventions. A February 2006 general strike ended after a week of negotiations between the government and unions representing government workers, teachers and other employees. The strike shut down the country, but there was little violence and the workers' labor action prompted no extreme reaction from the government. Child labor remains widespread in Guinea, including the worst forms of child labor and child prostitution. The government supports efforts to reduce child labor, particularly in the informal sector. It lacks the resources to effectively enforce its own laws banning underage employment. The government began to take steps to address trafficking in persons issues. It is a participant in the ILO-IPEC project to eliminate the worst forms of child labor from the cocoa producing sector, and supports a U.S. DOL-funded project to provide educational alternatives to at-risk children, to raise community awareness, and to build government capacity. Guinea's human rights record improved as it implemented political reforms begun in December 2004, although serious problems remain. Some international donors withheld foreign aid pending reforms, including with regard to human rights. The government has allowed more press freedom and authorized private ownership of broadcast outlets.

GUINEA-BISSAU

Status: AGOA eligible.

AGOA Trade and Investment: Guinea-Bissau did not export any products under AGOA and its GSP provisions in 2005.

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

Rule of Law/Political Pluralism/Anti-Corruption: Presidential elections in June and July 2005 led to a peaceful transfer of power to President Vieira. Shortly after his inauguration, President Vieira replaced the Prime Minister. The PAIGC, the largest party in the National Assembly, took the case to the Supreme Court on constitutional grounds, but the Supreme Court sided with Vieira. The national court system continues to function, albeit with serious resource constraints. The government launched a campaign against public corruption and arrested the director of the state electric and water company, sentenced the former director of the Institute of Assistance to Emigrants to three years in prison, and is investigating other cases of corruption. Customs receipts are placed directly into a treasury account; fuel import duties are collected at one controlled port of entry; and the Ministry of Finance must clear on all disbursements to ministries and public bodies. To increase transparency and gain donor confidence, the government allows the UNDP and other donors to participate in the Treasury Committee, which implements the day-to-day fiscal management on the basis of a strict cash-rationing system.

Poverty Reduction: Guinea-Bissau is finalizing its National Poverty Reduction Strategy paper (DENARP), which is expected to become the basis for its medium-term economic and social policies. In cooperation with UNDP, the government will seek donor assistance in implementing these policies at a conference planned for 2006. International financial institutions sent delegations to Guinea-Bissau in early 2006 to assess the stability of the government as a precursor to reopening broader assistance efforts. Guinea Bissau lacks the pool of skilled labor required for increased exports of certain skill-intensive products. The lack of educated workers also discourages investment in the country.

Labor/Child Labor/Human Rights: Guinea-Bissau has ratified five of the eight fundamental ILO Conventions, but not ILO Convention 138 on minimum age, or ILO Convention 182 on the worst forms of child labor. The constitution grants all civilian workers the right to form and join trade unions. The law provides for the right to strike and protection against retribution for engaging in lawful union activity. There are no specific laws that protect children from exploitation in the workplace. The government developed a Strategic Document for the Reduction of Poverty that included the elimination of the worst forms of child labor as a key objective. The government generally respects human rights; however, there were problems in some areas.

KENYA

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

AGOA Trade and Investment: Kenya's 2005 exports under AGOA and its GSP provisions – mostly apparel, but also including cut flowers, nuts and light manufactures – were valued at $278 million, representing 80 percent of Kenyan exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government has made some limited progress on economic and market reform. Despite a bloated public sector, Kenya has a fairly diversified economy for domestic production and services. A new Privatization Act entered into force in November 2005 to accelerate the long-delayed privatization of state-owned enterprises. The state-owned railways are to be put up for privatization in 2006, and two significant parastatals – Telekom Kenya the monopoly fixed-line telephone company, and the Kenya Power and Light Company, the monopoly power distribution firm – will likely take steps toward partial privatization. The East African Community's Customs Union began enforcing common external tariffs in January 2005 and has begun efforts to harmonize some business and industry regulations, including those covering civil aviation. IPR enforcement remains weak, but the government is working to amend existing laws and to empower police and other law enforcement agencies to better protect IPR. In 2005, the Kenya Bureau of Standards contracted with two private companies to institute a new Pre-shipment Inspection regime. Following the introduction of the program some importers have complained that the government continues to charge Import Documentation Form fees in addition to fees paid directly to the two contract companies, viewing this as a form of double taxation.

Political Pluralism/Rule of Law/Anti-Corruption: In December 2002, Kenya held presidential and parliamentary elections that the international community judged free and fair. A new coalition government was formed, headed by President Mwai Kibaki. National elections, in which some 70 political parties are expected to present candidates for local and national offices, are next scheduled for December 2007. The official opposition is active and can influence policy debates. In November 2005, Kenyans rejected a proposed new constitution that was supported by President Kibaki. Kenya is making some progress toward improving the rule of law. The judiciary is mostly free from executive branch influence. Corruption remains a significant problem. In January 2006, a former Permanent Secretary in charge of Governance and Ethics released documents detailing corruption and cover-ups at the highest echelons of the Kibaki administration. Three implicated ministers resigned in February; however, there have been no arrests of government ministers on corruption charges. The Kenya Anti-Corruption Commission has begun to take investigatory action against senior government officials who fail to accurately account for their assets. In November 2005, the Public Procurement and Disposal Act became law. It is designed to close loopholes for graft in the government procurement of goods and services, one of the most widely exploited avenues for large-scale corruption throughout Kenya's history.

Poverty Reduction: Fifty-six percent of the population lives on a dollar a day or less.

The government has a mixed record of implementing its pro-poor Economic Recovery Strategy, which was designed jointly with the World Bank and IMF in 2003. The introduction of universal, free public primary education in January 2003 remains one of the government's most notable achievements but primary education remains seriously under-funded and secondary education is beyond the means of many Kenyan families. Kenyans in a number of regions face the continuation of a serious, three-year drought that has reduced real incomes and erased meager assets for millions of Kenya's poor. In 2005 Kenya's civil service received pay raises, but the income disparity between low income and middle to upper income earners is wide and increasing.

Labor/Child Labor/Human Rights: Kenya has ratified seven of eight fundamental ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The government has not advanced revisions to the labor law, pending since 2003. Anti-union discrimination persists, and EPZs are still granted exemptions to applicable law. However, some steps have been made in the past year to improve the sometimes-poor working conditions in the EPZs. Cases of forced labor have been documented. Child labor is a problem in the informal sector, including the growing problem of child prostitution. ILO/IPEC programs have been launched to address the child labor problem in several economic sectors. Child employment is prohibited by Kenyan law, but enforcement is not vigorous, and children continue to be employed in the informal sector and as domestic workers. Kenya's overall human rights record remains mixed. While the government respects human rights in many areas, and has attempted to institute reforms to address deficiencies, serious problems remain, particularly with regard to abuses by police services. Freedom of expression and political participation continues to expand, and politically motivated violence has diminished in recent years. Unlike in previous years, there were no reports that security forces arrested political activists. The government has arrested and prosecuted a number of police officers for abuses; however, most police who committed abuses were neither investigated nor punished. Lengthy pretrial detention is a problem. In 2005, violence marred some political campaigns, and on a few occasions, the government restricted freedom of speech, press, assembly, and association. Police disrupted public meetings and forcibly dispersed demonstrators and protesters.

LESOTHO

Status: AGOA eligible, including apparel and textile benefits.

AGOA Trade and Investment: Lesotho's 2005 exports under AGOA and its GSP provisions were valued at nearly $389 million, representing 96 percent of the country's total exports to the United States. Apparel and textile manufacturing is the largest formal sector employer in Lesotho, primarily due to AGOA.

Market Economy/Economic Reform/Elimination of Trade Barriers: Lesotho generally has a free market economy. Diversifying the economy is a major target of economic reforms. Lesotho is investing in water, sewage, and electricity infrastructure in order to attract and service industrial development. The presence of such infrastructure is

expected to position Lesotho as an investor destination with sound environmental policies. The Privatization Unit, an agency that implements the government's privatization program, is awaiting Cabinet approval for the privatization of the Lesotho Electricity Corporation. The Lesotho Unit Trust, established in 2001 to enable individual investors to invest in profitable former state enterprises, has continued to show good performance. In his 2006-07 budget speech, the Minister of Finance and Economics announced a reduction of the corporate tax rate from 35 to 25 percent, effective April 1; a reduction of the preferential tax rate (aimed at manufacturing and farming) from 15 to 10 percent; and no corporate tax on income generated from exporting manufactured goods outside of SACU.

Rule of Law/Political Pluralism/Anti-Corruption: The country held its first ever local government elections in April 2005. The ruling Lesotho Congress for Democracy won most of the 129 community councils, including the uncontested councils. Women represented 53 per cent of elected councilors. Local councils will be responsible for implementation of decentralized government functions including health, land reclamation, agriculture, land allocation and monitor performance and delivery of services by state employees. Lesotho is prosecuting multinational construction companies and government officials who were involved in bribery and corruption during the construction of the Lesotho Highlands Development Project. Cases have also been brought against various individuals and government officials who received bribes and colluded with public service providers to escalate the costs of a variety of public services for personal gain.

Poverty Reduction: The country's PRSP was approved by the World Bank in January 2004. This year's national budget has been formulated to conform with the objectives of the PRSP, with particular attention to strengthening institutions and increasing capacity that will enable Lesotho to more readily access funding in the fight against poverty and the HIV/AIDS pandemic. In 2004, the government introduced an old-age pension for people seventy years of age and above. The Free Primary Education program reached its seventh (and final) year in 2006.

Labor/Child Labor/Human Rights: Lesotho has ratified all core ILO labor standards, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Workers in the private sector have the right to form and join trade unions. The right to strike is recognized, but complicated procedures must be followed before the strike is deemed legal. Many textile employers reportedly intimidate union organizers and violate trade union freedoms in the factories. While child labor appears non-existent in the formal sector, it is reportedly increasing in the informal sector, including child prostitution. Increasing numbers of orphans as a result of the HIV/AIDS pandemic have placed children at risk of employment in the informal sector. Lesotho is participating in two regional USDOL programs to mitigate the incidence of child labor, including a project to increase labor law compliance, and supports a U.S. DOL-funded regional project to provide educational alternatives for vulnerable children. The government generally respected the human rights of its citizens.

LIBERIA

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

Market Economy/Economic Reform/Elimination of Trade Barriers: Liberia's economy has been devastated by conflict, but is showing signs of recovery. The economy contracted by approximately 30 percent in real terms in 2003, mainly as a result of the civil war and the UN ban on timber and diamond exports. However, the IMF estimates that the economy grew by 2.6 percent in 2004, and 5 percent in real terms in 2005. Economic growth is estimated at 7-8 percent in 2006, but is hindered by a lack of water, sewage and electrical service, UN sanctions on key sectors, and government corruption. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by high unemployment, low literacy, and the absence of such basic infrastructure as water and electricity. The newly-elected Sirleaf Administration has stated its commitment to a pro-reform, pro-investment agenda, but will face severe challenges given limited resources and technical capacity. Liberia recently became eligible for GSP, and OPIC has reopened its operations in the country. The IMF is proposing a Staff-Monitored Program. The African Development Bank is re-engaging its operations with the country.

