AFRICAN UNION MISSION IN THE U.S.

INVESTMENT AND TRADE IN AFRICA UNDER AGOA, 2007-2010

DAVID SHIFERAW

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The cover of this report was designed by Thomas Robertson-Forrest.

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ACCRONYMS

ACTIF	African Cotton and Textile Industry Federation
AGOA	African Growth and Opportunity Act
BOE	Barrels of Oil Equivalent
CAPEX	Capital Expenditures
COMESA	Common Market for Eastern and Southern Africa
ECOWAS	Economic Community of West African States
EHPEA	Ethiopian Horticultural Producers Exporters Association
ELIA	Ethiopian Leather Industries Association
EPC	Export Promotion Council
EPZ	Export Processing Zone
E.U.	European Union
FOB	Freight on Board
GCR	Global Competitiveness Report
GEPC	Ghana Export Promotion Council
GM	General Motors
Hortexa	Horticultural Exporters Association [Uganda]
HTS	Harmonized Tariff Schedule
KAM	Kenya Association of Manufacturers
LNDC	Lesotho National Development Corporation
LDC's	Less Developed Countries
MFA	Multi-Fiber Arrangement
MFN	Most Favored Nation
MIDP	Motor Industry Development Program [South Africa]
NAAMSA	National Association of Automobile Manufacturers of South Africa
SA	South Africa
SAMAC	South African Macadamia Growers' Association
SEC	Securities and Exchange Commission
SPS	Sanitary and Phyto-Sanitary Standards
SSA	Sub-Saharan Africa
TRQs	Tariff Rate Quotas
UIA	Uganda Investment Agency
U.K.	United Kingdom
UNIDO	United Nations International Development Organization
U.S.	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USGS	United States Geological Survey
USITC	United States International Trade Commission
USTR	United States Trade Representatives
VEGA	Volunteers for Economic Growth Alliance
ZEGA	Zambian Export Growers Association

INTRODUCTION

The African Growth and Opportunity Act [AGOA] marked its eleventh year in 2011. Over the past 11 years, there have been a significant number of developments globally that have tempered trade and investment levels between the U.S. and Africa. Most notable of these developments were the phase out of the Multi-Fiber Arrangement [MFA] at the end of 2004 and the global financial and economic crisis of 2007.

In light of the above developments and the ongoing discussions on AGOA's future, this report aims to identify businesses exporting to the U.S. under AGOA between 2007 and 2010 and identify constraints to additional investments at the country, sector and company level during this time period.

Toward these ends, an examination of U.S. government databases and online intelligence trade platforms was conducted to identify businesses that are exporting to the U.S. under AGOA. In addition, interviews were conducted with representatives from businesses, trade associations and governments to supplement analysis gathered from investment climate and global competitiveness reports.

The report's key findings are summarized below:

- The softening of U.S. demand between 2007 and 2010 has made the period very difficult for many businesses exporting under AGOA. The textile and apparel sector had the additional issue of uncertainty over the extension of the third country fabric provisions, which were set to expire in 2012.

- Improvements in a country's competitiveness environment remain critical to sustaining and broadening AGOA investments. Key identified constraints to improved country competitiveness include [i] infrastructure bottlenecks, [ii] macroeconomic instability, and [iii] policy uncertainty. In addition, AGOA investments in several African countries are constrained by a country's landlocked status and small domestic market-size.

- Significant opportunities exist for increased AGOA investments in sectors such as sugar and tobacco for which some African countries have comparative advantages. These sectors, however, are currently under a stringent quota system. Opening up such sectors to African trade would provide AGOA with a greater impact in the agricultural sector, which is and will remain the backbone of Africa's economy for the foreseeable future.

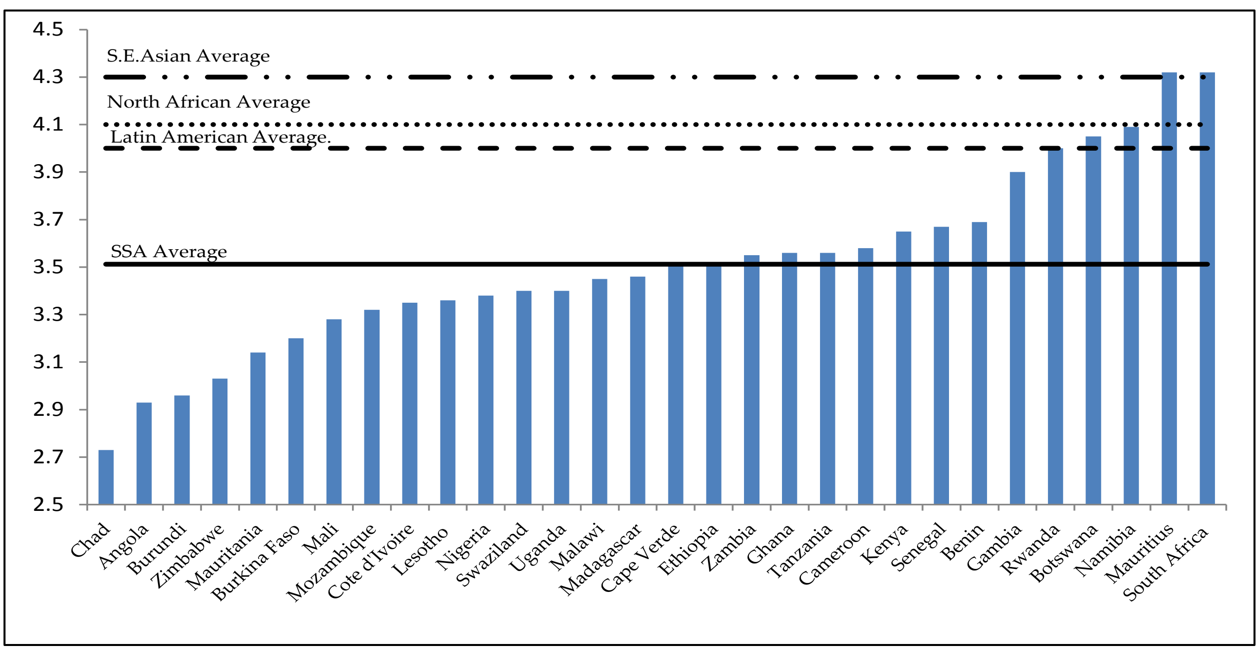
The report is structured into five sections. The first section provides a brief overview of the report's findings and recommendations. The second section introduces AGOA and provides the underlying methodology utilized for the report's findings. The third section discusses trade and investment issues faced by investors in key AGOA sectors between 2007 and 2010. The fourth section provides a snapshot of select countries exporting under AGOA between 2007 and 2010 and discusses key investment issues facing these businesses. The fifth section concludes the report and summarizes the report's key findings and recommendations.

SECTION 1 – SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings

- The global economic crisis and softening of U.S. demand between 2007 and 2010 have made the period very difficult for many businesses exporting under AGOA. The textile and apparel sector had the additional issue of uncertainty over the extension of the third country fabric provisions, which were set to expire in 2012. However, some sectors such as macadamia production in Kenya and Malawi, as well as oil and gas production in Ghana, Angola and Nigeria, witnessed continued investments and the emergence of new players during this time period.
- Although investment promotion and attractive investment packages play a critical role in attracting new investors, improvements in a country's competitiveness environment remains critical to sustaining investments and enabling economic diversification. Key identified bottlenecks to improved competitiveness across countries and sectors include: [i] infrastructure bottlenecks, [ii] macroeconomic instability, and [iii] policy uncertainty. In some instances, regional approaches are needed to tackle issues of landlocked status and small market-sizes [see figure 1].
- Significant opportunities exist for increased investments and trade under AGOA in sectors such as sugar and tobacco for which some African countries have comparative advantages. These sectors, however, are currently under a stringent quota system. Opening up such sectors to African trade would provide AGOA with greater impact in the agricultural sector, which is and will remain the backbone of Africa's economy for the foreseeable future.

Figure 1: Competitive Performance of Sub-Saharan African Countries, 2010-11



Source: World Economic Forum's Global Competitiveness Report 2010-11.

Recommendations

- African countries need to focus on improving country competitiveness in order to sustain AGOA investments and enable economic diversification. To address the key identified bottlenecks to increased country competitiveness, i.e., infrastructure bottlenecks, macroeconomic instability and policy uncertainty, the following are proposed:
  1. Governments should engage in public-private dialogue, conduct national diagnostic studies on infrastructure, and increase public investments in infrastructure so as to ensure that infrastructural bottlenecks are identified and addressed;
  2. Governments should prioritize the tackling of macroeconomic imbalances, i.e., high inflation and negative real interest rates – particularly when these imbalances are sustained and attributable to endogenous factors; and
  3. Governments should be cognizant of the negative impact of policy uncertainty on a country's investment climate and work closely with the private sector to mitigate the negative impacts of any policy changes.
- The African Union Mission should play a significant role in promoting AGOA's overall impact on trade and investment across Africa by the following:
  1. Monitoring trends on AGOA by country and by sector [annually] and identifying linkages of these performances with competitiveness indicators;
  2. Promoting AGOA exporters by [a] producing and distributing brochures, [b] organizing trade shows in the U.S. and [c] organizing trade missions/visits in Africa;
  3. Improving understanding of key procurement criteria by interviewing American procurers by sector to identify their key procurement criteria as well as suggestions that they believe would improve Africa's supplier competitiveness;
  4. Performing case studies of investment promotion services and export agencies of well-performing African countries – e.g. Mauritius and Botswana, to develop shared best-practices; and
  5. Institutionalizing a region-oriented bureau within the African Union Mission that serves as a focal point in the U.S. for the various African Chambers of Commerce and Sectors Associations. This bureau will help promote best practices across countries as well as link American clients and AGOA businesses.
- At the sector level, the following recommendations are proposed:
  - **Textile and Apparel:** Immediately extend third country-fabric provision, which is scheduled to expire in September 2012 and extend both AGOA and the third-country fabric provisions beyond 2015. In addition, address the following bottlenecks: Time

to market bottlenecks; infrastructure and bureaucratic bottlenecks; basic human/worker rights issues; and firm-level competitiveness.

- **Agriculture:** Include key agricultural products that are covered by Tariff Rate Quotas [TRQs] such as sugar and tobacco into the AGOA rubric. Moreover, countries in Africa should prioritize meeting international Sanitary and Phyto-Sanitary Standards [SPS], clarify policy environment, streamline regulatory oversight and increase market size by building on regional and continental mechanisms that augment intraregional trade in agricultural products and inputs.
- **Raw Hides and Skins, Leather and Footwear:** Address the infrastructure, human resource and bureaucratic bottlenecks that diminish the overall sector's competitiveness as well as firm-level competitiveness issues.
- **Oil and Gas:** Oil and gas countries have to improve policy coherence and certainty as well as ensure the development of other sectors with broader economic impact. In addition, the effective and transparent management of oil windfalls is critical to ensure broad-based economic development and the avoidance of the resource-curse.

SECTION 2 – BACKGROUND AND METHODOLOGY

African Growth and Opportunity Act [AGOA]

The African Growth and Opportunity Act [or AGOA] is a U.S. development effort that was promulgated into law in May 2000 and provides eligible countries in sub-Saharan Africa with more liberal access to the U.S. market. Initially set to expire in 2008, AGOA was extended through to 2015 in 2006, and currently efforts are underway to extend AGOA through to 2025.

Country eligibility under AGOA is based on a number of criteria that aim to evaluate a country's progress establishing a market-based economy, the rule of law and political pluralism, as well as a country's efforts protecting intellectual property, combating corruption, reducing poverty, increasing the availability of health care and educational opportunities, protecting human rights and worker rights and eliminating certain child labor practices.[1] In addition, an eligible country is required to not be involved in any activities that undermine U.S. national security. Annex 2 lists the countries that were eligible under AGOA for the years 2007 to 2010, inclusive.

