

United States International Trade Commission

Export Opportunities and Barriers in African Growth and Opportunity Act-Eligible Countries

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ABSTRACT

On November 10, 2004, the United States Trade Representative (USTR) requested that the U.S. International Trade Commission (Commission) prepare a report under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) that identifies, for each AGOA-eligible country, (1) the major economic sectors with the greatest potential for growth in export sales and (2) domestic and international barriers that impede trade growth in such sectors. In addition, the USTR requested that the Commission's report identify, to the extent possible, private-sector initiatives and technical assistance programs that attempt to address such barriers. The USTR requested that the Commission submit its report no later than June 30, 2005. This study is related to the 2004 AGOA Acceleration Act (AGOA III), which was signed by the President on July 13, 2004. As of June 30, 2005, the 37 AGOA-eligible countries were: Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Djibouti, Democratic Republic of the Congo, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia.

For the purposes of this study, sectors or products exhibiting potential export growth include (1) currently exported products with potential for export growth through improved productivity or product quality; (2) products that reflect a country's endowment strengths, but have not been exported in significant quantities; and (3) downstream products of existing export products. Another avenue for increased exports is diversification or increased penetration of markets.

Barriers to increasing exports can arise from international and/or domestic policies, as well as geographic trade-related and/or regional features. Commission research in selected AGOA-eligible countries cited domestic impediments (e.g., infrastructure, utilities, and domestic trade policy) as the major barriers to increased exports. Hence, in this report, the examination of barriers that limit export growth focus primarily on domestic barriers and impediments.

The identification of potential export products or sectors and domestic and international barriers or impediments is based on statistical analysis of export data (revealed comparative advantage analysis and market concentration measures); information obtained from fieldwork in selected AGOA-eligible countries; business environment, economic freedom, and infrastructure indicators; and public sources. This information was also supplemented with a review of primary and secondary sources. The 37 AGOA-eligible countries have been categorized into 9 country groups based on similar export patterns.

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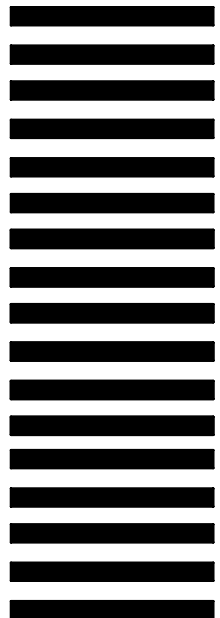
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Abbreviations and Acronyms

ACP	African, Caribbean, and Pacific Countries
AfDB	African Development Bank
ADF	African Development Fund
AGOA	African Growth and Opportunity Act
ATC	Agreement on Textiles and Clothing
AU	African Union
AVE	Ad Valorem Equivalent
BIT	Bilateral Investment Treaty
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CAP	Common Agricultural Policy (EU)
CBI	Cross Border Initiative
CEMAC	Communauté Economique et Monétaire de l’Afrique Centrale
CET	Common External Tariff
CFA	Communauté Financière Africaine
CIA	Central Intelligence Agency
CILSS	Comité Permanent Inter–Etats de Lutte Contre La Sécheresse dans le Sahel
COMESA	Common Market for Eastern and Southern Africa
DOC	United States Department of Commerce
DROC	Democratic Republic of the Congo
EAC	Eastern African Community
EBA	Everything But Arms
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECOWAS	Economic Community of West African States
EEC	European Economic Community
EIU	Economist Intelligence Unit
EPZ	Export Processing Zone
ERP	Effective Rate of Protection
ESAP	Economic and Social Action Plan
EU	European Union
Ex-Im Bank	Export-Import Bank of the United States
FAO	Food and Agriculture Organization, United Nations
FAS	Foreign Agricultural Service, U.S. Department of Agriculture
FDI	Foreign Direct Investment
FOREX	Foreign Exchange
FTA	Free Trade Agreement/Area
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GNP	Gross National Product
GSP	Generalized System of Preferences
HIPC	Heavily Indebted Poor Countries