Political Pluralism/Rule of Law/Anti-Corruption: The November 2005 election of President Ellen Johnson Sirleaf was peaceful and without major incident. President Sirleaf has extended the mandate of the Governance Reform Commission and commissioned the Public Procurement and Contracts Commission. The President has also made firm commitments to the Governance and Economic Management Assistance Program, which will fight corruption. Efforts are underway to train a new police force and demobilize the remainder of Liberia's other security services. Like many services in the country devastated by the civil war, the judiciary and penal systems function poorly. Nevertheless, there have been no reports that the executive or legislative branches exerted undue influence on the judiciary.

Poverty Reduction: Eighty percent of the population lives in poverty and many basic services have yet to resume. In early 2004, donors pledged approximately $522 million toward peacekeeping and reconstruction of the country and are implementing projects to respond to an array of urgent needs. Continued political stability will help boost the economy in the near-term. The timber and diamond industries have the potential to provide financial support for hundreds of thousands of Liberians when Liberia establishes the conditions necessary for lifting UN sanctions. Improvements in basic infrastructure, including farm to market roads, should spur growth in agricultural income and increase rural incomes.

Labor/Child Labor/Human Rights: Liberia has ratified six of the eight core ILO labor standards, including ILO Convention 182 on the worst forms of child labor, but there is little enforcement due to lack of resources. Liberia still lacks the capacity to fully enforce its labor laws. Child labor is a serious and widespread problem in the informal sector. A lawsuit against a foreign rubber company was filed in a foreign court, claiming the use of

child and slave labor in their Liberian operations. Liberia is participating in a U.S. DOL-funded project providing education alternatives for vulnerable children. The former transitional government generally respected human rights and passed legislation in 2005 to strengthen them, including an anti-trafficking bill. The new Liberian President also committed to repeal a provision that prohibited strikes and to work with the ILO on labor law reform and to combat child labor. The human rights situation has seen continued improvement since 2003. The independent press, civil society groups, and opposition parties freely criticize government without harassment. There is scant evidence of arbitrary arrests. A Truth and Reconciliation Commission was recently commissioned and refugees and internally displaced persons are now returning to their homes. The UNMIL civilian police are a significant stabilizing and watchdog force for human rights, as well as a force to assist and train the Liberian National Police.

MADAGASCAR

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

AGOA Trade and Investment: Madagascar's 2005 exports under AGOA and its GSP provisions were valued at $275.5 million, representing 85 percent of total exports to the United States. AGOA-related trade and investment in Madagascar has been concentrated in the textile and apparel sector.

Market Economy/Economic Reform/Elimination of Trade Barriers: Madagascar has taken significant steps to liberalize trade. There are no specific barriers to U.S. trade and investment. Madagascar continues to implement its program of macro-economic and structural reforms, including fiscal reforms and privatization of state-owned companies under the guidance of the World Bank and the IMF. Madagascar's privatization program continues to move forward: banking, fuel distribution, telecommunications, cotton, sugar, airlines, railways, and ports are completely or partially under private management. The EPZ, concentrated in the textile and apparel sector, is a main source of foreign direct investment. However, with the end of global apparel quotas, many EPZ companies owned by Chinese investors closed their factories in 2005, leading to many layoffs. Large-scale private foreign investment is occurring in the mining and petroleum sectors. IPR enforcement is limited by a shortage of trained personnel, legal capacity and resources.

Rule of Law/Political Pluralism/Anti-Corruption: Madagascar continues to maintain a positive record on the rule of law, political pluralism, and the safeguarding of due process rights. Widespread corruption reportedly remains a serious problem. BIANCO, the independent anti-corruption office, completed its first year in operation and has made strides in creating awareness about corruption. The fight against corruption remains a top presidential priority.

Poverty Reduction: Madagascar's poverty reduction policies are based on its PRSP. Madagascar qualified for HIPC Completion Point debt reduction in October 2004 and for the Multilateral Debt Relief Initiative in 2005. The resources freed by debt relief are meant to be spent in priority sectors such as health, education, public works, and direct

support to communities.

Labor/Child Labor/Human Rights: Madagascar has ratified seven of eight fundamental ILO Conventions, including ILO Conventions 138 on minimum age and ILO Convention 182 on the worst forms of child labor. It has not yet ratified ILO Convention 105 on forced labor. Madagascar's Constitution and Labor Code grant workers in the private and public sectors the right to establish and join labor unions, and to bargain collectively. Unions freely join and participate in international bodies and may form federations. Discrimination against union organizers is prohibited but enforcement of labor regulations is hampered by lack of government resources, particularly in the EPZs. Madagascar continues to make progress in implementing its commitments under international child labor conventions. In June 2004, the Government increased the minimum age for employment from 14 to 15 and imposed substantial increases in fines on those who violated child labor laws. Children work in agriculture, commercial fishing, domestic service, mining, quarrying, salt production, and are exploited in prostitution. Despite continued reports of trafficking of women and girls, the government has taken steps to combat these practices. The government started implementing its 15-year National Action Plan on Child Labor in the last half of 2004. It is also implementing an ILO-IPEC Timebound Program that aims to eliminate the worst forms of child labor in Madagascar. The government generally respects the human rights of its citizens; however, some human rights problems were reported, including the use of excessive force by security forces (which resulted in deaths and injuries), harsh prison conditions (which resulted in deaths), arbitrary arrest of demonstrators and opposition politicians, lengthy pretrial detention, and trafficking in women and girls.

MALAWI

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

AGOA Trade and Investment: Malawi's exports under AGOA and its GSP provisions were valued at nearly $66 million in 2005, representing 57 percent of the country's total exports to the United States. Most new AGOA-related economic activity in Malawi has been in the textile and apparel sector.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government has generally demonstrated a commitment to a market-based economy. Domestic and foreign investment in most sectors of the economy is encouraged and is not significantly restricted. Malawi's government has continued to make progress on its privatization program, under which it has sold 68 of 110 companies since 1996. Broad economic reform objectives include liberalization of trade and foreign exchange policy, rationalization of taxes, and privatization of state-owned enterprises. The government is working to reduce or eliminate various tariff and non-tariff barriers. Malawi operates a liberal import and export-licensing system with restrictions largely based on health, safety and national security reasons. All current account transactions are fully liberalized; capital account transactions are still controlled. Domestic protection through tariffs is gradually diminishing as the government continues to shift sources of revenue

collection from customs duties to consumption and direct taxes. Implementation of a SADC Free Trade Area took effect in 2001, when member states started a phased tariff-reduction program. However, Malawi is reportedly lagging behind on its tariff-reduction schedule.

Rule of Law/Political Pluralism/Anti-Corruption: Malawi held peaceful presidential and parliamentary elections in May 2004. International observers considered the election free but have criticized its fairness. Parliament, traditionally a weak institution in Malawi, has been the forum for increased political pluralism since the current minority government was elected. Malawi has an independent but overburdened judiciary. The government's Anti-Corruption Bureau has actively pursued public and private corruption since the new administration took office in May 2004. The Bureau has secured major convictions against the mayor of Blantyre and the Minister of Education, despite its capacity constraints.

Poverty Reduction: Malawi has undertaken economic structural adjustment programs supported by the World Bank, IMF, and other donors. Malawi met HIPC decision point criteria in December 2000 and has since developed its PRSP. Malawi continues to work with these institutions and to use the PRSP as the central planning document for government budgeting. However, macroeconomic instability, unstable weather conditions and a previous lack of fiscal discipline have contributed to weak growth and limited progress in reducing poverty. Since mid-2004, the new government has successfully instituted a program of fiscal discipline and completed an IMF Staff-Monitored Program. In mid-2005, the government completed an agreement with the IMF for a Poverty Reduction and Growth Facility.

Labor/Child Labor/Human Rights: Malawi has ratified all core ILO Conventions, including Convention 182 on the worst forms of child labor. Workers have the right to associate freely and to bargain collectively. However, the government has not been fully effective in enforcing anti-union discrimination by employers. Malawi's labor laws also apply to EPZs. A lack of capacity in the government and the unions reduces the effectiveness of worker-rights protections. The Malawi labor code also applies to export processing zones. Malawi's constitution and employment laws comply with ILO Convention 182 on the worst forms of child labor, but resource constraints hamper enforcement. The incidence of child labor on tea estates and tobacco farms is particularly high. The public-private Child Labor Task Force expanded its membership among labor, private sector, and NGO organizations. In 2004, the task force developed and implemented a national Code of Conduct on Child Labor and placed child labor officers in each district of the country. There are reports that Malawian children are trafficked to other southern African countries and to Europe for purposes of forced labor and commercial sexual exploitation. The government is participating in an ILO-IPEC project to combat child labor in the tobacco and domestic services sector. The government generally respects the human rights of its citizens. There are, however, problems in several areas such as incidents of excessive force by the police, generally poor prison conditions and incidents of breaches in media freedom.

MALI

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

AGOA Trade and Investment: Mali's 2005 exports under AGOA and its GSP provisions were valued at $240,000, mostly musical instruments, representing seven percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Mali's landlocked position, the high cost of factors of production (electricity, transport, etc.) and an underdeveloped financial system all serve as constraints to economic development. These constraints are compounded by social factors such as the lack of qualified labor, low literacy levels, and poor health systems. Together, these factors present challenges for the development of high value-added activities and the emergence of dynamic employment-generating small and medium sized companies. Prospects for 2006 are favorable, because the agriculture sector is beginning to recover from the 2004 drought and locust infestation. The government continues to implement WTO agreements providing for the elimination of trade and investment barriers. Mali's trade regime is relatively open and transparent. Mali has dismantled internal tariffs and complies with the West African Economic and Monetary Union tariff nomenclature and rate structure.

Political Pluralism/Rule of Law/Anti-Corruption: Municipal elections were held in 703 communal districts in May 2005. In conjunction with these elections, the government issued a revised electoral code and revised voters lists, which were prepared with political party and civil society representatives to ensure electoral transparency. Local and international observers judged the elections as free and fair, and all parties accepted the results. Consultations are underway to start preparations of the upcoming general elections scheduled for 2007. Mali's government continues to adhere to its 10-year program for restructuring and modernizing the judiciary with the assistance of the international donor community. Mali is still engaged in a systematic campaign to combat political and economic corruption. The General Auditor selected by President Toure in 2004 to lead the fight against corruption and coordinate anti-corruption activities nationwide has been fully staffed and started operations in 2005.

Poverty Reduction: In February 2005, Mali and the World Bank reached an agreement for a fourth Structural Adjustment Credit program to install a Poverty Reduction Strategic Framework, implement further budgetary and financial sector reforms, and restructure the rice and cotton producing sectors in conjunction with the eventual privatization of Mali's cotton parastatal. In December 2005 the IMF approved debt relief program for Mali under the Multilateral Debt Relief Initiative. The IMF will provide 100 percent debt relief on all debt incurred by Mali to the IMF prior to January 2005. This totals approximately $108 million in debt. Mali qualified for IMF debt relief based on its satisfactory recent macroeconomic performance, progress in poverty reduction and improved public expenditure management. Mali currently has a three-year Poverty Reduction and Growth Facility arrangement, which was approved by the IMF in June 2004.

Labor/Child Labor/Human Rights: Mali has ratified all core ILO labor Conventions, including Convention 182 on the worst forms of child labor. Workers unionize freely and have the right to bargain collectively and strike. Forced and compulsory labor is prohibited. Although Mali continues to collaborate with neighboring governments to combat child labor, Malian children are still trafficked and sold into forced labor in Guinea, Cote d'Ivoire and Nigeria. Children from neighboring countries are also trafficked into Mali. The government continues to implement several programs with UNICEF, the ILO, and local NGOs to combat child labor and child trafficking, including the rescue of trafficked children. In July 2005, Mali and eight other West African countries signed a multilateral convention to combat child trafficking. The government generally respects human rights, although there are problems in some areas.