With AGOA's introduction, eligible countries had duty-free coverage to the U.S. expanded by an additional 1,835 product lines from the 4,650 product lines under the GSP program.[2] However, to date, less than 25% of the additional 1,835 product lines have registered imports.[3] Moreover, the bulk of exports are related to oil and gas [approx. 93%], vehicles [approx. 4%], and textiles and apparel [approx. 2%].[4]

Methodology

To identify businesses exporting under AGOA, a two-step process was utilized. Firstly, products entering into the U.S. under AGOA, i.e., duty-free under AGOA, were identified. This process necessitated an examination of the U.S. International Trade Commission's Data Web so as to derive listings of imports at various Harmonized Tariff Schedule [HTS] levels by country. Thereafter, companies exporting these products to the U.S. during the period of study were identified. Company identification required interviews with African diplomatic missions in the U.S. and an examination of online intelligence platforms.

With respect to the identification of constraints to additional investment faced by businesses exporting under AGOA, a series of methods were utilized that included the following:

- Survey administration to various businesses exporting under AGOA;
- Interviews with representatives from governments and sector associations; and

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[1] See *Summary of AGOA I* on the International Trade Administration's website, agoa.gov, at http://www.agoa.gov/agoalegislation/ 20 December 2011.

[2] See *New GSP Products Added under AGOA* on the International Trade Administration's website, agoa.gov, at http://www.agoa.info/index.php?view=about&story=product_lines 20 December 2011.

[3] An examination of AGOA 2011 countries imports to the U.S. of HTS12 categories in 2010 indicated imports in 436 categories.

[4] Estimates derived from examining AGOA 2011 country imports of HTS2 categories.

- Research on key investment and competitiveness bottlenecks by country from global competitiveness reports.

A key issue faced in conducting the research was the low response rate by businesses to the survey administered. The various reasons provided by individual companies were a company policy that prevented information disclosure and the administration by various other parties of concurrent surveys in the lead up to the AGOA forum in Zambia. However, the complementary interviews with government representatives, trade experts and sector associations as well as literary research more than compensated for any information gaps derived from the low survey response rates.

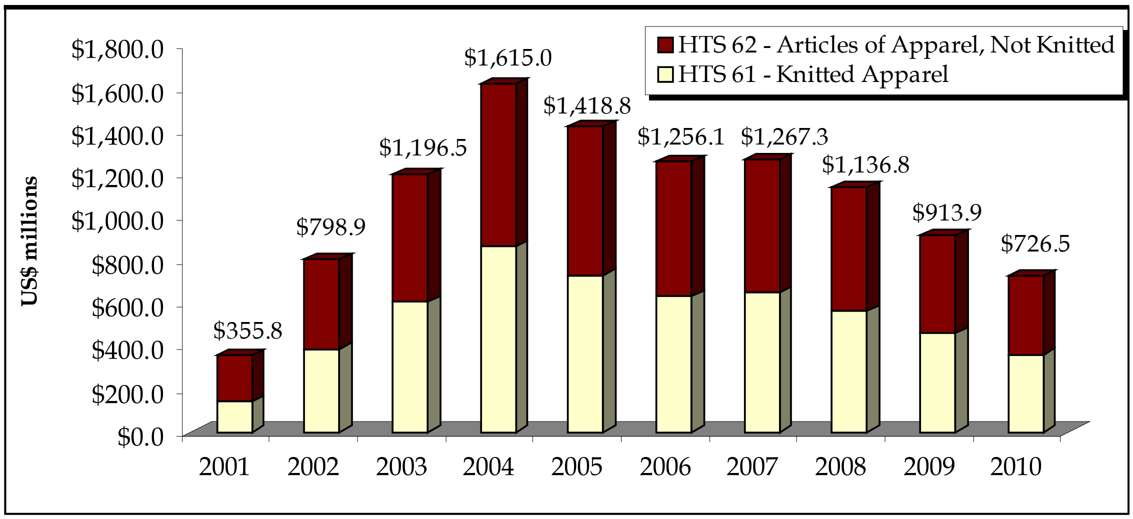
SECTION 3 – AGOA IMPACT ANALYSIS BY SECTOR

Textile and Apparel Sector[5]

Overall Performance of the Textile and Apparel Sector under AGOA

Sub-Saharan Africa's textile and apparel sector has been one of the big beneficiaries of AGOA. Textile and apparel products exported under AGOA grew from $355.8 million in 2001 to its peak in 2004 of $1,615 million [an increase of 353.9%]. From 2004 to 2010, however, exports of textile and apparel products under AGOA declined from $1,615 million in 2004 to $726.5 million in 2010 [a decrease of 55%], see figure 2 below and table 2 at the end of the textile and apparel section.

Figure 2: AGOA Exports of Articles of Apparel and Clothing



Source: USITC database

This 55% decline in textile and apparel export under AGOA between 2004 and 2010 has been the result of a series of exogenous factors that include: [i] the removal of quota restrictions with the phase out of the Multi-Fiber Arrangement [MFA] in 2005, [ii] the sustained increase in oil prices since 2005, and [iii] the tempering of U.S. consumer demand following the global and financial crisis of 2007.[6]

Nevertheless, AGOA does continue to offer sub-Saharan Africa's textile and apparel exporters with the opportunity to compete globally in certain textile and clothing categories. The trade preference benefit is specifically as a result of the relatively high level of applied U.S. tariffs on textiles and clothing. These U.S. tariffs vary for different clothing product categories with duties

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[5] Textile products consist of yarns, fabrics and made-up textile articles and apparel products include garments and clothing accessories, gloves, headwear and neckwear. See USITC's *Textile and Apparel: Assessment of the Competitiveness of Certain Foreign Supplies to the U.S. Market*, Vol. 1, dated Jan. 2004.

[6] An increase in fuel prices strongly affects sub-Saharan Africa apparel exporters as they mostly import their fabrics from Asia and export their finished products to the U.S.

on cotton products ranging on average from 13% and 17% and duties on synthetic products ranging on average between 25% and 32%, see table 1 below.[7]

Table 1: Average MFN Duties on Clothing Products

Product	MFN Duty	Product	MFN Duty
Cotton-based clothing		**Synthetic-based clothing**	
Knit men's shirts	19.7%	Knit women's skirts	14.9%
Knit T-shirts	16.5%	Knit sweaters	32.0%
Woven men's trousers	10.3%	Woven men's suits	27.3%
Woven women's dresses	8.4%	Woven women's dresses	16.0%

Source: Staritz, Cornelia. 2010. Page 10.

Key Sector Constraints Identified

Notwithstanding the identified exogenous factors[8] that have constrained trade and investment levels in sub-Saharan Africa's textile and apparel sector our research identified the following additional factors as key bottlenecks to increased investments in the sector:

- Uncertainties inherent in the AGOA preference regimen particularly as related to the following: [i] expiration of the third-country fabric provisions which had been scheduled to expire in September 2012, [ii] expected termination of AGOA in 2015, and [iii] possible extension of AGOA-like, tariff-preferences to other Less Developed Countries [LDCs] such as Bangladesh and Pakistan.
- Sector's relatively long time to market, i.e., turnaround time, following a client's order to product delivery, particularly given the need for apparel producers to order the needed fabrics from East Asia, which takes about 30 days, prior to commencing actual work on the order.[9] This lag in product delivery is one key factor that apparel producers in the U.S. are very sensitive to and one that also adds additional financing burdens on Africa's apparel exporters.
- Deficiencies in the levels of infrastructure diminish the overall sector's level of competitiveness. These infrastructures depend on the type of industry – with textile firms requiring significant levels of capital, electricity and water, while apparel firms, on the other hand, requiring a large supply of competitive and capable labor force. Of critical importance here, is the role of investment promotion offices in taking stock of the

[7] Staritz, Cornelia. 2010. *Making the Cut? Low-Income Countries and the Global Clothing Value Chain in a Post-Quota and Post-Crisis World*, World Bank, Washington, D.C., U.S. 2010.

[8] These exogenous factors are the removal of quota restrictions with the phase out of the Multi-Fiber Arrangement [MFA] in 2005, the sustained increase in oil prices since 2005, and the tempering of U.S. consumer demand following the global and financial crisis of 2007.

[9] This timeline was derived following discussions with Mark Bennett of USAID's South African Trade Hub on 1 August 2011.

sector's potential competitiveness and tailoring the sector's cost and incentive advantages to potential investors.

Key Sector Recommendations

With respect to the AGOA program itself, two recommendations are critical:

- Need to immediately extend the third country-fabric provision, which is scheduled to expire in 30 September 2012. The immediate extension of the third country-fabric provision is necessary as large international buyers plan their sourcing 6 to 12 months in advance.[10] Consequently, the bill being proposed by Jim McDermott, House Resolution 2493, which calls for an extension of third country fabric provisions to 2015, is very important.
- Need to extend both AGOA and the third country-fabric provisions beyond 2015 as it will allow for further consolidation of the gains in trade and investment in Africa's textile sector resulting from AGOA. As a result, the Obama administration's support of the extension of AGOA through to 2025 and the extension of the third country-fabric provisions through to 2022 is very important.

At the country and the firm-level, the following are critical:

- Address the time to market bottleneck by taking advantage of opportunities for any intra-regional sourcing. Availability of local or regional raw material improves a country's ability to respond to orders with shorter lead-times.[11] Africa's regional bodies, the sector's continental federation, ACTIF and donor organizations have a significant role to play in ensuring that bottlenecks to intraregional trade within the sector are addressed.
- Address the infrastructure and bureaucratic bottlenecks that diminish the overall sector's competitiveness. In-country sector associations, investment promotion offices and relevant Ministries have an important role in mapping out identified competitiveness issues and addressing them.
- Address basic human ethics issues such as minimum wages, absence of child or forced labor and good working conditions.[12]
- Address firm-level competitiveness issues by supporting lead firms and potential lead firms through productivity audits that are tied to performance benchmarks.

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[10] Discussions with Rajeev Arora of African Cotton and Textile Industry Federation [ACTIF] and Paul Ryberg of the African Coalition for Trade on 9th May 2011.

[11] Cornelia Staritz. 2010. *Making the Cut? Low-Income Countries and the Global Clothing Value Chain in a Post-Quota and Post-Crisis World*, the World Bank, 2010, Washington, D.C., U.S. p. 83.

[12] Ibid p. 99.