MAURITANIA

Status: Effective January 1, 2006, Mauritania's AGOA beneficiary status was terminated for reasons related to a coup, lack of political pluralism and rule of law.

Market Economy/Economic Reform/Elimination of Trade Barriers: In 2004, the GDP per capita was estimated at $526, the real GDP growth at 6.9 percent and the population growth rate at 2.9 percent. Persistent droughts, widespread desertification, flooding, and the effects of the massive locust invasion in 2004 have strained the country's finances. The country is suffering from rapid urbanization, extensive unemployment, pervasive poverty, and a burdensome foreign debt. The concentration of much of the country's wealth in the hands of a small elite, as well as a lack of transparency and accountability in certain areas of governance, impede economic growth. The government encourages foreign direct investment and economic liberalization. Mauritania has no discriminatory policies against foreign investment, imports, or exports. The government's investment and development policy emphasizes private sector development and is seen as the main engine of economic growth. In line with ongoing World Bank/IMF structural reform programs, the government privatized several parastatals in the late 1990s, encouraging foreign investors to purchase shares. The orientation towards privatization and liberalization is expected to continue in 2006.

Political Pluralism/Rule of Law/Anti-Corruption: In August 2005, President Taya was deposed in a bloodless coup. Military commanders seized power and established the ruling Military Council for Justice and Democracy to run the country. The Council dissolved the Parliament and appointed a transitional government. The transitional government has promised a return to constitutional order through free and fair elections, culminating with a presidential election in March 2007 and the complete turnover of power no later than the end of May 2007. Although the law provides for the independence of the judiciary, in practice the executive branch exercises significant influence over the judiciary through its ability to appoint and pressure judges. Corrupt practices are widely believed to exist at all levels of Mauritanian government and society. Anti-corruption measures exist, but they have not been effectively enforced. Giving or accepting bribes is not considered a criminal act under current Mauritanian law. Mauritania is not a signatory to the OECD Convention on Combating Bribery.

Corruption is most pervasive in government procurement, bank loans, fishing license attribution, land distribution, and tax payments. In September 2005, Mauritania announced its intention to adhere to the Extraction Industry Transparency Initiative, after repeated requests to do so from the World Bank, IMF and the foreign oil explorer consortium.

Poverty Reduction: In 2002, Mauritania reached its completion point under the enhanced HIPC initiative and Mauritania was declared eligible for debt relief. As a result, Mauritania received approximately $1.1 billion in debt relief. However, the IMF concluded in May 2005 that the disbursement was not in compliance because Mauritania had provided inaccurate information. As a result, Mauritania voluntarily repaid the disbursement. The IMF also required Mauritania to provide corrected data for previous years before implementing any new programs. After the coup, the transitional government announced it would cooperate with the IMF to provide corrected data for the previous years. The IMF Board may determine that Mauritania may need to repay noncompliant disbursements for the years 2001 and 2002. In December 2005, the IMF delayed the cancellation of Mauritania's IMF debt under the Multilateral Debt Relief Initiative.

Labor/Child Labor/Human Rights: Mauritania has ratified all fundamental ILO core conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Mauritanian law provides for freedom of association and the right of citizens to join any labor organization. The government, however, has the power to decide whether to recognize a trade union. Nearly 90 percent of industrial and commercial workers are unionized. The government can dissolve a union on the basis of an "illegal" or "politically motivated" strike. The law prohibits forced or compulsory labor, including by children, but the law only applies to relations between employers and workers. Forced labor is illegal although there are still areas in the country where it is practiced. The law provides that children cannot be employed before the age of 14 in the nonagricultural sector or under age 13 in the agricultural sector unless the Minister of Labor grants an exception due to local circumstances; however, child labor in some parts of the informal sector was common and a significant problem, particularly within poorer inner-city areas. The government has signed and ratified ILO Convention 182 on the worst forms of child labor. The transitional government has a poor human rights record. The following human rights problems were reported: inability of citizens to change their government; arbitrary arrest and detention with prolonged pretrial detention; and harsh prison conditions. Both the former government and the transitional government made appreciable progress in combating trafficking of persons, particularly in victim protection and in raising public awareness of new trafficking-related laws.

MAURITIUS

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

AGOA Trade and Investment: Exports from Mauritius under AGOA and its GSP

provisions were valued at $152.6 million in 2005, representing 69 percent of total exports to the United States. AGOA has sparked significant investment in Mauritius, and Mauritian investors have made major AGOA-related investments throughout sub-Saharan Africa.

Market Economy/Economic Reform/Elimination of Trade Barriers: Mauritius has a market-based economy with a strong and dynamic private sector. However, the government still controls directly or indirectly key utility services directly or indirectly through parastatals. The government welcomes foreign investment. At the government's request, the World Bank is undertaking an Investment Climate Assessment for Mauritius. This is to be one component of a restructuring program now in development. In April 2005, the government abolished or reduced customs duties on 1,850 tariff items, representing 80 percent of the items in the tariffs schedule. Since telecommunications services were liberalized in 2003, six private companies have begun competing with the local utility for international call services while four private companies compete for Internet service. However, a joint venture involving a U.S. telecom investor has been engaged in a lengthy dispute over allegations of unfair competition; the dispute remains in Mauritian courts. In 2004, successful court actions were taken against local manufacturers and retailers of counterfeit garments, resulting in an improvement in the climate for IPR enforcement. Since the beginning of 2006, authorities have systematically raided audio and video shops selling pirated optical disks.

Rule of Law/Political Pluralism/Anti-Corruption: Mauritius is a well-established, multiparty democracy with regular, free, and fair elections. The national elections held in July 2005 resulted in the victory of an opposition coalition. These were followed by municipal elections in October 2005 and village council elections in December 2005. The domestic legal system is generally nondiscriminatory and transparent. Members of the judiciary are independent of the legislative and executive branches. Mauritius generally has the legal and administrative framework to fight corruption, money laundering, and terrorism. The Independent Commission Against Corruption (ICAC) was set up in 2002 under the Prevention of Corruption Act. The Act was amended in September 2005 to make ICAC more effective, allowing for changes in the management and working process of the Commission. A joint public and private sector committee on corporate governance issued a Code of Corporate Governance in October 2003, which became effective in July 2004.

Poverty Reduction: The FY2005-06 budget allocated 51 percent of total government expenditure to social welfare, which provides for free education and healthcare, basic pensions for those aged 60 years or over, and pensions for the elderly, disabled, widows, and orphans. The new government eliminated the wage limit on the basic old age pension and provides free public transport to all citizens aged 60 and above, as well as to the disabled and students. The social housing program provides for the completion of 2,300 additional housing units in the next two fiscal years for the low and very low-income groups. The Trust Fund for the Social Integration of Vulnerable Groups continues its poverty alleviation programs through the funding of micro enterprises and community development projects in favor of the poor.

Labor/Child Labor/Human Rights: Mauritius has ratified all fundamental ILO core conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The Constitution and the Industrial Relations Act guarantee the freedom of assembly and association and the right to organize and bargain collectively. Foreign workers have the same rights as local workers. These rights are generally respected. Foreign workers employed by two textile factories in the EPZ stopped work for a few days in 2005 to protest against poor housing conditions and non-compliance with their employment contracts. Generally, the government intervenes rapidly to address problems in the EPZ. Mauritian law prohibits forced or compulsory labor as well as the trafficking of children. The law prohibits the employment of children under age 15. Although child labor occurs in the informal sector, the 2004 Education Amendment Act, which makes education compulsory up to the age of 16, has reduced such instances. Human rights are generally respected in Mauritius. However, there have been allegations of police brutality against suspects and detainees. A suspect died while in police custody in January 2006 and the National Human Rights Commission's inquiry indicated that the Police Major Crime Investigation Team committed an offense in that case. Since then, several additional incidents of police brutality have been reported.

MOZAMBIQUE

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

AGOA Trade and Investment: Mozambique's 2005 exports under AGOA and its GSP provisions were valued at $8.4 million, representing 70 percent of the country's total exports to the United States. Apparel and textile exports increased 32 percent in 2005, due to expanded operations and increased sales by Mozambique's only garment producer.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government continues to work toward creating an investment-friendly, market-based economy. Although the government has privatized most enterprises, several important sectors remain state-owned. Mozambique has successfully eliminated many trade barriers, although non-tariff barriers remain a problem. Customs clearance procedures are considered by many to be a significant non-tariff barrier. The government remains cooperative on IPR protection, but has little ability or resources to investigate crimes or enforce IPR laws. A recent collaborative effort between the private sector and law enforcement has led to the creation of IPR task forces. Private ownership of land is not allowed. The World Bank recently estimated that it takes new businesses an average of 111 days to secure basic licensing and registration, though this is a significant improvement over previous years. In March 2005, the United States-Mozambique Bilateral Investment Treaty entered into force. In June 2005, Mozambique and the United States signed a Trade and Investment Framework Agreement creating an opportunity to further expand the trade relationship.

Rule of Law/Political Pluralism/Anti-Corruption: Mozambique has a democratically elected government. In December 2004, Armando Guebuza of the ruling FRELIMO

party was elected president with 64 percent of the vote. The election was generally considered free and fair but was marred by some irregularities. The opposition retains 36 percent of seats in the National Assembly and holds several mayorships, including in Beira, the nation's second largest city. Corruption continues to be a problem. Mozambique's judiciary is under-trained, under-staffed, and reportedly susceptible to pressure from high-ranking government officials and bribery by private parties. However, the government has taken steps to address corruption, including by enacting an anti-corruption bill in 2004 and updating previous antiquated legislation. The government also set up an Anti-Corruption Unit in the Office of the Attorney General (renamed in 2005 the Central Office for the Combat of Corruption) that is charged with investigating and prosecuting corruption-related crimes. Mozambique is a signatory to the United Nations Convention Against Corruption and the AU Convention to Prevent and Combat Corruption.

Poverty Reduction: Through its Action Plan for the Reduction of Absolute Poverty, the government continues to place the fight against poverty at the top of its agenda. The latest IMF review in September 2005 stated that Mozambique continues to honor its commitments and follow its Action Plan. In 2005, donors funded nearly half of Mozambique's national budget, allowing the government to make significant long-term investments in health, agriculture, basic infrastructure and education. HIV/AIDS continues to present a long-term challenge to Mozambique's poverty reduction and economic goals. HIPC and Enhanced HIPC debt relief programs have allowed the government to focus efforts to alleviate poverty. Mozambique reached HIPC completion point in 2001, and continues to meet IMF targets. These efforts received more support in December 2005, when the IMF forgave 100 percent of Mozambique's debt incurred prior to 2005 under the new Multilateral Debt Relief Initiative.

Labor/Child Labor/Human Rights: Mozambique has ratified all fundamental ILO core Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. The government generally respects labor rights. A proposed new labor law under negotiation between government, labor unions and the private sector is expected to become law in late 2006. Despite this, child labor reportedly remains a problem, with approximately one-third of all urban children between ages 10 and 14 engaged in the economy, predominately in the informal sector. Mozambique is participating in a U.S. DOL-funded project to provide children engaged in or at-risk of exploitative labor with education alternatives. Although the government has taken steps to discipline corrupt police, judges and ministry officials, serious human rights problems have been reported. In 2005, human rights abuse reports included instances of police using excessive force resulting in death and injuries. Despite these incidents, the government continues to address human rights issues in Mozambique and there has been progress in the human rights environment.