Table 2: AGOA Exports of Articles of Apparel and Clothing, 2001-2010, $ Thousands

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Articles of Apparel and Clothing Accessories, Knitted or Crotcheted [HTS 61]										
Botswana	-	3,093	4,500	16,269	21,973	20,914	28,726	13,466	8,963	5,986
Cameroon	-	-	-	-	-	-	-	-	35	33
Cape Verde	-	-	-	10	-	-	-	-	-	-
Ethiopia	163	1,276	1,731	2,515	2,956	4,323	3,164	6,487	4,125	4,720
Ghana	-	266	4,174	6,534	4,921	8,653	6,185	550	3	568
Kenya	44	22,319	49,260	76,604	72,549	66,149	81,188	94,846	95,254	102,855
Lesotho	71,929	203,067	228,783	285,630	235,691	242,686	233,997	208,433	166,529	161,180
Madagascar	50,006	46,019	102,829	175,517	132,839	93,725	131,546	129,250	112,523	-
Malawi	1,702	5,501	6,953	14,313	15,790	11,706	14,440	11,259	8,276	10,084
Mauritius	2,804	16,665	31,962	36,929	50,204	35,903	23,228	7,973	3,865	10,720
Mozambique	-	174	2,287	1,709	1,840	-	-	-	-	-
Namibia	-	1,537	32,078	75,883	52,909	32,996	28,563	-	-	-
South Africa	10,479	32,610	47,190	52,205	40,842	38,801	19,547	14,908	9,611	4,829
Swaziland	6,222	51,840	90,060	115,382	91,831	69,376	74,509	69,047	49,595	55,529
Tanzania	-	124	851	1,996	2,454	2,994	2,810	1,492	996	1,849
Uganda	-	-	633	231	727	83	954	403	109	63
Zambia	-	-	-	-	-	-	-	-	-	-
Total	143,348	384,491	603,289	861,726	727,527	628,308	648,856	558,113	459,884	358,417
Articles of Apparel and Clothing Accessories, Not Knitted or Crotcheted [HTS 62]										
Botswana	-	614	1,824	3,869	8,070	7,311	2,605	2,337	3,398	5,573
Cape Verde	-	-	2,405	2,846	2,115	-	-	-	-	-
Ethiopia	-	22	19	814	553	541	1,395	2,870	2,497	1,791
Ghana	-	58	81	558	44	152	1,326	212	269	192
Kenya	51,494	99,540	127,005	194,852	194,049	191,593	164,427	149,893	99,365	97,562
Lesotho	57,594	114,736	143,761	161,992	152,653	141,766	145,595	130,364	110,516	119,158
Madagascar	42,079	29,585	83,113	138,969	140,198	135,769	149,887	147,784	97,369	-
Malawi	3,096	5,903	15,436	11,169	6,858	6,481	5,386	1,411	739	135
Mali	-	-	-	-	-	-	-	2	-	1
Mauritius	36,095	89,862	103,149	110,868	93,168	74,333	85,458	87,695	94,726	106,446
Mozambique	-	13	230	193	671	657	161	-	-	-
Namibia	-	-	49	21	150	-	15	-	-	-
South Africa	20,091	52,073	79,030	62,512	20,809	3,025	1,916	987	507	114
Swaziland	1,974	22,049	36,308	60,265	67,516	65,029	60,126	55,125	44,569	36,827
Tanzania	-	-	-	525	356	-	-	10	-	-
Uganda	-	-	800	3,778	4,112	1,170	180	-	29	262
Zambia	0	0	0	22	0	0	0	0	0	0
Total	212,423	414,455	593,210	753,253	691,322	627,827	618,477	578,690	453,984	368,061
AGOA Exports of Articles of Apparel and Clothing Accessories [HTS 61 & HTS 62]										
HTS 61	143,348	384,491	603,289	861,726	727,527	628,308	648,856	558,113	459,884	358,417
HTS 62	212,423	414,455	593,210	753,253	691,322	627,827	618,477	578,690	453,984	368,061
HTS 61 & 62	355,771	798,946	1,196,499	1,614,979	1,418,849	1,256,135	1,267,333	1,136,803	913,868	726,478

Source: USITC database

Agriculture Sector[13]

Overall Performance of the Agricultural Sector under AGOA

AGOA's impact on trade and investments in Africa's agriculture sector has been recognized by many to be disappointing.[14] In spite of the fact that African countries are principally agriculture based economies, exports of agriculture to the U.S. [under the duty-free under AGOA provision] represented less than 0.5% of overall AGOA exports and, exports from South Africa alone captured the bulk of these exports.

Some bright spots, however, vis-à-vis AGOA's impact on agriculture include the performance of edible nuts, cut-flowers and preparations of vegetables, fruits and nuts, see table 3. Exports of edible nuts under AGOA, for example, increased by 269% from $12.0 million in 2007 to $44.2 million in 2010 while exports of cut-flowers increased by 50% from $1.2 million in 2007 to $1.8 million in 2010. Of significance is the fact that these increases occurred in spite of higher oil prices and the tempering of U.S. demand. See tables 4 and 5 at the end of the agriculture section for more details on AGOA's agricultural export performance for selected subsectors.

Table 3: Select Agriculture Exports under AGOA, 2007-2010

	Ave. Annual Exports [$, 000]	% Δ from 2007 to 2010
Edible Nuts [mainly macadamia]	22,731	269%
Cut Flowers [mainly red roses]	1,496	50%
Preparations of Veg., Fruits and Nuts	17,682	32%
Fresh Fruits & Fruit-Nut Mix	50,810	12%
Vegetables	385	-49%
Seafood	1,424	-89%

Source: USITC database

Contributing factors to the strong performance of edible nuts and cut-flowers between 2007 and 2010 are the following:

- Edible nuts:
    - Strong demand in the U.S. for macadamia over the past years;[15]
    - Volatile weather patterns in Australia, the largest macadamia producer, which has in recent years experienced supply contractions; [16]

[13] Agriculture sector includes fisheries.

[14] There have been policy briefs by institutions such as the Partnership to Cut Hunger and Poverty in Africa that have highlighted the disappointing impact of AGOA on trade and investment in Africa's agricultural sector.

[15] U.S. market is seen as a very large market for macadamias but one that offers lower prices compared to Japan, China, Far East and Europe.

[16] Australia's free trade agreement with the U.S. has ensured that its products come into the U.S. duty-free. As a result, AGOA has provided AGOA-eligible African countries with the ability to market macadamia to the U.S. without tariffs. Under normal GSP, macadamia nuts face a of 1.3cts/kg and 5cts/kg tariff on shelled and unshelled macadamia nuts, respectively. Source USITC.

    - Significant appreciation of the Australian dollar vis-à-vis the U.S. dollar, which has made it unprofitable in some instances to export Australian macadamia to the U.S.;[17] and
    - Robust growth in macadamia production in South Africa, Africa's largest producer.
- Cut-flowers:
    - Ability under AGOA for some rose exporters to capture a share of red-roses that were traditionally exported by African growers to European wholesalers and then re-exported by these European wholesalers to clients in the U.S.[18]

Key Sector Constraints Identified

Our research identified the following constraints to increased trade and investment by AGOA businesses in the agricultural sector:

- The very high sanitary and phyto-sanitary standards [SPS] instituted by the United States Department of Agriculture [USDA], which, in many cases, is higher than that of the European Union [E.U.]. An illustrative example was provided by companies in Kenya that export beans and roses to both the E.U. and the U.S. These companies indicated that the USDA's compliance regimen is more stringent than that of the E.U. Moreover, U.S. bioterrorism laws have made the sending of agricultural product samples to potential clients very difficult.

- AGOA's exclusion of key agricultural products that are currently covered by tariff-rate quotas [TRQs] for which some African countries are deemed low-cost producers, such as sugar and tobacco.[19] The increased investments in Mozambique and Sudan resulting from sugar reforms in the E.U. market provide evidence of the potential effects on investment should the U.S. follow suit and provide AGOA members with preferential access for such commodities.[20]

Key Sector Recommendations

With respect to the AGOA program itself, there is a need for the following:

- Extension of the AGOA regimen through to 2025. This will allow for the consolidation of the gains in trade and investment registered between 2007 and 2010 in sectors such as macadamia and cut-flowers.

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[17] See projection documents on the South Africa's Macadamia Growers Association's [SAMAC] website http://www.samac.org.za/docs/Projections.pdf.

[18] This point was captured during discussions with Valentine Growers in Kenya and Rosebuds of Uganda.

[19] Skully, David. 2010. *U.S. Tariff Rate Quotas and AGOA Market Access,* joint-policy brief by the Partnership to Cut Hunger and Poverty Africa and the International Food and Agricultural Trade Policy Council, Washington, D.C., U.S. 2010. http://www.agritrade.org/Publications/documents/USTRQsandAGOApolicyfocus_full.pdf.

[20] Several news articles mention significant investments by a Brazilian firm in Mozambique and an Egyptian firm in Sudan that are tied to the E.U. sugar reforms. See http://news.bbc.co.uk/2/hi/africa/8303308.stm, http://www.maccaferri.it/nqcontent.cfm?a_id=1479&lang=en.

- Inclusion of key agricultural products that are covered by TRQs such as sugar and tobacco into the AGOA rubric. Although reforming the TRQs can be a complex process, pathways delineated to improve AGOA-market access to TRQ-controlled commodities exist.[21]
- Prioritization of the need to meet international SPS by AGOA member countries. This will require integrated support for SPS in donor-supported trade and capacity-building activities. Moreover, trade-facilitation activities should help African producers connect with prospective clients in light of the added hindrance of U.S. bioterrorism laws in the sending of product samples to clients.
- Utilization of regional and continental mechanisms to augment intraregional trade in agricultural products and inputs. This will [i] clarify the policy environment within Africa, [ii] streamline regulatory oversight by eliminating overlapping institutions, and [iii] increase market size.
- In agricultural sectors - which rely heavily on coordination between small-scale farmers and processors - such as Kenya's macadamia sector, the government will have to better facilitate value-chain coordination by developing coherent sector policies with strong involvement from value chain actors, i.e., processors, farmers, research institutes etc.

Table 4: Exports of Edible Nuts under AGOA by Country, 2001-2010, US$ Thousands

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Macadamia Nuts:										
Kenya	634	1,347	3,626	7,539	4,355	4,457	2,877	2,793	3,634	15,328
Malawi	717	590	2,190	2,948	4,271	1,346	688	2,001	1,830	4,553
Mozambique	-	-	-	90	158	124	612	129	-	184
South Africa	5,969	8,469	12,957	16,428	17,755	9,873	7,340	9,615	11,125	20,339
Swaziland	-	-	-	-	-	-	-	-	-	120
Total Macadamia Nuts:	7,320	10,406	18,773	27,005	26,539	15,800	11,517	14,538	16,589	40,524
Other Nuts:										
Ghana	-	-	-	-	14	-	-	-	-	-
Malawi	-	-	-	-	-	-	-	81	-	166
Nigeria	-	-	-	-	-	-	5	-	-	-
South Africa	-	-	-	3	-	-	468	1,271	2,269	3,493
Total Other Nuts	-	-	-	3	14	-	473	1,352	2,269	3,659
Total Edible Nut	7,320	10,406	18,773	27,008	26,553	15,800	11,990	15,890	18,859	44,184

Source: USITC database

[21] See David Skully's policy brief titled U.S. *Tariff Rate Quotas and AGOA Market Access* dated July 2010 and published jointly by the International Food and Agricultural Trade Policy Council and the Partnership to Cut Hunger and Poverty in Africa.

Table 5: Select Agricultural Exports by Country - AGOA, 2007 - 2010, US$ Thousands

		2007	2008	2009	2010
Edible Nuts					
Kenya		2,877	2,793	3,634	15,328
Malawi		688	2,082	1,830	4,719
Mozambique		612	129	-	184
Nigeria		5	-	-	-
South Africa		7,808	10,886	13,394	23,832
Swaziland		-	-	-	120
	Sub-Total	**11,990**	**15,890**	**18,859**	**44,184**
Cut Flowers (Red-Roses)					
Ethiopia		26	-	-	26
Kenya		793	979	1,687	1,732
South Africa		234	146	57	-
Tanzania		-	19	-	-
Uganda		55	52	80	19
Zambia		73	4	-	-
	Sub-Total	**1,182**	**1,200**	**1,823**	**1,777**
Vegetables					
Cameroon	Vegetables	3	-	-	-
Ghana	Potatoes [Primarily]	50	-	2	-
Nigeria	Beans [Principally]	7	20	-	6
South Africa	Various	547	460	139	302
	Sub-Total	**607**	**481**	**141**	**309**
Fresh Fruit & Fruit-Nut Mixes					
Ghana	Pineapples	16	-	-	-
Nigeria	Dried Fruits	-	-	4	10
South Africa Total	Fruits, Fruit-Nut Mixes	53,612	46,693	42,708	60,177
Uganda	Pineapples	-	18	-	-
	Sub-Total	**53,628**	**46,711**	**42,712**	**60,187**
Vegetable, Fruit and Nut Preparations					
Cameroon	Preserved Plums	-	-	2	-
Ethiopia	Tomato Puree	70	-	-	-
Ghana	Various	2	4	-	-
Kenya	Pineapple Prep.	14	2,811	3,956	1,904
Nigeria	Tomato Paste (principally)	2	4	-	22
South Africa	Various*	12,581	15,203	14,831	16,031
Swaziland	Various*	1,202	1,215	554	319
	Sub-Total	**13,871**	**19,236**	**19,344**	**18,276**
Seafood					
Cape Verde	Tuna/Skipjack airtight container	-	-	-	146
Gambia	Oysters	-	-	-	5
Guinea	Tuna/Skipjack airtight container	27	-	-	-
Mauritius	Tuna/Skipjack airtight container	3,661	1,612	-	246
	Sub-Total	**3,688**	**1,612**	**-**	**397**

Source: USITC database

Raw Hides and Skins, Leather and Footwear

Overall Performance of Raw Hides and Skins, Leather and Footwear under AGOA

Exports of raw hides and skins, leather and footwear under AGOA have been marginal, accounting for an annual average of $4.5 million per year between 2007 and 2010, inclusive [i.e., approximately 0.01% of total AGOA exports].