NAMIBIA

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

AGOA Trade and Investment: Namibia's 2005 exports under AGOA and its GSP provisions were valued at $53.2 million, representing 41 percent of total exports to the United States. AGOA is estimated to have created over 9,000 new jobs in Namibia.

Market Economy/Economic Reform/Elimination of Trade Barriers: Namibia's economy remains generally open, secure and attractive to international investors. Namibia's modern, formal market sector benefits from its relatively developed infrastructure and produces most of its wealth. The government actively encourages inward private investment and has created attractive tax benefits for potential investors and exporters. Although the government is considering various options for privatization, many important sectors, such as transport, electricity, and telecommunications, remain parastatals. Namibian law mandates equal treatment of foreign and national investors. As a member of SACU, Namibia is negotiating a Free Trade Agreement with the United States. Namibia's Ministry of Trade and Industry launched a study in late 2005 to identify and address constraints to investment in order to improve the investment climate and streamline investment procedures. Land reform remains an important issue both for the government and public at large.

Rule of Law/Political Pluralism/Anti-Corruption: Namibia's constitution provides for an independent judiciary and, with few exceptions, citizens generally have the right to due process, a fair trial and equal protection under the law. Parliamentary and presidential elections took place in November 2004, and Namibia's current President, Hifikepunye Pohamba, took office in March 2005. Virtually all of Namibia's ethnic minorities are represented in Parliament or the Cabinet and women occupy 20 of 72 Parliament seats, five of 23 Cabinet positions, and six Deputy Minister positions, including Deputy Prime Minister. In October 2005, the government established a new independent Anti-Corruption Commission to combat corruption, complement civil society's anti-corruption programs, and support existing institutions such as the Ombudsman's Office and Attorney General. The fight against corruption was the centerpiece of President Pohamba's election campaign and is reportedly his administration's top priority, along with the elimination of mismanagement and fraud. Although the law prohibits corruption, corruption cases continued to surface, especially among the parastatals. The government has taken action against corrupt officials, resulting in the resignation of a Deputy Minister, charges against the Director of the state-run Namibian Broadcasting Company, and the suspension of several town council members.

Poverty Reduction: Income distribution inequalities in Namibia are among the worst in the world. Aggregated macroeconomic statistics mask huge disparities in wealth and income between different populations. The government has created special incentives for investment and remains committed to reducing poverty by increasing local value-added production of Namibia's traditional primary product exports, such as cutting and polishing rough diamonds and semiprecious stones and processing fish. HIV/AIDS compounds the government's challenge of reducing poverty.

Labor/Child Labor/Human Rights: Namibia has ratified seven of the eight fundamental ILO core Conventions, including ILO Convention 138 on minimum age and

ILO Convention 182 on the worst forms of child labor. Respect for workers rights, including the freedom of association and the right to form and join unions, are embedded in the country's constitution. Internationally recognized worker rights are protected under the 1992 Labor Act. Adult and child forced or bonded labor is prohibited. The amended 1992 Labor Act prohibits child employment under the age of 14. The government is addressing the discrepancy between the minimum ages for employment (age 14) and compulsory education (age 16) in order to implement ILO Convention 138. The government launched a national initiative to eliminate exploitative forms of child labor. The initiative will determine the extent to which child labor exists in Namibia. Despite the government's public commitment to ending child labor abuses, difficult economic conditions, exacerbated by the HIV/AIDS epidemic and deeply rooted cultural practices, result in some child labor, particularly on communal farms and in the informal sector. The government is participating in a regional project funded by the U.S. DOL to increase labor law compliance. It is also participating in a regional ILO-IPEC project to eliminate the worst forms of child labor and supports a U.S. DOL-funded project to provide educational alternatives for children vulnerable to exploitative child labor. The government generally respects the rights of its citizens. While there were problems in some areas, the government has generally taken steps to address some of its shortcomings. There were some notable improvements in Namibia's human rights record during the past year, including fewer restrictions on the media and a decrease in abuses committed by security forces.

NIGER

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

AGOA Trade and Investment: In 2005, Niger exported $155,000 worth of goods under AGOA and its GSP provisions, representing less than one percent of total exports to the United States from Niger.

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

Political Pluralism/Rule of Law/Anti-Corruption: Niger is a democracy and held three sets of elections in 2004, electing municipal leaders, national assembly deputies, and the president. Tandja Mamadou was elected to his second five-year presidential term. Opposition parties participated freely and vigorously in the electoral process.

International election observers called all of the 2004 elections in Niger generally free and fair. The judiciary continues to show signs of independence; however, family and business ties can influence lower court decisions. There have also been reports that the executive branch may influence the judicial process. Judicial corruption and inefficiency are problems. Niger publicly acknowledges that corruption of government officials is a problem. However, only a few officials have been prosecuted for corruption thus far. The government has established a National Committee on Anti-Corruption to address corruption issues. The government, NGOs, international financial institutions, the media, and political opposition have all been active in promoting anti-corruption awareness and measures to reduce corruption and improve transparency.

Poverty Reduction: Niger ranks at the bottom of UNDP's index of human development. It has a World Bank-approved PRSP. The President's Special Program mandates the building of schools and health care dispensaries throughout the country. Girls' attendance rates are targeted as well. Niger has shown some success in combating poverty and increasing educational opportunities but still faces severe resource constraints. In April 2004, Niger reached its Completion Point under the enhanced HIPC initiative. As a result, it received maximum debt relief from its Paris Club creditors. Niger has performed satisfactorily under the IMF's PRGF arrangement, although it was not able to meet all programmed targets, in particular the internal revenue mobilization and the settlement of domestic payment arrears.

Labor/Child Labor/Human Rights: Niger has ratified all eight of the fundamental ILO Conventions including ILO Convention 182 on the worst forms of child labor. The constitution provides formal recognition of the right to establish and join trade unions, and workers exercise this right in practice. The Labor Code is based on ILO principles and protects freedom of association and the right to organize and bargain collectively. In private and state-owned enterprises, unions use their right to bargain collectively without government interference. Collective bargaining exists in the public sector. The labor code prohibits forced or compulsory labor; however, such practices reportedly exist. It affords the right to organize and prohibits antiunion discrimination by employers. The law prohibits child labor in industrial work, though this remains a problem. Children continue to work in the unregulated agriculture, commercial, and artisan sectors, and as domestic servants. The government is participating in a U.S.DOL-funded project to provide children at-risk of exploitative child labor with educational alternatives. The government is also working with UNICEF and the ILO to determine the extent of child labor in Niger. The government improved its human rights record during the year but there are still problems in some areas. Severe food shortages and nationwide protests over the January imposition of a higher value added tax influenced the human rights situation.

NIGERIA

Status: AGOA eligible.

AGOA Trade and Investment: Nigeria's duty-free exports under AGOA and its GSP

provisions in 2005 – almost entirely petroleum and energy products – were valued at $22.5 billion, representing 93 percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Nigeria made limited progress toward establishing a market-based economy in 2005. The government professes a commitment to privatizing state enterprises. In 2005, the Nigerian Electric Power Authority was renamed Power Holding Company of Nigeria in preparation for the unbundling of the electric power sector, and the Nigerian fixed-line telecom provider was put up for auction, but the bids did not meet the government's desired price. A few publicly owned firms were privatized in 2005, including the National Fertilizer Company of Nigeria, the NICON (now Transcorp) Hilton and the ports. Nigeria began to implement the ECOWAS Common External Tariff in October 2005 but otherwise made little progress toward eliminating barriers to U.S. trade in 2005. Nigeria implements non-tariff barriers arbitrarily and unexpectedly and continues to violate WTO prohibitions against trade bans. However, the number of items on the government's list of banned imports has decreased from 60 items in the previous reporting period to about 45. Long delays in port clearances and sudden changes in product standards and methods of customs inspections presented additional barriers to U.S. trade. Enforcement of criminal penalties against IPR violations continued to be weak, and those who successfully countered IPR piracy generally had to do so through civil court cases.

Rule of Law/Political Pluralism/Anti-Corruption: In April 2003, President Obasanjo was re-elected to a second four-year term after being declared the winner in an election that proceeded peacefully in most areas, but was marred by serious irregularities and fraud, which resulted in widespread challenges of the election's result. A Supreme Court challenge to the Presidential election result was resolved in Obasanjo's favor in 2005. The government is seeking possible constitutional changes, including one that would allow the President to seek a third term. Communal clashes have resulted in numerous injuries and deaths, as well as property destruction. Civil and criminal cases move slowly through Nigeria's courts. The country's judicial system is not independent and lacks the resources to function effectively. In response to public demand, Shari'a (Islamic law) was established in 12 of Nigeria's northern states. The government has taken steps to tackle corruption, such as establishing two anti-corruption commissions and announcing measures to impart fiscal responsibility in federal budgeting and procurement. There have been allegations of selective enforcement, however, since the inception of these bodies, the government has won a conviction against a senior government official, obtaining a moderate sentence.

Poverty Reduction: The government released an economic reform program, the National Economic Empowerment and Development Strategy (NEEDS), in 2004. NEEDS outlines strategies for attaining macro-economic stability (low inflation and stable interest and exchange rates), and achieving annual GDP growth of 5.7 percent over a period of five years to reduce poverty. The plan performance targets are ambitious, but the program remains underfunded.

Labor/Child Labor/Human Rights: Nigeria has ratified all eight of the ILO core Conventions including Convention 138 on minimum age and 182 on the worst forms of

child labor. The constitution recognizes the right of workers to join or form trade unions. Restrictions on that right remain, despite the repeal of some of the anti-labor decrees from the military era. A 2005 amendment to the labor law further limited the conditions under which unions may undertake legal strikes. Workers in EPZs may not join a union until 10 years after the anniversary date of the enterprise. Less than ten percent of the total work force was organized. Nigerian law forbids forced or bonded labor and restricts the employment of children younger than 15 to home-based agricultural or domestic work for no more than eight hours per day; nonetheless, child labor remains a problem. The ILO is working with the Nigerian government and civil society as part of the ILO's International Program on the Elimination of Child Labor. Nigeria is participating in the West African Cocoa Agriculture Project to eliminate the worst forms of child labor from the cocoa sector. Private and government initiatives to stem the incidence of child employment continued but were largely ineffective. Investigations of child trafficking are also hampered by official corruption. Minimum wages, the length of the workday or workweek, and general health and safety provisions are statutorily mandated, but enforcement remains weak. The government's human rights record remained poor in 2005. Security forces committed extra-judicial killings and used excessive force to beat protesters, criminal suspects, detainees, and convicted prisoners. Prison conditions were harsh and life threatening, which contributed to the deaths of numerous inmates. Security forces continued to arrest and detain people arbitrarily, including for political reasons. Prolonged pre-trial detention remains a serious problem. The judicial system often was incapable of providing criminal suspects with speedy and fair trials. Human rights violators were rarely held accountable for their actions.

RWANDA

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

AGOA Trade and Investment: Rwanda's 2005 exports under AGOA and its GSP provisions were valued at $88,000, representing approximately one percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: The government has established important oversight for managing the economic health of the country, including tax collection, banking, trade agreements, anti-corruption, and fiscal policy. There are no significant trade barriers that affect the importation of goods and services to Rwanda, and the government is continuing toward further liberalization. The government is also emphasizing the importance of promoting private investment, particularly foreign, as an engine of development. The government has implemented several initiatives to increase investment and exports. The Rwandan Investment and Export Promotion Agency has developed information materials, organized trade fairs domestically and abroad, and established assistance offices in Rwanda to encourage and assist investors.