As a group, exports declined from $6.8 million in 2007 to $2.0 million in 2009 [a 70.7% decline], but rebounded to $5.1 million in 2010 [a 154.1% increase], particularly as a result of increases in exports of raw hides and skins [a 168.3% increase] as well as articles of leather [increased by 223%], see table 6 below and table 7 at the end of the section on raw hides and skins.

Table 6: Exports of Raw Hides & Skins, Leather and Footwear – AGOA, 2007-2010

(US$ 000s)	**2007**	**2008**	**2009**	**2010**
Raw Hides and Skins	$619.0	$400.0	$404.0	$1,084.0
Leather, Saddlery & Harness, Travel Bags, etc.	4,039.0	2,815.0	1,104.0	3,558.0
Footwear	2,175.0	712.0	494.0	445.0
Total	**$6,833.0**	**$3,927.0**	**$2,002.0**	**$5,087.0**
Growth		*(42.5%)*	*(49.0%)*	*154.1%*

Source: USITC database

Contributing factors to the levels of trade and investment in the raw hides and skin as well as leather [bags and shoes] sectors are [i] endowments of quality livestock, [ii] the requisite infrastructure [i.e., water supply, electricity], and [iii] human resources that allow for the production in volume amounts and quality for export.

Key Sector Constraints Identified

Our research identified the following constraints to increased trade and investments by AGOA businesses in the export of raw hides and skins, leather, and footwear products:

- Deficiencies in the skilled labor requisites across all levels of value-added from skinning to tanning and from tanning to the manufacture of finished product;
- Deficiencies in the levels of development of domestic tanneries that make it difficult to meet volume and quality requirements for the U.S. market;
- Lack of required infrastructure, including access to water supply, electricity etc. for operators or potential investors resulting in an increase in operating costs and a reduction in efficiency; and
- Deficiencies in the regulatory oversight needed to ensure appropriate checks on effluent discharges by tanneries.

Key Sector Recommendations

To improve the ability of AGOA businesses to export raw hides and skins, leather, and footwear products, the following sector recommendations are proposed:

- Need to extend AGOA through to 2025 so as to allow the time horizon needed to effectively develop the productive capacities in the sector.
- Address the infrastructure, human resource and bureaucratic bottlenecks that diminish the overall sector's competitiveness. In-country sector associations, investment promotion offices, relevant Ministries and organizations such as the United Nations Industrial Development Organization [UNIDO] that have a long history in supporting the leather sector in Africa have an important role in mapping out identified competitiveness issues and addressing them.
- Address firm-level competitiveness issues by supporting lead firms and potential lead firms through productivity audits that are tied to performance benchmarks.
- Address needed regulatory development so as to effectively manage effluent discharges.

Table 7: Raw Hides/Skins, Leather and Footwear Exports by Country under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Raw Hides and Skins				
Ethiopia	-	-	-	$4.0
Nigeria	$240.0	$135.0	$253.0	1,023.0
South Africa	379.0	265.0	151.0	57.0
Sub-Total	**$619.0**	**$400.0**	**$404.0**	**$1,084.0**
Articles of Leather, Saddlery and Harness, Travel Bags, etc.				
Burkina Faso	-	-	-	$2.0
Ethiopia	$4.0	$6.0	$29.0	5.0
Ghana	8.0	3.0	3.0	2.0
Guinea	-	-	1.0	-
Kenya	76.0	5.0	16.0	73.0
Madagascar	1.0	-	-	-
Mali	8.0	2.0	-	-
Mauritius	-	5.0	156.0	498.0
Namibia	1.0	6.0	-	-
Niger	-	1.0	3.0	-
Nigeria	-	-	5.0	-
Rwanda	-	-	12.0	5.0
Senegal	10.0	1.0	2.0	2.0
South Africa	3,923.0	2,784.0	873.0	2,970.0
Tanzania	5.0	3.0	4.0	1.0
Sub-Total	**$4,039.0**	**$2,815.0**	**$1,104.0**	**$3,558.0**
Footwear				
Ethiopia	$33.0	$28.0	$73.0	$310.0
Ghana	-	-	-	1.0
Guinea	-	1.0	-	-
Kenya	23.0	5.0	8.0	47.0
Namibia	-	-	-	5.0
Nigeria	13.0	-	-	-
Senegal	-	1.0	1.0	2.0
South Africa	2,105.0	677.0	411.0	81.0
Sub-Total	**$2,175.0**	**$712.0**	**$494.0**	**$445.0**

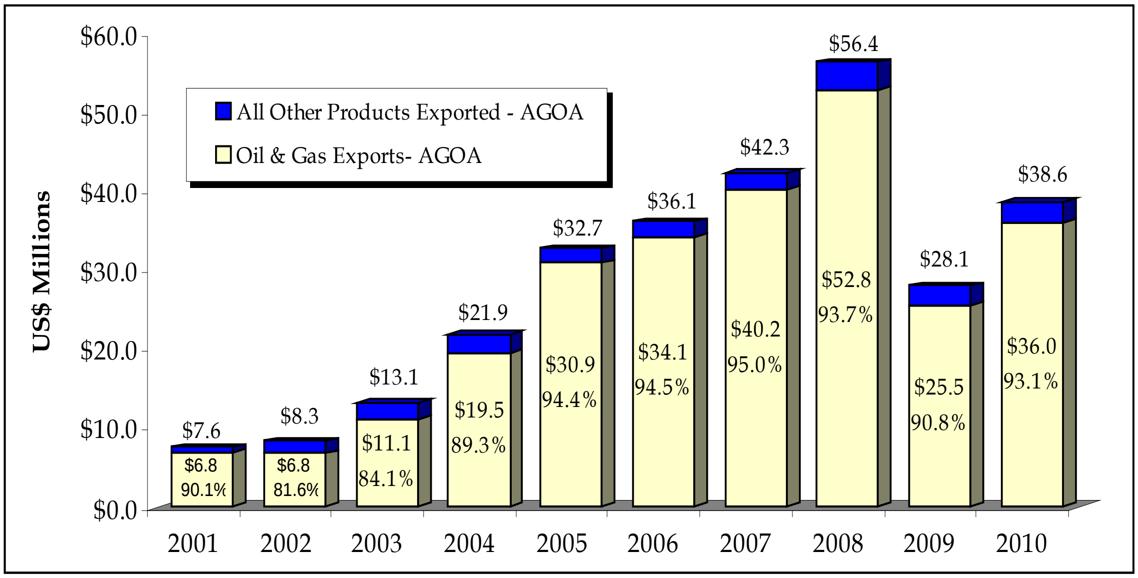
Source: USITC database

Oil and Gas Sector

Overall Performance of the Oil and Gas Sector under AGOA

Africa's oil and gas sector has been AGOA's biggest beneficiary. In 2010, $36 billion worth of oil and gas entered into the U.S. duty-free under AGOA, i.e., 93.1% of total duty-free under AGOA imports. Figure 3 presents oil and gas exports under AGOA between 2001 and 2010.

Figure 3: Oil and Gas Exports under AGOA, 2001-2010, US$ Millions



Source: USITC database

U.S. imports of oil and gas under AGOA decreased by 10.4% from $40.2 billion in 2007 to $36.0 billion in 2010 [see table 8]. Underlying this decline was the tempering of U.S. demand, which resulted in a decline in total U.S. imports of oil and gas from an average of 13.5 thousand barrels of crude oil per day in 2007 to 11.8 thousand barrels of crude oil per day.[22]

Almost all of the major oil companies have been very active in sub-Saharan Africa. According to company filings, the top 3 oil majors' investments in sub-Saharan Africa were Exxon-Mobil $4.805 billion;[23] Chevron $3.912 billion;[24] and ENI $3.350 billion.[25] Other investors include British Petroleum, Shell, Perenco, Tullow, Marathon Oil and Hess Energy. Key destinations of development capital expenditures were Nigeria, Angola, Ghana and Gabon, while exploration expenditures were more widespread across sub-Saharan Africa.

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[22] Source U.S. Energy Information Administration's database..

[23] Exxon-Mobil's investments include investments in Equatorial Guinea, which is not a part of AGOA. Investment amounts were sourced from Exxon-Mobil's Annual Reports and SEC Filings.

[24] Investment amounts were sourced from Chevron's Annual Reports and SEC Filings.

[25] ENI's sub-Saharan African investment amounts were related to ENI's investments in the West Africa Region as the North Africa region incorporated non-AGOA countries. Investment amounts were sourced from ENI's Annual Reports.

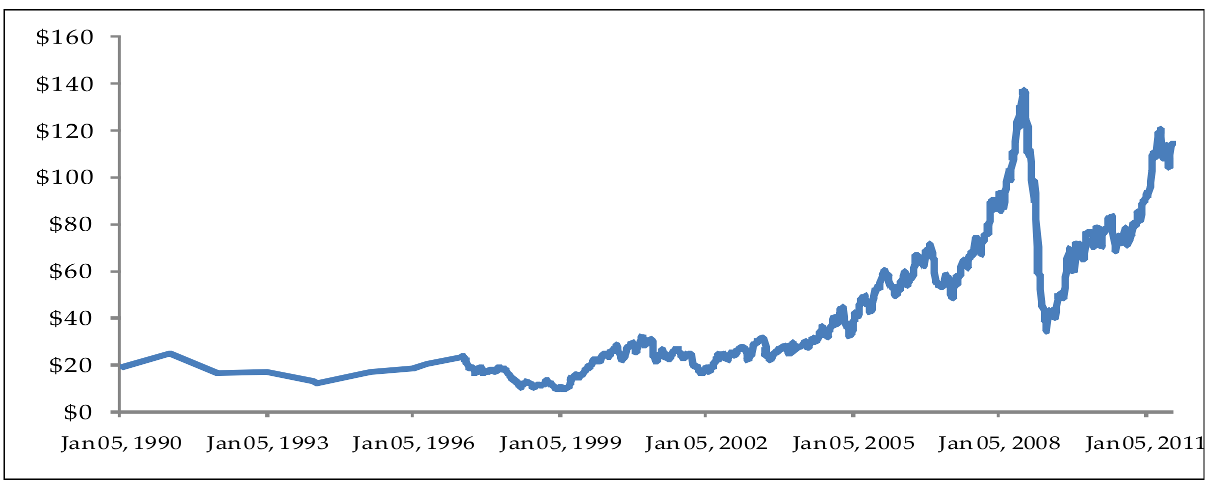
Table 8: Oil and Gas Exports, Duty Free under AGOA, US$ Millions

	2007	2008	2009	2010	Average
Angola	$4,767.9	$9,795.0	$4,225.1	$6,293.9	$6,270.5
Cameroon	169.2	441.3	96.7	113.4	205.2
Chad	1,487.6	2,309.2	1,190.4	1,186.3	1,543.4
Congo	39.5	65.2	35.7	147.0	71.9
Congo (ROC)	1,604.9	2,639.1	1,471.6	1,935.5	1,912.8
Gabon	1,673.6	2,143.4	1,210.0	1,124.2	1,537.8
Ghana	48.5	30.7	-	1.2	20.1
Guinea-Bissau	-	-	-	-	-
Niger	0.0	-	-	-	0.0
Nigeria	30,136.9	35,366.0	17,228.0	25,152.7	26,970.9
Senegal	-	10.2	1.6	-	3.0
South Africa	239.6	0.0	-	0.1	59.9
Total	**$40,167.6**	**$52,800**	**$25,459**	**$35,954**	**$38,595**
Growth	*17.7%*	*31.4%*	*(51.8%)*	*41.2%*	

Source: USITC database

Contributing factors to the strong levels of trade and investment in sub-Saharan Africa's oil and gas were the promising geology, particularly in the West Africa region,[26] and the upswing in oil prices, which have trended upward except for the period shortly following the global financial crisis, see figure 4 below.