Political Pluralism/Rule of Law/Anti-Corruption: In 2003, President Kagame was elected to a seven-year term, with 95 percent of the vote, and members of Parliament

were also elected. In February 2006, local officials were elected to five-year terms in elections at the cell, sector, and district levels, with the Kigali City election held on March 4. The next legislative elections will be held in 2008, Presidential elections in 2010, and local elections in 2011. The 2003 presidential and legislative elections were peaceful but marred by irregularities. The most recent elections were generally considered free and fair, with no indication of coercion, harassment, or intimidation of voters. The participation in the political process of individuals from outside the ruling party was limited. The government continues to make efforts to strengthen the independence and capacity of the judiciary. In 2004, the regular courts were inoperative for ten months due to substantial reforms, including the dismissal/replacement of many judges and the training of court personnel. The government has plans to increase the presence of lawyers throughout the country, to improve access to legal services, and to establish circuit courts throughout the country, to reduce the backlog of pending cases. A new legal training institute was due to begin operation in March 2006. The extent of corruption in Rwanda is limited due, in part, to the government's active efforts to combat it. In 2003, it established the Ombudsman's Office to investigate corruption within government, focus on corruption prevention, and review financial disclosure reports of senior government officials to ensure transparency and accountability. The government has provided training to the National Police to improve professionalism and to promote respect for rule of law.

Poverty Reduction: The government has made efforts, with measurable results, to reduce poverty and to improve access to health care and education, despite its severely limited resources. Under its national policy of universal primary education, the government provides free primary education to all children. A joint government-donor task force is focusing on improvement of girls' education. The government is attempting to improve access to health care through greater decentralization to ensure adequate health services at the local level. Rwanda has a PRSP tied to its participation in the HIPC debt relief initiative. Rwanda met HIPC requirements in 2005, but continues to face challenges due to food insecurity resulting from less-than-anticipated rainfall and insufficient energy capacity. Rwanda's Poverty Reduction Growth Facility programs are considered on track by the IMF.

Labor/Child Labor/Human Rights: Rwanda has ratified all eight of the core ILO Conventions, including ILO Convention 138 on minimum age and ILO Convention 182 on the worst forms of child labor. Rwandan law provides all salaried workers, including some civil servants, with the right to form and join labor unions without prior authorization, and workers exercised this right in practice. While all unions must register for official recognition, there were no reports of the government denying recognition. The law prohibits unions from having political affiliations and from publicly expressing political opinions. It also provides for collective bargaining, but this right was severely limited in practice. In November 2005, the government created a National Labor Council with equal representation from government, employers, and labor unions. Except for subsistence agricultural workers, the law prohibits children under the age of 16 from working outside of the household without their parents' or guardians' permission, though child labor remains common in the agricultural sector. Children are trafficked internally for commercial sexual exploitation, soldering, and domestic work. The government

recently released its Youth Employment Policy, which outlines its plans to conduct a child labor study, strategies for withdrawal of children involved in child labor, and mechanisms for prevention. The government supports two U.S. DOL-funded regional projects targeting child soldiers and children affected by HIV/AIDS and several UNICEF-funded projects to combat child prostitution and child labor. While there were instances when the government committed serious human rights abuses, there were some improvements during the year. Problems included the use of excessive force by security forces, arbitrary arrest and detention, denial of fair trial, political prisoners, (including former President Bizimungu), restrictions on freedoms of speech, press, assembly, association, and restrictions on civil society. During the year prison conditions improved. Unlike in the previous year, there were no reports of the Local Defense Forces recruiting children; fewer reports of women being trafficked internally or to Europe for prostitution; and no reports of local government officials inciting Tutsi citizens to make false accusations against or discriminate against Hutus.

SÃO TOMÉ AND PRÍNCIPE

Status: AGOA eligible.

AGOA Trade and Investment: There has been no reported AGOA-related trade or investment. São Tomé and Príncipe exported just $216,000 to the United States in 2005.

Market Economy/Economic Reform/Elimination of Trade Barriers: São Tomé and Príncipe, a country of about 140,000 people, is one of the poorest and most heavily indebted nations per capita in Africa. In 2004, per capita GDP was $370. The country has a market-based economy. Historically, the economy has been based on cocoa exports and international donor assistance. In 2001, the government formed a joint energy development zone (JDZ) with Nigeria. To date six blocks have been awarded, of which one is operational. Chevron was the first firm to begin exploratory drilling in January 2006. Oil production is not expected for another five to seven years, but expectations have developed for significant oil revenue in the coming years.

Political Pluralism/Rule of Law/Anti-Corruption: São Tomé and Príncipe's reputation for strong democracy was reinforced by July 2001 presidential and March 2002 legislative elections, both judged free and fair by international observers. A failed military coup in July 2003 and a near collapse of the government in 2005 highlighted continued political infighting among the nation's political elite. Though order prevailed in both instances, challenges remain for the fragile democracy. In December 2005, the Attorney General published a report on the JDZ's second round bid awards, concluding that the procedures to select the awardees were seriously flawed and failed to meet minimum acceptable standards. The National Assembly is reviewing the report, but no action has been taken to date.

Poverty Reduction: In September 2003, the government publicly pledged to commit 20 percent of its revenues to poverty reduction. However, efforts at poverty reduction have been hindered by limited coordination among international donors and scarcity of

government financial resources. At a conference in December 2005, the government requested international assistance to halve poverty by 2010. Donors pledged approximately $70 million. The government also hopes to reach HIPC completion point by the summer of 2006 to further combat poverty and promote development. In August 2005, the IMF approved a three-year Poverty Reduction and Growth Facility Arrangement. The first review was satisfactory.

Labor/Child Labor/Human Rights: São Tomé and Príncipe has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. The constitution provides for freedom of association, the right to bargain collectively and the freedom to strike. The government generally respects these rights. A 2005 public workers' strike resulted in an increase in their minimum wage. At the same time, work conditions in many of the cocoa plantations (the largest wage-employment sector) are extremely difficult. International financial institutions have criticized the government for ineffective administration of a subsidy support program. The law establishes a minimum age of employment of 18, which is respected in the formal sector. In the informal sector, however, children are often engaged in labor from an early age. The government generally respects human rights; however, there were problems in some areas.

SENEGAL

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

AGOA Trade and Investment: Senegal's exports under AGOA and its GSP provisions in 2005 were valued at $388,000, representing about 11 percent of the country's total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Senegal's market-based economy is heavily dependent on agriculture. Principal foreign earnings derive from remittances, fish, phosphates, tourism, peanuts and services. In 2005, Senegal finalized the privatization of the national peanut-processing parastatal. Privatization of the electricity parastatal remains stalled pending improvements to its balance sheet. Senegal developed an Accelerated Growth Strategy aimed at achieving at least a 7.5 percent growth rate for 2006-2015. Coordinated by Senegal's Investment Promotion Agency, the strategy encourages public-private partnerships in the agro-industry, fishery, tourism, textile and information technology sectors. In 2005, the government established the Agency for Export Promotion, but it is not yet fully operational. Foreign investors face an unstable regulatory environment and weak commercial law enforcement due to a lack of resources and specialized judicial expertise. Senegal is a member of the International Center for the Settlement of Investment Disputes under the Washington Convention. The government accepts binding foreign arbitration of investment disputes and foreign creditors receive equal treatment in making claims against liquidated assets under Senegalese bankruptcy law. The Senegalese Civil Code provides national treatment and non-discrimination against foreign-owned business' property rights.

Political Pluralism/Rule of Law/Anti-Corruption: Senegal is a vibrant democracy with no history of coups d'etat or military government. Separatist activity in the southern Casamance region has declined, with the signing of a truce in December 2004. Senegalese authorities have initiated reforms to strengthen rule of law, transparency, and anti-corruption programs. With support from the U.S. Department of Homeland Security, Senegalese Customs has initiated an action plan to combat fraud. Senegal is also taking steps to improve the legal and judicial environment, including enhanced training for magistrates and commercial law practitioners, establishment of an arbitration court, and new recovery and enforcement procedures consistent with OHADA. Senegal is a signatory to the UN Anti-Corruption Convention.

Poverty Reduction: Having received debt forgiveness status in 2004 for completing the HIPC program, and debt-forgiveness from the international financial institutions in 2005, Senegal has developed a post-HIPC plan to generate poverty reduction priorities over the next five years. Of the $78.4 million collected from HIPC savings, the government allocated $7.5 million and $8 million to improve operating expenditures for education and health, respectively. The remaining $62.7 million will be invested in the construction of schools and health centers, infrastructure and agriculture projects, and credit programs targeting women in rural areas. The MCC is reviewing Senegal's $1.2 billion proposal to build an industrial platform 25 miles east of Dakar. This project is designed to promote economic growth and alleviate congestion in the capital, where 80 percent of Senegal's industry is based.

Labor/Child Labor/Human Rights: Senegal has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. Although freedom of association and the right to strike are recognized, many restrictions remain, including the right to strike. By law all workers, except for security forces, can form and join unions. Collective bargaining agreements were negotiated and are generally upheld. In the rural areas there was no enforcement of child labor laws and children are involved in the worst forms of child labor in the mining and rock quarry sectors. The government generally respected its citizens' rights but there were problems in some areas. The government made some improvements during the year. In April, the National Assembly passed a law prohibiting human trafficking. The ILO is working with the Senegalese government and civil society in support of Senegal's Timebound Program on the Elimination of the Worst Forms of Child Labor. The government generally respected citizens' rights, though some problems remain. Human rights organizations expressed concern about the July 2005 arrest of former Prime Minister Seck on state security and embezzlement charges. Seck was released in February 2006, but may yet face illegal enrichment charges.

SEYCHELLES

Status: AGOA eligible.

AGOA Trade and Investment: Seychelles had no exports under AGOA and its GSP

provisions in 2005.

Market Economy/Economic Reform/Elimination of Trade Barriers: Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach. There are few restrictions on foreign ownership, with the important exception of land, and a number of incentives are offered to stimulate private sector investment. A new investment code was adopted by the National Assembly at the end of 2005. Import permits, except for a few remaining "restricted items," were abolished in January 2005. In April 2005, the exclusive right of the state-run Seychelles Marketing Board (SMB) to import certain categories of goods, including most essential food items, was rescinded. President Michel promised additional privatization of the seven business units of the SMB in his 2005 budget speech. The privatization program was launched in early 2006 with the sale of 30 percent of the State Assurance Corporation of Seychelles. A Joint Economic Council, bringing the government and private sector together in a formalized setting, was established in 2004 and continues to meet. However, the government still plays a strong role in the economy, and regulations and controls are burdensome.

Rule of Law/Political Pluralism/Anti-Corruption: After 27 years, President Rene officially handed over power to then-Vice President Michel in April 2004. The constitution allows the vice president to take over the presidency for the remainder of the term if the incumbent leaves office. The next presidential elections are due by August 2006. The 2001elections were generally considered free and fair by international observers. The constitution requires that a presidential election be held in 2006, with a parliamentary poll to follow in 2007. However, the government may choose to hold the presidential and parliamentary elections concurrently. The constitution provides for a multiparty system, as well as a strong president, who is both head of state and head of government. The president appoints a Council of Ministers, but members are not drawn from the National Assembly, making it hard for the legislature to call the executive to account. The constitution calls for an independent judiciary, but the legal system is slow and subject to executive interference. At the end of 2005, the government ratified the UN Convention Against Corruption.