Figure 4: Weekly [All Country] Spot Prices FOB Weighted by Export Volume, $/Barrel



Source: Energy Information Administration Data. 8 August 2011.

[26] Indications of a flurry of interest in the West Africa region following the Jubilee oil field discovery in Ghana as well as 2010 United States Geological Survey [USGS] assessments of significant undiscovered oil in West Africa's Senegal Province and the Gulf of Guinea Province. See International Energy Outlook 2010: *Is West Africa Region the World's Next Frontier for Oil?* Release Date 27 July 2010.

Key Sector Constraints Identified

- Disputes over equity transfers or changes in policies can unnerve investors. Recent examples of situations that negatively impacted investor sentiment were the legal dispute [now seemingly resolved] between Kosmos Energy's and the Ghanaian government over the proposed sale of Kosmos' equity stake to ExxonMobil as well as the proposed Nigerian Industry Petroleum Bill, which attempts to comprehensively overhaul Nigeria's petroleum industry.
- Instability or strife in areas where oil development is ongoing. The case of the Niger Delta is instructive as major oil companies have been forced to move their major investments further offshore in their attempts at protecting their operations from sabotage by militant groups in the Niger Delta.
- The oil sector's limited spillover effects on other sectors of the economy have resulted in some oil economies experiencing rapid economic growth rates [albeit from a very low base] without having any meaningful impact on the well-being [i.e. employment, income and social welfare] of the majority of the populace. This dual economy can increase political instability while at the same time stymieing the development of other sectors such as agriculture and labor-intensive manufacturing.

Key Sector Recommendations

- There is a critical need for policy coherence and certainty as related to the investment regimen governing the oil and gas sector. Policy coherence and certainty are particularly important given the long-term time horizons and significant levels of capital investment inherent in investments in oil and gas.
- Moreover, oil-rich countries should transparently manage oil windfalls and prioritize the promotion of their overall competitiveness so as to ensure the development of other sectors with broader economic impact and avoid the resource curse.

Automotive Sector [Excludes Railway Cars]

Overall Performance of the Automotive Sector under AGOA

South Africa is the only African country that exports vehicles to the U.S. under AGOA. South Africa's exports of vehicles - other than railway cars - under AGOA, increased by 229% from $467.4 million in 2007 to 1,538.2 million in 2010, see table 9.

Table 9: Exports of Vehicles under AGOA, 2007-2010, US$ Millions

	2007	2008	2009	2010
AGOA Exports of Vehicles [HTS 87]	$467.4	$1,821.2	$1,369.0	$1,538.2
Growth		*289.6%*	*(24.8%)*	*12.4%*
Capital Expenditures	$439.3	$398.4	$296.6	$546.1
Growth		*(9.3%)*	*(25.5%)*	*84.1%*

Note: Capital Expenditures were converted to US$ from South African Rand [R] using yearly average exchange rates for the period from Economist Intelligence Unit [EIU] intelligence unit.

Source: USITC and data from the National Association of Automobile Manufacturers of South Africa's [NAAMSA] Quarterly Review of Conditions dated 5 May 2011.

Most major car manufacturers are located in South Africa and many have engaged in plant expansions. Ford Motor Company of South Africa, for example, indicated in January 2008 that it would invest more than R1.5 billion [~$180 million] to expand operations for the production of Ford's compact pickup truck and Puma diesel engine.[27] In addition, GM South Africa was awarded a six year $100 million contract in 2005 to supply, assemble and export the Hummer H3.[28]

The automotive sector has strongly benefited from [i] the AGOA preference regimen; [ii] South African government's Motor Industry Development Program [MIDP][29]; and [iii] South Africa's relatively strong competitiveness position [ranked 54th in the World Economic Forum's Global Competitiveness Index 2010-11].

[27] See article titled *South Africa's Automotive Industry* on Brand South Africa's www.southafrica.info at http://www.southafrica.info/business/economy/sectors/automotive-overview.htm. The article was last accessed on 8 August 2011.

[28] Ibid.

[29] Ibid.

SECTION 4 - AGOA IMPACT ANALYSIS FOR SELECT COUNTRIES

In this section, a brief analysis of AGOA's impact on trade and investments on eight sub-Saharan African countries over the period 2007 to 2010 will be performed. The countries selected include three countries from Southern Africa, i.e., Angola, Botswana and Lesotho; two countries from East Africa, i.e., Ethiopia and Kenya; and three countries from West Africa; i.e., Benin, Cape Verde and Ghana.

Angola [Southern Africa]

Angola's Overall Export Performance under AGOA

In spite of Angola's rich agriculture and fishery resource base, Angola's exports to the U.S. under AGOA were exclusively in the oil and gas sector, see table 10.

Table 10: Angola's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Angola	4,767,934	9,794,965	4,225,139	6,293,944
By Sector:				
HTS 27 Mineral fuels, oils and products	4,767,934	9,794,965	4,225,139	6,293,944

Source: USITC database

On average Angola's oil exports under AGOA increased by 32%, from $4.8 billion in 2007 to $6.3 billion in 2010. Over this period, Angola's exports under AGOA represented approximately 15% of total AGOA exports.

Angola's AGOA Exporters

Angola's oil and gas exporters to the U.S. were the local subsidiaries of the major multinational oil companies, as well as Sonangol, the company responsible for the management of Angola's oil and natural gas reserves.[30] These exporters include: Cabinda Gulf Oil Company [Chevron subsidiary]; Esso, Angola; Sonangol; Total, Angola; Fina Petroleos De Angola Avenida; Statoil Angola; Eni Angola; Norsk Hydro Dezasette A.S.; Acrep; and Somoil.[31]

Angola's oil and gas exporters to the U.S. invested significantly in exploration and development activities in Angola. Our estimates of attributed investments[32] by the oil majors in Angola provides the following estimates of investments in Angola's oil and gas sector over the period 2007 to 2010 [see table 11].

[30] Note an examination of the custom records of shipments by Sonangol indicates that many of the shipments listed under Sonangol were shipments of crude oil by the major international oil companies.

[31] Listing derived from search of Panjiva records of Angola's oil exporters to the U.S.

[32] Investments in a country by an oil company were derived by equating the share of a company's exports of oil from one country to the share of the company's capital costs incurred in that country.

Table 11: Investments by Angola's AGOA Exporters, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Chevron [Cabinda Gulf Oil Co.]	2,337,709	1,780,625	1,306,697	1,105,716
BP	1,681,383	2,121,259	1,754,959	0
ExxonMobil [Esso, Angola]	822,699	1,505,495	1,543,486	1,083,198
Total	1,221,928	1,391,662	1,338,436	1,003,842
Eni	985,730	1,352,196	1,209,782	1,193,408
Statoil	N/A	N/A	1,227,401	1,170,886

Notes: Statoil did not provide investment data for the years 2007 and 2008.
Sources: Company annual reports and SEC filings.

Key Investment Factors Facing AGOA Businesses in Angola

Angola's significant oil and gas reserves[33] and comparatively strong level of investor protection[34] are key factors that have contributed to the high investment amounts in Angola's oil and gas sector. These country-specific factors have been complemented by the sustained high prices in oil and gas following the oil and gas price hike of 2005.

Outside Angola's oil and gas sector, however, companies experience significant bottlenecks tied to a very difficult competitive environment. Angola's ranking of 137 out of 139 countries in the World Economic Forum's most recent Global Competitiveness Report encapsulates these challenges in investment and business environment.[35]

A cursory examination of Angola's performance in the World Economic Forum's Global Competitiveness Report 2010-11 indicates that key bottlenecks exist with infrastructure, human resource, government bureaucracy and financial market development.[36]

The Angolan government has attempted to address such bottlenecks through increased financing of sectors outside the extractive industry utilizing a National Development Fund that is managed by the Development Bank of Angola. However, any efforts to build a sustainable and competitive, export-oriented sector in Angola's fisheries, textile and agribusiness sectors, will require sustained efforts by both the central and regional Angolan governments in structuring dramatic improvements that address Angola's competitiveness gaps.

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[33] U.S. CIA Factbook estimates Angola's oil reserves at 13.5 billion barrels in January 2010. http://www.eia.gov/countries/country-data.cfm?fips=AO

[34] In the 2010-11 Global Competitiveness Report [GCR], Angola ranked 45th worldwide in its strength of investor protection. See World Economic Forum's Global Competitiveness Report 2010-11, page 78-79.

[35] See World Economic Forum's Global Competitiveness Report 2010-11, pages 78-79.

[36] In the 2010-11 GCR, Angola ranked 136th in the quality of overall infrastructure, 139th quality in the educational system, 137th in the burden of government regulation, 132nd in the affordability of financial services and 129th in the availability of financial services, See World Economic Forum's Global Competitiveness Report 2010-11, pages 78-79.

Botswana [Southern Africa]

Botswana's Overall Export Performance under AGOA

Botswana exported only textile and apparel under AGOA over the period 2007 to 2010 in spite of having the potential to export a variety of products such as leather and arts and crafts. Moreover, Botswana's textile exports declined from $31.3 million in 2007 to $11.6 million in 2010 [see table 12].

Table 12: Botswana's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Botswana	31,331	15,803	12,362	11,559
By Sector:				
HTS 61 Apparel knitted or crocheted	28,726	13,466	8,963	5,986
HTS 62 Apparel not knitted or crotcheted	2,605	2,337	3,398	5,573

Source: USITC database

Botswana's AGOA Exporters

Botswana's textile and apparel exporters under AGOA during this period were Carapparel Botswana, Microlith Ltd., and Cara Fashions.[37] However, Microlith and Cara Fashions stopped shipping to the U.S. in 2008 and 2007, respectively.[38]

Key Investment Factors Facing AGOA Businesses in Botswana[39]

In the World Economic Forum's Global Competitiveness Report 2010-11, Botswana's ranked 4th in Sub-Saharan Africa and 76th globally.[40] The key areas of Botswana's competitive advantage included the quality of its institutions, quality of education, quality of road and rail infrastructures, low tax rate and the extent of taxation, as well as the level of financial market development.[41] However, a large government budget balance and a high prevalence of HIV/AIDS and Tuberculosis were key areas where Botswana had a competitive disadvantage.[42]

During discussions with representatives from the Embassy of Botswana, concerns emerged about the diminished competitiveness of Botswana's textile and apparel exports under AGOA and the need for significant upgrading in Botswana's tanneries to jump-start leather exports.

The key factors that were identified as contributing to the diminished competitiveness of Botswana's textile and apparel exporters under AGOA were the following:

- End of the Multi-Fiber Arrangement in 2005 and the increased competition from Asia;

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[37] None of the companies agreed to take our survey.

[38] Performed a search on Panjiva for the last shipment dates of Microlith and CaraFashions

[39] No company from Botswana agreed to take the survey. However, the Embassy of Botswana shared information from their own studies on constraints facing Botswana's businesses exporting to the U.S. under AGOA.

[40] See WEF Global Competitiveness Report 2010-11, page 104-105.

[41] Ibid, pages 104-105.

[42] Ibid, pages 104-105.