Poverty Reduction: Seychelles was the highest ranked African country on the UNDP's 2005 Human Development Index, and the 51st highest-ranked country in the world. Health and education have long been government priorities; as a result, Seychelles now enjoys one of the highest literacy rates and the best health facilities in Africa. Education is free and compulsory between the ages of six and sixteen. The social welfare system includes basic pensions, homecare for the elderly, and unemployment benefits.

Labor/Child Labor/Human Rights: Seychelles has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. The Industrial Relations Act of 1993 generally gave workers the right to form and join unions and to engage in collective bargaining. However, the government has the right to review and approve all collective bargaining agreements. Between 15 and 20 percent of the labor force is unionized. Strikes are illegal without first exhausting arbitration procedures, and they rarely occur. Foreign workers do not have the same rights as indigenous workers, and there have been several complaints about

poor living conditions and difficulties in repatriating salaries. Children have legal protection from labor and physical abuse. Forced or compulsory labor is prohibited. The Export Processing Zone is not subject to labor laws. Seychelles generally respects the human rights of its citizens. Although the constitution provides for freedom of speech and the press, the government maintains a near monopoly on both broadcast and print media.

SIERRA LEONE

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

AGOA Trade and Investment: Sierra Leone's exports under AGOA and its GSP provisions were valued at $170,000 in 2005, representing about two percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: Sierra Leone has a market-based economy. Private sector development continues and the government supported initiatives to attract foreign investment. The National Privatization Commission's progress has been slow. In June 2005, IMF staff evaluated Sierra Leone's performance as mixed, with better-than-expected revenue collection and less-than--expected poverty expenditures. Sierra Leone has an open, rules-based trading system. The constitution protects private property rights. Laws generally protect intellectual property rights. The legal code provides for resolution of bilateral trade and investment disputes. The government passed an investment code in 2004. The annex providing incentives to investors has not yet been passed, though, due to disagreements with the National Revenue Authority. Sierra Leone has received substantial assistance in identifying administrative barriers to trade and has made progress toward eliminating them. The government also made plans to reorganize the Sierra Leone Export Development and Investment Corporation to make it a more effective tool for foreign investors.

Political Pluralism/Rule of Law/Anti-Corruption: In May 2004, the government held the first local elections in 32 years. Although turnout was relatively low and there was evidence of significant fraud on all sides, the elections themselves were peaceful and an independent report determined that "there was no proof that the outcome of any particular election was actually changed by the fraud." The next round of presidential and parliamentary elections is scheduled for 2007. There is significant opposition participation in the political process. The National Electoral Commission is working closely with the international community to ensure the 2007 elections are free and fair. The judicial system remains weak, and cases are subject to frequent delays; however, the government is working closely with the Justice Sector Development Program to strengthen it. The court system relied heavily on Commonwealth judges due to a lack of capacity in Sierra Leone to fill empty seats, and these judges demonstrate independence from executive influence. Courts outside the capital are just beginning to function again after a decade of disuse during the civil war. Corruption at all levels remains a significant problem. The Anti-Corruption Commission is hampered by poor relations with the executive and legislative branch, weak leadership, and limited investigative capacity;

however, it has developed a National Anti-Corruption Strategy that identifies government corruption "hotspots" and has begun to develop procedural safeguards to eliminate opportunities for officials to misuse government positions for personal gain. In February 2005, parliament passed the Budgeting and Accountability Act, which should enhance government fiscal transparency.

Poverty Reduction: Government policy aims to reduce poverty, increase the availability of health care and education facilities, expand the physical infrastructure, and promote the development of private enterprise. The government began to implement its World Bank PRSP in June 2005, continues to work with the IMF on its PRGF. Sierra Leone continued to make progress toward meeting the HIPC Initiative completion point triggers, notably in the areas of education and health. The Consultative Group met in November 2005 and endorsed the PRSP, and the government hopes to reach the HIPC completion point in 2006.

Labor/Child Labor/Human Rights: Sierra Leone has six of the eight ILO core labor rights conventions. The government has ratified Conventions 29 and 105 on forced and compulsory labor, but not Convention 138 on minimum age and 182 on the worst forms of child labor; however, the Cabinet is preparing to submit to Parliament a comprehensive Child Rights Bill. The law prohibits forced and compulsory labor, but forced labor remained a problem. Workers' rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. Under the Chiefdom's Council Act, however, individual chiefs may impose forced labor as a punishment, and have done so in the past. Child labor remains widespread. Child prostitution and trafficking are problems, though the government passed an anti-trafficking law in August 2005. Children are trafficked from rural areas to the capital city of Freetown and to the diamond mining areas for purposes of sexual exploitation and forced labor. Although the law prohibits the employment of children under 12, a 2000 UNICEF assessment estimated that 72 percent of Siena Leone's children between the ages of five and fourteen are working. The government generally respected human rights, though there were reports of abuses by security forces, including rape and use of excessive force with detainees, including juveniles. Prolonged detention, excessive bail, and insufficient legal representation remained problems. The government at times limited freedom of speech and the press during the year. Official impunity has been a problem. The judicial branch took action to improve excessively long pretrial detentions by dismissing charges, releasing detainees on bail, and beginning delayed trials. In an attempt to reduce corruption in the judiciary, the chief justice introduced a code of conduct for judicial officers.

SOUTH AFRICA

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

AGOA Trade and Investment: South Africa's exports under AGOA and its GSP provisions were valued at nearly $1.5 billion in 2005, constituting 25 percent of total South African exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: South Africa maintains a diverse market-based economy. The government continues to implement prudent fiscal and monetary policies. The President and Deputy President have announced the Accelerated and Shared Growth Initiative in an effort to remove obstacles to higher growth. Central to this initiative is greater government spending, especially on infrastructure, and helping local and provincial government to better implement government programs and deliver public services to the poor. South Africa is a lead participant in the U.S.-SACU FTA negotiations. A bilateral tax treaty and a Trade and Investment Framework Agreement with the United States remain in force. South Africa provides national treatment to foreign investors. The country is beginning to make progress on addressing weak IPR enforcement and cumbersome court proceedings. The Department of Trade and Industry is creating a 36-person enforcement unit and the judiciary increasingly understands the complexity and specialized nature of IPR. Specialized Commercial Crime Courts have been established in the major cities of Johannesburg, Pretoria, Durban, Cape Town, and Port Elizabeth.

Rule of Law/Political Pluralism/Anti-Corruption: The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems. The judiciary is generally independent at all levels. South Africa maintains a multiparty parliamentary democracy within which political parties are allowed to operate freely. Free and fair municipal elections were held in March 2006. While the African National Congress holds an overwhelming majority in Parliament and in other levels of elected government, several opposition parties are quite active. Municipal service delivery and corruption remain a challenge. The government has prosecuted dozens of members of Parliament, municipal councilors, and the former Deputy President for corruption.

Poverty Reduction: Poverty reduction and job creation are major government priorities. The February 2006 budget contained additional measures to improve the social welfare payment system and the delivery of public services, such as water and sanitation, electricity, and telephony, especially to the rural poor. It also allocated funds for civil projects that employ labor-intensive methods as a means to create employment and impart job skills.

Labor/Child Labor/Human Rights: South Africa has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. The constitution protects worker rights, including freedom of association and the right to organize and bargain collectively. South Africa has a strong trade union movement which organizes and bargains collectively on behalf of workers and participates in strikes. There was some concern over violence occurring against workers involved in strikes over the last year. The government is actively engaged in reducing the incidence of child labor, including providing income grants for poor children under the age of 11 and waivers of school fees for poor children, and actively prosecuting employers of child labor. South Africa prohibits child labor for children under the age of 15 or under the minimum school leaving age. Nevertheless, child labor remains a problem, particularly in the informal and agricultural sectors. The high incidence of HIV/AIDS has led to a marked increase in the number of child-headed households. South Africa has become a destination country for traffickers of children for commercial

sexual exploitation. The government participates in a regional ILO-IPEC project to eliminate the worst forms of child labor, and supports a U.S. DOL-funded project to provide educational alternatives for vulnerable children. The government has focused high-level attention on human rights issues involving law enforcement; however, deaths caused by excessive force from police and/or security forces and deaths while in police custody have been reported. The government has taken action to investigate and punish some of those involved. The South African constitution provides for equal protection under the law, freedom of speech and of press, freedom of assembly, and an independent judiciary.

SWAZILAND

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

AGOA Trade and Investment: Swaziland's exports under AGOA and its GSP provisions were valued at $176.1 million in 2005, constituting 89 percent of Swaziland's total exports to the United States. AGOA has created a number of job opportunities, primarily in the garment manufacturing industry. Swaziland's current challenge is to diversify export production in order to take full advantage of AGOA benefits.

Market Economy/Economic Reform/Elimination of Trade Barriers: There is relatively little government intervention in Swaziland's free market economy, but there is a general lack of procedural transparency. Swaziland lacks major legislation to support a healthy investment climate. The government recently made a public commitment to implement recommendations contained in a USAID-funded Investment Roadmap. There are generally no formal policies or practices that are discriminatory to foreign-owned investors and companies. Swaziland maintains state-run or state-sanctioned monopolies such as the cellular telephone network, the landline network, electricity, and water. Swaziland is a member of SACU and involved in the U.S.-SACU FTA negotiations. Swaziland has never had an IMF program.

Rule of Law/Political Pluralism/Anti-Corruption: Swaziland is a modified traditional monarchy with executive, legislative, and limited judicial powers ultimately vested in the King. The 2004 municipal elections and the 2003 parliamentary elections increased representative government; however, political power continues to rest largely with the King and his circle of traditional advisors. The next parliamentary elections are to take place in 2008. In early 2006, the country implemented its first constitution in over 30 years. At the same time, it abolished the 1973 Royal Decree that suspended the previous constitution, instituted rule by decree, and banned political parties. Since the Court of Appeal resumed its functions in November 2004, there have been no known instances of executive interference in court decisions. The government has declared its intention to fight corruption at every level and to implement a zero tolerance policy. The draft of the new anti-corruption legislation strengthening the Anti-Corruption Commission is expected to be presented to Parliament in early 2006.

Poverty Reduction: Swaziland has an HIV/AIDS prevalence rate of nearly 43 percent

and the pandemic has left an increasingly large number of Swazis impoverished. Caring for ill family members has stretched the resources of many households, 20 percent of which are headed by women or children. The immense scale of AIDS-related illness and death is weakening the government's capacity to deliver public services, and has a serious impact on food security, economic growth, and human development. Nevertheless, the government established a Poverty Alleviation Unit in 2004 to monitor efforts to fight poverty and, in 2005, provided roughly $7.8 million to assist orphaned and vulnerable children with their school fees.

Labor/Child Labor/Human Rights: Swaziland has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. The law provides for the right to organize and bargain collectively, and while the government generally respects this right, employer interference contributed to the failure of some trade unions to negotiate or promote collective bargaining agreements. In September 2005, the government implemented ILO-recommended amendments to the Industrial Relations Act that greatly strengthen Swaziland's Conciliation, Mediation, and Arbitration Commission (CMAC). CMAC now has the mandate to take full responsibility over dispute resolution proceedings, from the initial reporting stage to the conclusion of the case. The government is participating in a U.S. DOL-funded regional project to increase awareness of and compliance with labor laws. Swaziland has ratified ILO Conventions 29 and 105 on prohibitions on forced or compulsory labor. The HIV/AIDS pandemic and poverty have increased the vulnerability of Swazi children to child labor. Although child labor is not found in the formal sector, it is reportedly growing in the informal sector. Swaziland participates in a regional project funded by the U.S. DOL to increase labor law compliance. It also participates in a regional ILO-IPEC project to eliminate the worst forms of child labor, and supports a U.S. DOL-funded project to provide educational alternatives for vulnerable children. Both projects were launched at the beginning of October 2005. The government's human rights record is a concern, and government agents have been accused of committing serious abuses.

TANZANIA

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

AGOA Trade and Investment: Tanzania's 2005 exports under AGOA and its GSP provisions were valued at $3.8 million, consisting mostly of apparel and representing about 11 percent of its total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: After embarking on a comprehensive economic reform program in the late 1980s, Tanzania has achieved strong macro-economic performance over the past several years with an average GDP growth rate of approximately six percent and inflation around five percent. The government, in partnership with donors, has made significant progress in reducing state control and regulation. Agricultural marketing has been liberalized; foreign exchange controls lifted, and prices deregulated. With the exception of major utility and

infrastructure parastatals, almost all state-owned enterprises have been privatized. Tanzania's nascent private sector is still weak. In January 2005, the East African Community Customs Union entered into force, under which tariffs between Tanzania, Uganda and Kenya will be phased out over five years. The Customs Union also established a common external tariff that generally lowered Tanzania's overall tariffs, although tariffs were raised on some U.S. exports. Tanzania has taken an increasingly open stance toward foreign investment, developing a new foreign investment code and taking steps in early 2006 toward single licensing for businesses. U.S. investment is slowly rising, but is hindered by bureaucratic inefficiencies, corruption, and poor infrastructure, including unreliable power supply. Requirements to own land or offer it as collateral also remain an important impediment to new investment.

Political Pluralism/Rule of Law/Anti Corruption: Tanzania opened the door to multi-party democracy in 1992 and has enjoyed an unbroken string of relatively peaceful transfers of power since independence. The December 2005 elections for president and parliament were considered by domestic and international observers to be generally free and fair. In October 2005, the semi-autonomous archipelago of Zanzibar held separate elections for the Zanzibar president and local officials that were marred by violence and some voting irregularities. However, the elections for Union representatives from Zanzibar, also held in December 2005, were considered to be fair. In both the mainland and Zanzibar elections, opposition parties were allowed to register as legal parties and could participate in the political process. The law provides for an independent judiciary; however, the judiciary suffers from corruption, inefficiency, and executive influence. Criminal trials are open to the public and the press and the government took more steps in 2005 to address judicial inefficiency and corruption. There have been a few lengthy cases involving IPR violations and prolonged debt repayment cases involving U.S. corporations. President Kikwete has taken a strong stance against corruption. The government participates in the World Bank Anti-Corruption Commission, and has indicted senior officials and mid-level members of the judiciary for corruption. In November 2005 Tanzania was selected to as eligible to apply for a compact under the MCA. The government continued to use specialized agencies to fight corruption during the year. The Good Governance Coordination Unit is charged with implementing anti-corruption legislation, and coordinating anti-corruption efforts; however, the small unit is under-funded. Prosecution of corruption cases remains slow and inefficient.

Poverty Reduction: Despite macro-economic stability and steady GDP growth over the past five years, inroads against poverty have been minimal. Approximately one-third of the population still lives below the World Bank's poverty line. In 2005, Tanzania completed it PRSP, which identifies four key areas of priority for poverty reduction: (i) education, (ii) water, (iii) roads, and (iv) energy, and is working to address poverty through implementation. Tanzania remains dependent on donor-funded projects in each of these areas and dependent on foreign aid for approximately 40 percent of its budget.

Labor/Child Labor/Human Rights: Tanzania has ratified all eight ILO Conventions core labor conventions including Conventions 138 and 182 on minimum age and the worst forms of child labor. The government passed, but has not yet implemented, new labor laws in 2004 strengthening workers rights and prohibitions against child labor. The

law provides for collective bargaining and workers and employers practiced it freely during the year; however, the law does not apply to the public sector. While the law allows workers to form and join unions without prior authorization, in practice many private sector employers adopted anti-union policies or tactics that limited this right and there is no law to protect workers from anti-union discrimination. On Zanzibar, the law prohibits all workers from striking. On the mainland, workers have the legal right to strike after complying with certain legal requirements. The law prohibits forced or compulsory labor, and new laws specifically prohibit forced labor by children and closed loopholes in the constitutional ban. Nevertheless, there continued to be reports that forced and compulsory labor by children occurred. Although enforcement remained weak, the government implemented some measures including increasing the number of labor inspectors. Tanzania participates in the ILO's "Timebound Program to Eliminate the Worst Forms of Child Labor," which seeks to eliminate child labor in targeted sectors. A second phase of this project, funded in 2005, will broaden the project's scope to include combating exploitative child labor in fishing and on the island of Zanzibar. The minimum employment age is inconsistent with the age for completing educational requirements. The government made significant improvements in some important areas, including demonstrating more respect for citizens' right to change their government peacefully. Government efforts helped reduce mob killings during the year, and the number of newspapers, radio stations, and journalists grew. Despite these improvements, some problems increased, such as government harassment of political opposition parties prior to the 2005 general elections, particularly on Zanzibar.

TOGO

Status: Not eligible.

Market Economy/Economic Reform/Elimination of Trade Barriers: Togo's economy is on a downward trend due in part to political uncertainty and the slow pace of economic reforms. The government's privatization program has been erratic. After privatizing one-third of more than 70 parastatals planned for sale, the government appears to be moving backward with the February 2006 cancellation of a private contract to manage Togo's electricity supply. Despite a liberal investment code, which places no significant restrictions on foreign investment, investors still face official and unofficial barriers. Investment is permitted only in certain sectors of the economy and is subject to minimum capital requirements screened on a case-by-case basis. Significant commercial disputes are rare. A private trade dispute concerning $1 million in unpaid bills to ExxonMobil by the state-owned phosphate mining company was resolved in May 2005. Togo has a large informal market for pirated DVDs, CDs, computer software, and video cassette recordings. The government has not taken steps to combat this increasingly large pirate industry.

Political Pluralism/Rule of Law/Anti-Corruption: President Faure Gnassingbe is the son of the late Gnassingbe Eyadema, who ruled the country for 38 years until his death in 2005. The military installed Faure as the new president following his father's death, but sustained international pressure forced him to step down and allow for presidential

elections. In April 2005, Faure was declared president in an election marred by severe irregularities and violence. National legislative elections may be held later in 2006. A disorganized opposition has attempted to participate in the government for many years, but has generally been excluded by the ruling party. The judicial branch continues to be heavily influenced by the executive. However, the government has embarked on a judicial modernization program designed to create an effective, independent judiciary. An Anti-Corruption Commission, established in 2001, investigated relatively low-level and former high-level officials, but did not use transparent procedures to address allegations of corruption. The commission has been inactive since 2002.

Poverty Reduction: Political and economic difficulties continue to hamper poverty reduction efforts. In response to human right abuses and the stalled democratic transition of the 1990s, most donors suspended significant development assistance. Corruption and the inadequate public administration inhibit domestic and foreign investment. Key social indicators continue to decline. The government is unable to provide resources to sustain education, health and nutrition, sanitation and other basic services, relying instead on international donors to combat health problems, such as HIV/AIDS, malaria, tuberculosis, and cholera.

Labor/Child Labor/Human Rights: Togo has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. Workers generally have the right to join unions and to strike; however, serious weaknesses remain both in Togo's labor legislation and in the enforcement of those rights that are recognized. Collective bargaining by individual groups rarely occurs. Police and security forces may not organize, and health workers may not strike. Workers in export processing zones are exempt from some provisions of the Labor Code, notably regulations on hiring and firing, and are subject to anti-union discrimination. The constitution does not specifically prohibit forced or bonded labor, including by children. The Labor Code prohibits the employment of children under the age of 14; however, child labor is ubiquitous, with many children working on family farms. Togo is a country of origin, transit, and destination for trafficking in persons, particularly women and children. The government adopted child anti-trafficking legislation in 2005 and is working to implement it. Togo is participating in an ILO-IPEC project to combat the trafficking of children for exploitative labor, and a U.S.DOL-funded educational initiative to promote education for victims of child trafficking and children at risk of being trafficked. Before former president Eyadema's death, the government made some progress in improving its human rights record; however, following his death, the government's human rights record deteriorated significantly. The presidential election was followed by a violent crackdown on opposition voices, causing 40,000 Togolese refugees to flee to neighboring countries.

UGANDA

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

AGOA Trade and Investment: Uganda's 2005 exports under AGOA and its GSP

provisions were valued at $4.9 million, representing 19 percent of total Ugandan exports to the United States. An apparel manufacturer accounted for most of this trade, but in February 2006 Uganda exported its first shipment of cut flowers to the United States under AGOA.

Market Based Economy/Economic Reform/Elimination of Trade Barriers: Uganda remains committed to liberalizing the economy, containing inflation and encouraging economic growth. The country maintains a liberal trade and foreign exchange regime, promotes foreign investment and largely adheres to IMF/World Bank programs to fight poverty, maintain macroeconomic stability and restructure the economy. The government has privatized most of its public enterprises over the past few years, although close to 30 still remain in government hands. Uganda is attempting to diversify its agriculture-based economy, by focusing on non-traditional, high-value items such as vanilla, processed fish, and cut flowers. Foreign investors may form wholly-owned subsidiaries and may repatriate all profits. Foreign companies may enter into 99-year leases, but cannot own land freehold. Despite significant progress, Uganda's current economic growth is threatened by energy shortages, corruption, the toll of HIV/AIDS and other diseases and a long-running war in northern Uganda. The entry into force of the East African Community's Customs Union in Uganda formally eliminated internal tariffs on most goods originating in East Africa and set common external tariff rates for goods originating outside East Africa. As part of the EAC Customs Union, Uganda increased tariffs on many finished products from outside the region, including many U.S. exports.

Political Pluralism/Rule of Law/Anti-Corruption: Uganda has experienced two decades of political stability in much of the country, although an insurgency by the Lord's Resistance Army (LRA) persists in the north. Uganda has a largely free press and an active civil society. Several opposition parties are active in parliament. Voters approved a return to multi-party politics in July 2005 and the February 2006 general elections were largely free of violence. President Yoweri Museveni was re-elected by a large majority, after persuading Parliament to lift the term limits that would have forced him from office. The pre-election period was marred by the arrest and prosecution of Museveni's main challenger, Dr. Kizza Besigye of the Forum for Democratic Change. Besigye was brought before both military and civilian tribunals on a variety of charges, and the government at times ignored the directives of civilian courts. Corruption remains a significant challenge and many senior officials lack the political will to address effectively the issue. Uganda's judiciary generally is well regarded but understaffed. Senior judges render credible and transparent decisions; however, there are significant inefficiencies, occasional corruption, and unqualified personnel at lower levels. The government has taken steps to increase the number of judicial officers, improve judicial efficiency, and promote alternative methods of dispute resolution. With donor assistance, the government has set out a four-year program to reform the commercial justice system. Uganda opened its first commercial court ten years ago and now has four commercial court judges. However, significant judicial backlogs continue to delay court rulings.