- High inland transportation costs in terms of time and money – particularly given that raw materials for the textile and apparel industry are sourced from Asia and the finished product is exported to the U.S.; [43]
- High cost of finance given the long payment cycles, which on average take 180 days from the time of payment to the input supplier in Asia to the receipt of payment from the finished product client in the U.S.; and the
- Tempering of U.S. demand following the global economic crisis of 2007.

With respect to the leather sector, representatives from the Embassy of Botswana indicated that the domestic tanneries required significant upgrading to meet the quality and volume demands of the U.S. market. Toward this end, Botswana has been soliciting foreign investment in tanneries.

Lesotho [Southern Africa]

Lesotho's Overall Export Performance under AGOA

Lesotho exported an average of $318.9 million worth of textile and apparel products exclusively under AGOA over the period 2007 to 2010. These exports declined by 26% from $379.6 million in 2007 to $280.3 million in 2010, see table 13.

Table 13: Lesotho's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Lesotho	379,592	338,797	277,045	280,338
By Sector:				
HTS 61 Apparel knitted or crocheted	233,997	208,433	166,529	161,180
HTS 62 Apparel not knitted or crotcheted	145,595	130,364	110,516	119,158
HTS 65 Headgear or parts thereof	-	-	1	3

Source: USITC database

Lesotho's AGOA Exporters

An examination of online intelligence platforms and discussions with the Lesotho National Development Corporation [LNDC] identified the following textile and apparel companies as AGOA exporters over the period 2007 and 2010: C & Y Garments; CGM Industrial Ltd; C River Textile Ltd; Eclat Evergood Textiles Ltd; Ever Unison Garments Lesotho Ltd; Export Unlimited; First Apparel Mfg. Ltd; Five Eight Ltd; Formosa Textiles Co. Ltd.; Global Garments Co. Ltd; Hippo Knitting Ltd; Jonsson Mfg. Ltd; JW International; J&S Fashions Ltd; Kopano Textiles Ltd; Lesotho Evergood Textiles; Lesotho Hinebo Textile Ltd; Lesotho P&T Textile Ltd; Lesotho Precious Garments Ltd; Lolita Clothing Co. Ltd; Mauri Garments Ltd; New Epoch Knitting Ltd; Nien Hsing International Lesotho Ltd; Presitex Enterprises Ltd; Raytex Garments Ltd; San Ti Kon Textiles Ltd; Sun Textiles Ltd; Shinning Century Ltd; Super Knitting Ltd; Sweat Sun Ltd;

[43] Note that the costs of fuel dramatically increased in 2005.

Tai Yuan Garments Ltd; Tern Sportswear Ltd; TZICC Clothing Manufactures ; United Clothing Ltd; and Wonder Garments Mfg.

Key Investment Factors Facing AGOA Businesses in Lesotho

In the World Economic Forum's Global Competitiveness Report for 2010 to 2011, Lesotho ranked 128 out of 139 countries. Areas of competitiveness that Lesotho scored strongly in were in the total tax rate [% of profits], number of procedures to start a business, females in labor-force and legal rights index. Areas where Lesotho performed poorly competitively were: business impact of HIV/AIDS, life expectancy, primary and tertiary education enrollment rates, quality of management schools, availability and affordability of financial services and domestic market-size index.

Discussions with the Lesotho National Development Corporation [LNDC] indicated that between 2007 and 2010, Lesotho's textile and apparel sector generated an annual average of $1.15 million in new investments. J&S Fashions, a knitting factory that began operations in 1996 indicated that it had invested an average of $704,000 annually over the period 2007 and 2010, see table 14 below.

Table 14: Investments by Lesotho's AGOA Exporters, 2007-2010, US$ Thousands

	2007	2008	2009	2010
New Sector Investments	1,774	484	831	1,422
J&S Fashions Pty Ltd. [CapEx]	681	654	628	796
Annual Average Exchange Rate	7.0	8.3	8.4	7.3

Notes: Average exchange rates sourced from the EIU on 18 July 2011.
Sources: New sector investments provided by the LNDC and J&S investments provided by J&S Fashions Ltd.

Discussions with the LNDC identified the following as key obstacles to additional investment by Lesotho's AGOA exporters:

- Uncertainty around AGOA's expiry in 2015; expiry of third country fabric provision in 2012; the stringent rules of origin and technical barriers to trade [particularly SPS for agricultural exports];[44]
- Capacity issues at the firm level that have prevented companies from producing at levels that would generate good returns as well as access to finance - particularly related to working capital - so as to cover the period between orders and payment; and
- Cumbersome border procedures in transit as a result of Lesotho's landlocked status.

Moreover, the LNDC indicated that the following activities will enable Lesotho to take better advantage of AGOA in the near to long-term:

- Investments in science and technology, research and development, youth and women; and

[44] They argue that the stringent SPS regimen has prevented Lesotho from exporting agricultural products to the U.S. under AGOA.

- Investments that enhance skills development in key products so as to ensure that Lesotho competes globally and diversifies its export base.

According to our survey of businesses exporting under AGOA from Lesotho, the following were identified as ***very severe*** obstacles to additional investments: AGOA's expiry in 2015; expiration of the third country fabric provisions in 2012; fluctuations in foreign currency and quality of electricity infrastructure.

Meanwhile, AGOA businesses on average identified the following as ***severe*** obstacles to additional investment: Uncertainty over a country's eligibility; possible extension of AGOA-like preferences to other developing countries; cost of transport; quality of telecommunications and availability of skilled labor.

The same respondents identified the following as ***moderate*** obstacles to additional investment: Requirements complying with AGOA; access to foreign currency; domestic price inflation; taxation rates; import and export procedures and documents required; cost of electricity; cost of water supply; cost of skilled labor; availability of land and the availability of appropriate physical storage.

Ethiopia [Eastern Africa]

Ethiopia's Overall Export Performance under AGOA

Between 2007 and 2010, Ethiopia's exports to the U.S. under AGOA increased by 45% from $4.8 million to $6.9 million. Over 97.5% of Ethiopia's exports under AGOA during this period were related to textiles and apparel. However, Ethiopia did export footwear, tomato paste, red roses, wines and broomcorn as well, see table 15.

Table 15: Ethiopia's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Ethiopia	4,741	9,392	6,723	6,875
By Sector:				
HTS 6 Live trees, other plants; cut flowers etc.	26	-	-	26
HTS 11 Milling products	4	-	-	-
HTS 14 Vegetable plaiting	29	-	-	-
HTS 20 Vegetable, fruit, nut & plant preps.	70	-	-	-
HTS 22 Beverages	17	-	-	17
HTS 41 Raw hides and skins	-	-	-	4
HTS 42 Articles of Leather	4	6	29	5
HTS 61 Apparel knitted or crocheted	3,164	6,487	4,125	4,720
HTS 62 Apparel not knitted or crotcheted	1,395	2,870	2,497	1,791
HTS 63 Footwear	33	28	73	310
HTS 69 Ceramic products	-	-	-	3

Source: USITC database

Ethiopia's AGOA Exporters

Ethiopia's AGOA exporters by category between 2007 and 2010 were the following:

- Cut Flowers [red roses]: Flowerama PLC and Summit PLC.
- Tomato Paste: likely to be Upper-Awash Agro-Industry Enterprise.[45]
- Textile and Apparel: Knit to Finish PLC [aka Kombolcha Share Co.], Novostar Garment, Kebire Enterprises PLC, Nazareth Garment Share Co., Nn Garment Factory, Almeda Textile Plc., Feleke Garment Plc, Mulat Garment Plc, BM Ethiopia Garment & Textiles, Oasis Abyssinia, Gg Super Garment Factory Plc, Koreithi General Textile Plc, Yirgalem Molla Akalie and Addis Garment [aka Augusta].
- Footwear: Anbessa Shoe Share Co.
- Beverages and Spirits: Awash Wine Share Co. and National Alcohol & Liquor Factory.

Key Investment Factors Facing AGOA Businesses in Ethiopia

In the most recent World Economic Forum's Global Competitiveness Report, Ethiopia was ranked 119th.[46] Overall, it scored at par with the sub-Saharan African average.

The areas where Ethiopia displayed a competitive advantage were in the burden of government regulation, business costs of crime and violence, quality of air infrastructure, total tax rate [% of profits], number of procedures required to start a business and agricultural policy costs.[47] However, Ethiopia ranked very poorly in inflation, capital control restrictions, quality of electricity supply, production process sophistication, and telecommunications.[48]

In discussions with textile and apparel managers, they indicated that AGOA exports have required that they undertake significant upgrading of equipment. They indicated that the limited experience of Ethiopia's entrepreneurs and workforce in textile exports was also somewhat of a problem and, thus, they required some handholding [i.e., need for an upgrading of the skills levels in the industry].

In our survey of Ethiopian companies engaged in AGOA exports, the quality of telecommunications was listed as ***very severe*** obstacles to additional investment. Textile and apparel companies placed the expiration of the third country fabric in 2012 as a very severe obstacle to additional investment.

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[45] No direct confirmation as exports occurred in 2007, prior to Panjiva's shipping reports. However, Upper-Awash Agro-Industry Enterprise is the largest tomato processing company in Ethiopia and was just acquired by Ethiopian-American investors.

[46] See World Economic Forum's Global Competitiveness Report 2010-11, pages 154-155.

[47] Ethiopia ranked 27th in burden of government regulation, 54th in business cost of crime and violence, 48th in quality of air infrastructure, 32nd in total tax rate [% of profits], 30th in number of procedures required to start a business, and 39th in agricultural policy costs. See World Economic Forum's Global Competitiveness Report 2010-11, pages 154-155.

[48] Ethiopia ranked 139 out of 139 in inflation; 139 out of 139 in mobile telephone subscriptions per capita; 129 out of 139 on restrictions of capital flows, 129 out of 139 in production process sophistication, 124 out of 139 in availability of financial services; and 119 out of 139 in quality of electricity supply, Ibid, pages 154-155.

With respect to obstacles to additional investment deemed to be ***severe***, companies listed the following: AGOA's expiry in 2015; uncertainty over a country's continued eligibility; domestic price inflation; cost of transport; quality of electricity; cost of telecommunications; availability of skilled labor; quality of transport; import and export procedures and documents required; fluctuations in foreign currency; and fluctuations in export price.

On average, all companies listed the following as ***moderate*** obstacles to additional investment: Cost of skilled labor; availability of finance; possible extension of AGOA-like preferences to other countries; import duties; requirements complying with AGOA; cost of finance; and availability of unskilled labor.

Table 16 depicts the investments in capital costs of AGOA exporters in Ethiopia that agreed to provide the information.

Table 16: Investments by Ethiopia's AGOA Exporters, 2007-2010, US$ Thousands

	2007	**2008**	**2009**	**2010**
Flowerama PLC	1,999	3,283	2,505	1,905
Knit to Finish PLC	5,131	8,575	8,126	7,734
Almeda Textile PLC	5,000	5,000	-	-
Novostar Garment	7	30	120	10
Oasis Abyssinia	1,200	-	-	-
Saygin Dima Textile	-	-	-	3,172
Exchange Rate [LCU/US$]	9.0	9.6	11.8	14.4
Exchange Rate EU/US$	1.4	1.5	1.4	1.3

Note: Exchange rate sourced from the Economist Intelligence Unit on 18 July 2011
Source: Interviews of company managers.

Kenya [Eastern Africa]

Kenya's Overall Export Performance under AGOA

Between 2007 and 2010, Kenya exported an average of $232 million worth of AGOA exports annually to the U.S. Approximately 95% of Kenya's AGOA exports were textile and apparel. However, Kenya also exported relatively significant quantities of pineapple juice concentrate, macadamia nuts and red roses. Macadamia nut exports under AGOA increased by 432% from $2.9 million in 2007 to $6.2 million in 2010. Table 17 depicts AGOA's exports from Kenya between 2007 and 2010.