Poverty Reduction: Although Uganda remains a poor country, the government has allocated significant resources to alleviate poverty and received large amounts of donor assistance for anti-poverty programs. Uganda's Poverty Eradication Action Plan focuses

on primary education, health and sanitation, an improved transport system, and growth in the agricultural sector. The Strategic Export Program – a plan for modernization and enhanced competitiveness in the agriculture sector – has begun to bear fruit, though the majority of Ugandan farmers still grow subsistence crops. HIV/AIDS and other diseases, combined with continued rapid population growth, keep many Ugandans impoverished. Recent statistics show that the poverty rate, which had declined from 56 percent in 1992 to 35 percent in 2000, increased to 38 percent in 2003.

Labor/Child Labor/Human Rights: Uganda has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. Ugandans have the right to join worker associations or trade unions. Four labor reform bills designed to bring Uganda's laws into compliance with ILO standards were passed by Parliament in early 2006, with support from President Museveni and the Cabinet. The new laws eliminate requirements for a minimum number of persons to establish a union (previously 1,000 workers), remove the requirement that at least 51 percent of employees join a union before management is required to engage in collective bargaining, and set new timeframes for union recognition, collective bargaining and strikes. The laws also raise the Industrial Court's status to that of High Court, making its decisions subject to appeal only by the Court of Appeal and the Supreme Court. Child labor is common, especially in the informal sector and the tea harvesting industry. The government is participating in programs funded by the ILO and the U.S. DOL to combat the worst forms of child labor, and to rescue and rehabilitate child soldiers, especially in the north where the LRA continues to abduct children into virtual slavery as guards, laborers, solders and sex slaves. Following the arrest of President Museveni's principal challenger, the government announced severe restrictions on public assembly and public expression related to the case. Torture and lengthy pre-trial detention remain serious problems throughout the country. International human rights organizations have criticized the government for failing to provide adequate protection and humanitarian assistance to the 1.5 million internally displaced persons living in northern Uganda. Nonetheless, the government took some steps to improve human rights during the year. For example, in October the parliament passed a series of reforms that allow political parties to participate in government and compete in elections.

ZAMBIA

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

AGOA Trade and Investment: Zambia's 2005 exports under AGOA and its GSP provisions were valued at $119,000, representing less than one percent of total exports to the United States.

Market Economy/Economic Reform/Elimination of Trade Barriers: For the past six years Zambia's economy has grown in real terms at an average annual rate of over 4.5 percent. The government's fiscal performance has also improved, and this is beginning to bring down both interest rates and inflation. In 2005, Zambia achieved the HIPC completion point, leading to the cancellation of most of its external debt. There is no

distinction in Zambian law between foreign and domestic investors, except in the retail sector. Favorable policies and macroeconomic stabilization have attracted significant new flows of investment to Zambia, especially in the mining sector, where rising copper prices have led to intensified activity. Zambia continues to work toward lower trade barriers, especially through the COMESA Free Trade Area.

Political Pluralism/Rule of Law/Anti-Corruption: Since 1991, Zambia has conducted three general elections contested by candidates from many political parties. The next general election is to take place in 2006. Following the 2001 election, the government instituted an anti-corruption campaign that has resulted in criminal charges against numerous past and current officials, including former President Chiluba. Trials in these cases are underway before the courts. The Zambian judiciary is generally independent, with judges commonly issuing rulings that contradict positions taken by the government. Acute shortages of qualified personnel and poor working conditions severely limit the effectiveness of the judiciary.

Poverty Reduction: In its implementation of economic reforms, the government has shown a consistent commitment to poverty reduction. It devoted more resources to spending for health, education, and trade diversification in its 2002 PRSP. It has retained this emphasis in the 2006 budget and a proposed five-year National Development Plan. HIV/AIDS presents a major challenge to economic development and poverty reduction. The government is leading the response to the epidemic, depending on significant donor support in the health sector.

Labor/Child Labor/Human Rights: Zambia has ratified all eight of the core ILO labor conventions, including ILO Convention 183 on the minimum age and ILO Convention182 on the worst forms of child labor. Unions remain a significant force in civil society and play a prominent role in public debate over political issues. Although workers rights are legally protected, and an Industrial Relations Court adjudicates complaints, the law recognizing workers' rights of association and collective bargaining prescribe burdensome procedures. In addition, the enforcement of the labor law generally remains weak. Strikes and go-slow actions frequently disrupt the provision of government services, including health care and education. Children work in agriculture, domestic service, transportation, and in the hospitality industry. Children are also exploited in prostitution and trafficked for commercial sexual exploitation. The government has taken several steps to address Zambia's child labor problem, including supporting several U.S. DOL-funded programs that aim to eliminate the worst forms of child labor in the country. The government is taking steps to address the child labor problem, including through cooperation with programs sponsored by the U.S. DOL. The government's human rights record is generally poor. Although there have been some improvements in a few areas, serious problems remain. Misconduct among police officers is common, leading to abuse of criminal suspects and detainees. The government restricts speech and press freedom.

ZIMBABWE

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

Market Economy/Economic Reform/Elimination of Barriers to Trade: The government has an interventionist approach to the economy and generally discourages foreign investment. Private sector confidence is waning in the face of poor governance and the erosion of property rights. The Mugabe government has sanctioned seizures of privately owned agricultural land without compensation, and changed the constitution in 2005 to transfer ownership of expropriated agricultural land to the government without recourse to the courts. Subsidies provided by the Reserve Bank of Zimbabwe (RBZ) in the form of cheap or even free foreign exchange for fuel, grain, and electricity are the main driver of inflation, which officially surpassed 600 percent in January 2006 (but unofficially was well in excess of 1000 percent). There was no progress in 2005 in privatizing parastatals, and the number and size of price controls is unabated. The RBZ continues to control exchange rates at unrealistic levels, ensuring scarcity of legitimate foreign exchange and fuelling a parallel market in which the value of the Zimbabwe dollar continued to plummet in 2006. Among numerous barriers to trade are exchange requirements for exporters and high duties for importers. Zimbabwe's IMF voting rights remain suspended and the government has shown no political will to implement the comprehensive package of macroeconomic policies and structural reforms required for their restoration and to become eligible for IMF financing.

Political Pluralism/Rule of Law/Anti-Corruption: The ruling ZANU-PF party applies increasingly repressive tactics to perpetuate its rule. The opposition and civil society operate in an environment of state-inspired intimidation. Following a parliamentary election in March 2005, which international observers deemed neither free nor fair, the ruling party now controls enough seats to change the country's constitution at will. The next national elections are due in 2008, but the government has publicly contemplated extending President Mugabe's term until 2010. Government efforts to influence and intimidate the judiciary have seriously eroded the rule of law. The ruling elite have ignored numerous adverse judgments, especially with respect to the taking of private property, and senior officials have reiterated publicly that court orders that are not politically acceptable to the ruling party will not be honored. There is widespread corruption, including the ongoing redistribution of expropriated commercial farms to ruling party elite, privileged access to limited foreign exchange and fuel, and the distribution of new housing plots to mostly civil servants, security forces, and ruling party supporters. In 2005, the government enacted an Anti-Corruption Act, which established an Anti-Corruption Commission; however, it includes no members from civil society or the private sector. The government also established the Ministry of State Enterprises, Anti-Monopolies, and Anti-Corruption to investigate and raise awareness about corruption, but government officials and police lack sufficient political backing to effectively investigate the corruption. Instead the government prosecutes individuals selectively, focusing on those who have fallen out of favor with the ruling party and ignoring transgressions by favored elite.

Poverty Reduction: The government maintains several programs that ostensibly provide food and basic services to the poor. However, implementation of these programs is often influenced by political considerations, with areas represented by the opposition ignored. The programs have had minimal effect on poverty reduction, particularly when compared to the general thrust of the government's economic policies, which have caused most Zimbabweans to grow progressively poorer over the past six years. Operation Murambatsvina, or Drive out the Trash, destroyed the homes and livelihoods of hundreds of thousands of Zimbabweans in 2005. Human development indicators that were once among the best in sub-Saharan Africa have deteriorated sharply. Zimbabwe has not finalized a PRSP.

Labor/Child Labor/Human Rights: Zimbabwe has ratified all eight of the ILO core Conventions, including ILO Convention 183 on the minimum age and ILO Convention 182 on the worst forms of child labor. However, the ILO reports that Zimbabwe continued to limit workers' right to organize and hold labor union meetings. The government has stepped up harassment of the Zimbabwe Congress of Trade Unions and its leadership. It has also taken steps to marginalize the traditional unions and the formal labor dispute resolution mechanism. The growing rate of unemployment has reduced the number of children employed in the formal sector, but informal child employment has increased as more children work to fill the income gap left by ill, unemployed, or deceased relatives. The minimum age for light work, other than apprenticeship or work associated with vocational education, is 15 years. Children work in agriculture, street vending, and as domestic servants. There are reports that an increasing number of girls are involved in prostitution. There is no compulsory education, and the government's commitment to children's rights and welfare is weak. The government's human rights record is among the worst in the world. Operation Murambatsvina was the most serious of many government violations in 2005. In its aftermath, the government compounded the suffering by blocking the efforts of humanitarian groups to provide emergency relief. Allegedly, security forces selectively harass, beat, and arbitrarily arrest opposition supporters and critics within human rights organizations, the media, and organized labor. Laws that restrict freedom of assembly, speech, and press have been strengthened.

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

The Official U.S. Government website on AGOA
www.agoa.gov

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

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

The Department of Commerce's Office of Textiles and Apparel
www.otexa.ita.doc.gov
This site includes fill rates for the apparel cap on regional and third country fabric.

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

The U.S. Department of State
www.state.gov

The United States International Trade Commission
www.usitc.gov

The Overseas Private Investment Corporation
www.opic.gov

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

The United States Agency for International Development
www.usaid.gov/locations/sub-saharan_africa/
See especially Africa Bureau and Office of Transition Initiatives

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

The Department of Agriculture
www.fas.usda.gov

The Department of Transportation
www.dot.gov

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

The Department of Energy
www.energy.gov

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

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

The Trade and Development Agency
http://www.ustda.gov/

The Department of Labor
www.dol.gov
This site contains Agency information on DOL child labor and worker rights programs

Annex A – AGOA-Eligible Countries

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

* - qualified for textile and apparel benefits

Annex B - AGOA Eligibility Criteria

The Eligibility Criteria

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

SEC. 104. ELIGIBILITY REQUIREMENTS

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

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

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

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

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

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

(ii) the protection of intellectual property; and

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

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

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

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

occupational safety and health;

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

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

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

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

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

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

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

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

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

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

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

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

Section 412).

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

In addition, the President must take into account:

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

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

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

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

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

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

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

Annex C – Country Memberships in Major Regional Organizations

(i) **African Union (AU) Members:** All 53 countries in Africa.

(ii) **Central African Economic and Monetary Community (CEMAC) Members**: Cameroon, Central African Republic, Chad, Republic of the Congo (ROC), Equatorial Guinea, and Gabon.

(iii) **Common Market for Eastern and Southern Africa (COMESA) Members**: Angola, Burundi, Comoros, Democratic Republic of the Congo (DROC), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

(iv) **East African Community (EAC) Members**: Kenya, Tanzania, and Uganda.

(v) **Economic Community of West African States (ECOWAS) Members**: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

(vi) **West African Economic and Monetary Union (WAEMU) Members**: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

(vii) **Southern African Development Community (SADC) Members**: Angola, Botswana, Democratic Republic of Congo (DROC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

(viii) **Southern African Customs Union (SACU) Members:** Botswana, Lesotho, Namibia, South Africa, and Swaziland.

Annex D - List of Frequently Used Acronyms

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

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