Table 17: Kenya's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Kenya	250,351	252,243	204,983	220,636
By Sector:				
HTS 4 Dairy produce, birds eggs, nat. honey	43	-	-	-
HTS 6 Live trees, other plants; cut flowers etc.	793	979	1,687	1,732
HTS 8 Edible fruit & nuts; peel of citrus fruits	2,877	2,793	3,634	15,328
HTS 10 Cereals	6	4	172	143
HTS 11 Milling products	2	-	-	-
HTS 20 Vegetable, fruit, nut & plant preps.	14	2,810	3,956	1,904
HTS 24 Tobacco	-	-	23	-
HTS 38 Miscellaneous chemical products	-	-	-	73
HTS 40 Rubber and articles Thereof	-	-	-	1
HTS 42 Articles of leather; saddlery & harn.	76	5	16	73
HTS 46 Man of straw, esperto, plaiting, etc.	2	3	-	-
HTS 61 Apparel knitted or crotcheted	81,188	94,846	95,254	102,855
HTS 62 Apparel not knitted or crotcheted	164,427	149,893	99,365	97,562
HTS 64 Footwear	23	5	8	47
HTS 70 Glass and glassware	-	-	-	14
HTS 84 Nuclear reactors, boilers, mach appl	-	11	-	-
HTS 85 Electrical machinary & parts	-	3	-	-
HTS 95 Toys, games and sport equip., parts, etc.	900	883	868	904
HTS 96 Miscellaneous manufactured articles	-	8	-	-

Source: USITC database

Kenya's AGOA Exporters

A listing of Kenya's AGOA exporters by category is below:

- Cut Flowers [red roses and dried flowers]: Valentine Growers Ltd.; K-net Ltd; Primarosa Flowers Ltd; Oserian Ltd; Flamingo Holdings; and Taly Nofar & Ayal [dried flowers].
- Macadamia and Macadamia Seed Oils: Kenya Nut Co. Ltd; Wondernuts [K] Ltd; Equatorial Nut Processors Ltd; Sawafrica [EPZ] Ltd [aka Jungle Macs EPZ]; and Samar Greens Ltd; Earthoil Kenya [EPZ] Ltd.
- Foodstuffs [Wheat flour etc.]: Shree Sai Industries Ltd; Wedo Foods Ltd and Sujaac Ltd.
- Juices and Concentrate: Del Monte Kenya and Kevian Ltd.
- Textiles and Apparel: Protex Kenya [EPZ] Ltd; Alltex [EPZ] Ltd; Upan Wasana E P Z Ltd; Kenya Trading [EPZ] Ltd; Africa Apparels [EPZ] Ltd; United Aryan [EPZ] Ltd; Ashton Apparel EPZ, Ltd; Senior Best Garments Kenya [Epz] Ltd; Apex Apparels [EPZ] Ltd; Shin-Ace Garments Kenya [EPZ] Ltd; Rolex Garments [EPZ] Ltd; Blue Bird Garments Kenya [EPZ] Ltd; Emke Garments [Kenya] Ltd; Kenya Knit Garments [EPZ] Ltd; Kapric Apparels Epz Ltd; Leena Apparels Ltd; J A R Kenya [EPZ] Ltd; Apparel

Africa Ltd; Mirage Fashionwear[Epz] Ltd; Bedi Investments Ltd; M.R.C Nairobi [EPZ] Ltd; Maasai Collections Ltd; Nodor Kenya [EPZ];

- Fishing Flies and Tackle: Kenya Bamboo Fishing Flies and Hand Tied Fishing Flies [Not yet exporter to U.S., but interested]
- Candles: Peng's Candles [EPZ]

Key Investment Factors Facing AGOA Businesses in Kenya

In terms of competitiveness, Kenya ranked 106th overall in the World Economic Forum's Global Competitiveness 2010-11 Report with a score that was greater than the sub-Saharan African average.[49] Kenya maintained a competitive advantage in financial market development, quality of educational system, labor market efficiency and innovation.[50] However, Kenya ranked poorly in public trust of politicians, inflation, basic health, tertiary education enrollment rate and broadband internet subscription.[51]

During phone interviews with certain AGOA investors, the following obstacles to additional investment were specifically highlighted:

- In the textile and apparel sector, an interviewee identified logistics from Kenya given long transits and a monopoly of carriers from a shipping perspective as well as a rising annual wage bill as key constraints.

- In the macadamia nut sector, an interviewee identified the policy issue surrounding the reversal of the ban on exports of raw macadamia, which was instated in 2009 by the former Minister of Agriculture and the subsequent long, yet successful, court proceedings to overturn the reversal. During the period when the ban was overturned, the interviewee indicated that many processing companies were operating at very low throughput given that they couldn't source local macadamia supplies.

- In the cut-flower sector, an interviewee identified a lack of a direct flight to the U.S., the cost of freight [which was identified as costing twice that than to the E.U.] and the more stringent phyto-sanitary requirements in the U.S. over that in the E.U. as key bottlenecks hindering greater exports under AGOA to the U.S.

In our survey of Kenyan exporters of AGOA products, all companies [on average] identified the AGOA's expiry in 2015 as a ***very severe*** obstacle to additional investment. Companies in the cut-

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[49] See World Economic Forum's Global Competitiveness Report 2010-11, pages 202-3.

[50] Kenya ranked 27th overall in financial market development, 32nd overall in quality of the educational system, 46th overall in labor market efficiency, and 56th overall in innovation. See pages 202-3 of the World Economic Forum's Global Competitiveness Report 2010-11

[51] In the World Economic Forum's GCR 2010-11, Kenya ranked 129th in public trust of politicians, 126th in inflation, 130th in HIV prevalence, 127th in HIV impact on business, 126th in malaria incidence and the business impact of TB, 123rd in tertiary enrollment rate, and 127th in broadband internet access. See pages 202-3 of the World Economic Forum's Global Competitiveness Report 2010-11

flower sector identified the cost and quality of transport infrastructure as well as export procedures and documents required as a ***very severe*** obstacle to additional investment.

All companies listed [on average] the following as ***severe*** obstacles to additional investment: Fluctuations in export price; cost of electricity; fluctuations in foreign currency; domestic price inflation; cost of finance; possible extension of AGOA-like preferences to other LDCs; fluctuations in foreign currency; quality of transport infrastructure and quality of water supply. Moreover, textile companies listed the expiration of the third country fabric in 2012 and cut flower companies listed availability of land as ***severe*** obstacles to additional investment.

The following were identified [on average] as ***moderate*** obstacles to additional investment: Taxation rates; cost of water supply; cost of land; availability of finance; cost and availability of skilled labor; quality of electricity infrastructure; import procedures and documents required; quality of telecommunications; cost of unskilled labor and import duties.

Table 18 presents capital expenditure data for some companies exporting from Kenya to the U.S. under AGOA.

Table 18: Investments by Kenya's AGOA Exporters, 2007-2010, US$ Thousands

	2007	**2008**	**2009**	**2010**
Protex Kenya [EPZ] Ltd.	1,200	1,500	1,800	2,200
Kapric Apparels [EPZ] Ltd.	50	50	50	50
Shin-Ace Garments [EPZ] Ltd.	10,652	13,125	8,852	6,176
Africa Apparel [EPZ] Ltd.	1,000	200	200	200
Bedi Investments Ltd.	150	200	100	100
YKK Kenya	500	0	0	0
Kenya Bamboo Fishing Flies	8	10	15	20
Global Apparels [EPZ] Ltd.	0	0	0	150
SawAfrica [Jungle Nut]	743	0	0	631
Exchange Rate [LCU/US$]	67.3	69.2	77.4	79.2

Note: Exchange rate sourced from the Economist Intelligence Unit on 18 July 2011
Source: Interviews of company managers.

Cape Verde [Western Africa]

Cape Verde's Overall Export Performance under AGOA

Between 2007 and 2010, Cape Verde exported $146,000 worth of canned tuna. These exports were registered in 2010, see table 19.

Table 19: Cape Verde's Duty-Free Exports to the U.S. under AGOA, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Cape Verde	-	-	-	146
By Sector:				
HTS 16 Edible preparations of meat, fish etc.	-	-	-	146

Source: USITC database

Cape Verde's AGOA Exporter

The canned tuna exports were by Indupesca Limited.

Key Investment Factors Facing AGOA Businesses in Cape Verde

In the World Economic Forum's Global Competitiveness Report 2010-11, Cape Verde was ranked 117th, with an overall score exactly the same as the sub-Saharan African average.[52] In terms of obstacles to improved competitiveness, Cape Verde ranked poorly in quality of electricity supply, quality of management schools, prevalence of trade barriers, burden of customs procedures, degree of customer orientation and local supplier quantity and quality.[53]

Our survey of Cape Verdean companies engaged in fish exports revealed that ALL companies identified the cost of electricity as a ***very severe*** obstacle to additional investment. [54] Companies that exported to the U.S. included AGOA's expiry in 2015 as a ***very severe*** obstacle to additional investment.

Moreover, companies identified as a ***severe*** obstacle to additional investment the quality of electricity, the cost and quality of transport infrastructure, cost of telecommunications, import duties, quality of water and cost of skilled labor.

In terms of ***moderate*** obstacles to additional investment, companies highlighted the following: Fluctuations in foreign currency and export price; domestic price inflation; taxation rates; export duties; procedures and documents required to both export and import; cost of water supply; cost of telecommunications; costs of both skilled and unskilled labor; availability of skilled labor and costs of land and availability of land.

The Cape Verdean Investment Agency identified key constraints facing Cape Verdean exports to the U.S. as logistics, transport, certification, standards and high costs of inputs [due to geography] and language. In addition, they indicated that U.S. investment levels in Cape Verde would be better promoted through the signing of bilateral investment treaties and double taxation treaties.

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[52] See Global Competitiveness Report 2010-11, pages 122-123.

[53] Cape Verde ranked 131st overall in terms of quality of electricity supply, 121st in terms of quality of management schools, 125th in terms of prevalence of trade barriers, 127th in terms of burden of custom procedures, 136th in terms of degree of customer orientation, 128th in terms of local supplier quantity and 130th in terms of local supplier quality. See Global Competitiveness Report 2010-11, pages 122-123.

[54] Companies surveyed were FRESCOMAR, Indupesca Ltd, FAMA, and Padaria.

Table 20 depicts the capital cost expenditures of Indupesca, the only Cape Verdean company to export to the U.S. under AGOA over the period 2007 to 2010.

Table 20: Investments by Cape Verde's AGOA Exporters, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Indupesca Lda [CapEx]	25	53	-	48
Exchange Rate [LCU/US$]	80.6	75.3	79.4	83.3

Note: Exchange rate sourced from the Economist Intelligence Unit on 18 July 2011
Source: Individual AGOA Business Survey Reports

Ghana [Western Africa]

Ghana's Overall Export Performance under AGOA

Ghana's duty-free exports under AGOA, declined by 96% from 56.2 million in 2007 to 2.1 million in 2010, see table 21 below. These exports were primarily mineral fuels, textiles and apparel. However, it is expected that, with Ghana's crude oil coming online from the Jubilee oil fields, Ghana's mineral fuel AGOA exports will surge.

Table 21: Ghana's Exports to the U.S. under AGOA, 2007-2010

	2007	2008	2009	2010
Ghana	56,151	31,494	2,303	2,053
By Sector:				
HTS 42 Articles of leather; saddlery & harn.	8	3	3	2
HTS 46 Man of straw, esperto, plaiting, etc.	4	-	-	-
HTS 61 Apparel knitted or crocheted	7,511	762	272	760
HTS 62 Apparel not knitted or crotcheted	-	-	-	-
HTS 64 Footwear	-	-	-	1
HTS 65 Headgear or parts thereof	2	3	5	7

Source: USITC database.

Ghana's AGOA Exporter[55]

A listing of Ghana's AGOA exporters are identified below:

- Food Stuffs: Ernimich and Praise Export Limited.
- Textile and Apparel: Edtex Batik, Network Knitwear Fabrics, Oak Brook Ghana Limited and Sleek Garment Export Limited.
- Oil and Gas: Tema Oil Refinery, Ghana National Petroleum Corporation and Tullow Oil Limited.

[55] Listing of AGOA exporters were provided by the Ghanaian Export Promotion Council [GEPC]. However, on calling some of the companies listed, they indicated that they had not exported under AGOA.

Key Investment Factors Facing AGOA Businesses in Ghana

In the global competitiveness index, Ghana was ranked 114th overall and performed better than the sub-Saharan African average.

Ghana performed well in public institutions and governance indicators and maintained a high investor protection ranking. By regional standards, Ghana's government efficiency, ports and financial markets are viewed as performing well. However, in terms of deficiencies, the education levels in Ghana lag international standards, labor markets are considered inefficient, the country is not harnessing new technologies for productivity enhancements and there is some evidence of inefficiencies in the financial system.

In our survey of Ghanaian companies engaged in AGOA exports, the following were listed as ***very severe*** obstacles to additional investment: AGOA's expiry in 2015; quality of electricity infrastructure; and cost of finance. Moreover, textile and apparel companies listed the expiration of the third country fabric provision in 2012 as a ***very severe*** obstacle to investment.

The following were listed as ***severe*** obstacles to additional investment: Fluctuations in foreign currency; domestic price inflation; cost of electricity; cost and availability of land; cost and quality of water supply; cost and quality of telecommunications and availability of finance.

Table 22 identifies capital expenditure investments for Ghanaian companies that export to the U.S. under AGOA and for which data was available.

Table 22: Investments by Ghana's AGOA Exporters, 2007-2010, US$ Thousands

	2007	2008	2009	2010
Tullow Oil Plc.	-	-	-	340,000
Edtex Limited [CapEx]	0	-	-	1
Exchange Rate [LCU/US$]	0.9	1.1	1.4	1.4

Note: Exchange rate sourced from the Economist Intelligence Unit on 18 July 2011
Sources: Company annual reports and survey responses.

Benin [Western Africa]

Benin's Overall Export Performance under AGOA

Benin did not register any exports to the U.S. under AGOA. Discussions with the Embassy of Benin, however, indicated that Benin has the opportunity to export textile and apparel products, arts and crafts and agricultural products.

Key Investment Factors Facing AGOA Businesses in Benin

In the World Economic Forum's Global Competitiveness Report 2010-11, Benin ranked 103rd and scored better than that of the sub-Saharan African average. The areas where Benin demonstrated a competitive advantage were the extent of government regulation, quality of educational system and hiring and firing practices.[56] However, key bottlenecks existed with respect to infrastructure, market-size and technological readiness.[57]

In discussions with officials from the Embassy of Benin, they indicated that two problems faced by potential exporters in taking advantage of AGOA are the challenges of meeting the volume demands and quality requirements of U.S. clients. They, therefore, advocated for greater support toward efforts of building the capacities of businesses in Benin.

Given Benin's market-size bottlenecks, Benin's competitiveness framework would be better improved within a regional framework, such as within that of ECOWAS. Consequently, the effort by Benin earlier this year to harmonize investment laws amongst ECOWAS member states is positive.[58]

[56] In the GCR 2010-11 Benin was ranked 34th overall in terms of burden of government regulation, 45th overall in terms of quality of educational system and 35th overall in terms of hiring and firing practices. See pages 128 and 129 of the World Economic Forum's 2010-11 Global Competitiveness Report.

[57] In the GCR 2010-11, Benin ranked 125th overall in terms of quality of infrastructure, 124th overall in terms of [domestic and foreign] market-size, and 122nd overall in terms of technological readiness. See pages 128 and 129 of the World Economic Forum's 2010-11 Global Competitiveness Report.

[58] See news on the ECOWAS meeting in Benin http://news.ecowas.int/presseshow.php?nb=055&lang=en&annee=2011

SECTION 5 - CONCLUSION

Since AGOA's promulgation into law in May 2000, AGOA has provided eligible countries in sub-Saharan Africa with greater liberal access to the U.S. market as well as an incentive to institute political and economic reforms. However, to date, less than 25% of the additional 1,835 product lines under AGOA have registered imports. Moreover, AGOA's impact on trade and investment in sub-Saharan Africa has been primarily limited to the oil, gas and textile sectors.

Over the period 2007 to 2010, AGOA's impact on trade and investment in Africa has been tempered by the global economic crisis and softening of U.S. demand. The textile and apparel sector had the additional issue of uncertainty over the extension of the third country fabric provisions, which were set to expire in 2012.

Moreover, the efforts by African countries to increase trade and investment under AGOA through investment promotion and attractive investment packages have been constrained by competitive bottlenecks related to infrastructure gaps, macro-economic instability and policy uncertainty. Landlocked countries and countries with small domestic markets have faced additional constraints in attracting AGOA-related investments.

To improve AGOA's overall impact on trade and investment across countries and sectors in sub-Saharan Africa, the following key recommendations are proposed:

- African countries should focus on improving country competitiveness to complement their investment promotion efforts. Regional approaches are needed to tackle trade and investment bottlenecks related to landlocked status and small market-sizes.

- The African Union Mission in the U.S. should monitor trends, promote business to business linkages and advocate shared best practices in investment promotion. Moreover, the African Union Mission should serve as a focal point in the U.S. for the various African Chambers of Commerce and Sector Associations.

- The United States government should immediately extend third country-fabric provision, which is scheduled to expire in September 2012 and extend both AGOA and third-country fabric provisions beyond 2015. In addition, key agricultural products that are covered by TRQs such as sugar and tobacco should be included in the AGOA-rubric.

It is strongly believed that the adoption of the above key recommendations will strengthen AGOA's impact on trade and investment in sub-Saharan Africa.

ANNEX 1. Imports under AGOA

Table A1. Imports under AGOA between 2007 and 2010, US$ Thousands

Countries	Total Duty Free Under AGOA			
	2007	2008	2009	2010
Angola	4,767,934	9,794,965	4,225,139	6,293,944
Benin	-	-	-	-
Botswana	31,331	15,803	12,362	11,559
Burkina Faso	-	-	-	2
Burundi	-	-	-	-
Cameroon	169,173	441,316	96,750	113,469
Cape Verde	-	-	-	146
Central African Republic	-	-	-	-
Chad	1,487,552	2,309,230	1,190,403	1,186,314
Comoros	-	-	-	-
Congo, Republic of	1,604,868	2,639,141	1,471,657	1,935,530
Democratic Republic of Congo	39,478	65,234	35,652	147,042
Djibouti	-	-	17	-
Ethiopia	4,741	9,392	6,723	6,875
Gabon	1,673,605	2,143,355	1,210,007	1,124,244
Gambia	-	-	-	5
Ghana	56,151	31,494	2,303	2,053
Guinea	27	1	1	-
Guinea Bissau	-	-	-	-
Kenya	250,351	252,243	204,983	220,636
Lesotho	379,592	338,797	277,046	280,342
Liberia	-	-	-	-
Madagascar	281,443	277,051	210,004	-
Malawi	27,568	26,680	39,734	47,191
Mali	9	4	62	4
Mauritania	-	-	-	26,396
Mauritius	112,347	97,291	98,747	117,911
Mozambique	825	129	-	184
Namibia	28,579	6	-	5
Niger	27	1	3	-
Nigeria	30,137,133	35,366,204	17,228,232	25,153,807
Rwanda	-	5	63	10
Senegal	14	10,229	1,585	7
Seychelles	-	-	-	-
Sierra Leone	-	-	-	-
South Africa	1,076,984	2,427,689	1,642,895	1,902,140
Swaziland	135,838	125,387	94,718	92,798
Tanzania	2,815	1,524	1,006	1,850
Togo	-	-	-	-
Uganda	1,189	473	222	345
Zambia	73	5	7	-
	42,269,647	56,373,649	28,050,321	38,664,809

Source: USITC database

ANNEX 2. Countries Eligible under AGOA

Table A2. AGOA-Eligible and AGOA Non-Eligible Countries, 2007-2010

2007		2008		2009		2010	
AGOA Eligible							
Angola		Angola		Angola		Angola	
Benin	T	Benin	T	Benin	T	Benin	T
Botswana	T	Botswana	T	Botswana	T	Botswana	T
Burkina Faso	T	Burkina Faso	T	Burkina Faso	T	Burkina Faso	T
Burundi		Burundi		Burundi		Burundi	
Cameroon	T	Cameroon	T	Cameroon	T	Cameroon	T
Cape Verde	T	Cape Verde	T	Cape Verde	T	Cape Verde	T
Chad	T	Chad	T	Chad	T	Chad	T
Republic of Congo		Comoros [Eligible 30 June '08]		Comoros		Comoros	
Dem. Rep. of Congo		Republic of Congo		Republic of Congo		Republic of Congo	
Djibouti		Dem. Rep. of Congo		Dem. Rep. of Congo		Dem. Rep. of Congo	
Ethiopia	T	Djibouti		Djibouti		Djibouti	
Gabon		Ethiopia	T	Ethiopia	T	Ethiopia	T
The Gambia		Gabon		Gabon		Gabon	
Ghana	T	The Gambia	T	The Gambia	T	The Gambia	T
Guinea		Ghana	T	Ghana	T	Ghana	T
Guinea Bissau		Guinea		Guinea		Guinea Bissau	
Kenya	T	Guinea Bissau		Guinea Bissau		Kenya	T
Lesotho	T	Kenya	T	Kenya	T	Lesotho	T
Liberia		Lesotho	T	Lesotho	T	Liberia	
Madagascar	T	Liberia		Liberia		Malawi	T
Malawi	T	Madagascar	T	Madagascar	T	Mali	T
Mali	T	Malawi	T	Malawi	T	Mauritania [Eligible 23 June '09]	
Mauritania [Eligible 28 June '07]		Mali	T	Mali	T	Mauritius	T
Mauritius	T	Mauritania		Mauritius	T	Mozambique	T
Mozambique	T	Mauritius	T	Mozambique	T	Namibia	T
Namibia	T	Mozambique	T	Namibia	T	Nigeria	T
Niger	T	Namibia	T	Niger	T	Rwanda	T
Nigeria	T	Niger	T	Nigeria	T	Sao Tome and Principe	
Rwanda	T	Nigeria	T	Rwanda	T	Senegal	T
Sao Tome and Principe		Rwanda	T	Sao Tome and Principe		Seychelles	
Senegal	T	Sao Tome and Principe		Senegal	T	Sierra Leone	T
Seychelles		Senegal	T	Seychelles		South Africa	
Sierra Leone	T	Seychelles		Sierra Leone	T	Swaziland	T
South Africa	T	Sierra Leone	T	South Africa		Tanzania	T
Swaziland	T	South Africa		Swaziland	T	Togo [Eligible 17 Apr. '08]	
Tanzania	T	Swaziland	T	Tanzania	T	Uganda	T
Uganda	T	Tanzania	T	Togo [Eligible 17 Apr. '08]		Zambia	T
Zambia	T	Togo [Eligible 17 Apr. '08]		Uganda	T		
		Uganda	T	Zambia	T		
		Zambia	T				
Non-AGOA Eligible							
Central African Republic		Central African Republic		Central African Republic		Central African Republic	
Comoros		Cote d'Ivoire		Cote d'Ivoire		Cote d'Ivoire	
Cote d'Ivoire		Equatorial Guinea		Equatorial Guinea		Equatorial Guinea	
Equatorial Guinea		Eritrea		Eritrea		Eritrea	
Eritrea		Zimbabwe		Mauritania [Ineligible 1 Jan]		Guinea [Ineligible 1st Jan]	
Togo				Zimbabwe		Madagascar [Ineligible 1st Jan]	
Zimbabwe						Niger [Ineligible 1st Jan]	
						Zimbabwe	

Note: T next to a country indicates that the country is eligible to export textiles and apparel under AGOA.

Sources: 2007 and 2008 Reports by the U.S. Trade Representative [USTR].

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