Abbreviations and Acronyms—*Continued*

HS	Harmonized Commodity Description and Coding System
HTS	Harmonized Tariff Schedule
IADD	Intergovernmental Authority on Drought and Development
IBRD	International Bank for Reconstruction and Development (World Bank)
ICSID	International Center for the Settlement of Investment Disputes
ICT	Information and Communication Technologies
IDA	International Development Association
IDZ	Industrial Development Zone
IF	Integrated Framework for Trade-Related Technical Assistance
IFC	International Finance Corporation
IFI	International Financial Institution
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IP	Intellectual Property
ISI	Import Substitution Industrialization
ITC	U.S. International Trade Commission
JITAP	Joint Integrated Technical Assistance Program for Selected Least Developed Countries
LDBC	Least Developed Beneficiary Countries
LDC	Least Developed Country (UN Definition: 49 countries)
LMI	Lower- and Middle-Income Countries
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MFA	Multifiber Arrangement
MFN	Most-Favored-Nation
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum of Understanding
MRU	Mono River Union
NEPAD	New Partnership for Africa's Development
NGO	Nongovernmental Organization
NTB	Nontariff Barrier
NTM	Nontariff Measure
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OHADA	Organisation pour l'Harmonization en Afrique de Droit des Affaires
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation (United States)
PEAP	Poverty Eradication and Action Plan
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PTA	Preferential Trade Arrangement
R&D	Research and Development
RCA	Revealed Comparative Advantage
RIFF	Regional Integration Facilitation Forum

Abbreviations and Acronyms—*Continued*

ROO	Rules of Origin
ROW	Rest of World
RTA	Regional Trade Arrangement/Agreement
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SAF	Structural Adjustment Facility
SME	Small- and Medium-sized Enterprises
SMME	Small, Medium, and Micro Enterprises
SOE	State-owned Enterprise
SPS	Sanitary and Phytosanitary Measures
SRCA	Symmetric Revealed Comparative Advantage Index
SSA	Sub-Saharan Africa
TA	Technical Assistance
TBT	Technical Barriers to Trade
TCB	Trade Capacity Building
TDA	Trade Development Agency, U.S. Department of Commerce
TIFA	Trade and Investment Framework Agreement
TRAINS	Trade Analysis and Information System (UNCTAD)
UEMOA	Union Economique et Monétaire Ouest Africaine
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDOC	United States Department of Commerce
USDOE	United States Department of Energy
US&FCS	U.S. and Foreign Commercial Service
USITC	United States International Trade Commission
USTR	United States Trade Representative
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union
WAMZ	West Africa Monetary Zone
WB	World Bank
WFP	World Food Program
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Source: Nathan Associates, “Acronyms Used in International Trade,” compiled for USAID/Support for Trade Capacity, June 2002; edited and supplemented by USITC staff.

EXECUTIVE SUMMARY

On November 10, 2004, the United States Trade Representative (USTR) requested that the U.S. International Trade Commission (Commission) prepare a report under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) that identifies, for each African Growth and Opportunity Act (AGOA)-eligible country, (1) the major economic sectors with the greatest potential for growth in export sales and (2) domestic and international barriers that impede trade growth in such sectors. In addition, the USTR requested that the Commission's report identify, to the extent possible, private-sector initiatives and technical assistance programs that attempt to address such barriers. The USTR requested that the Commission submit its report no later than June 30, 2005. This study is related to the 2004 AGOA Acceleration Act (AGOA III), which was signed by the President on July 13, 2004. Section 9 of AGOA III directs the President to conduct a study on each AGOA-eligible sub-Saharan African (SSA) country, which (1) identifies economic sectors with the greatest potential for growth, (2) identifies domestic and international barriers that are impeding growth in such sectors, and (3) makes recommendations on how the U.S. government and the private sector can provide technical assistance to these countries to assist in both dismantling such barriers and in promoting investment in such sectors. There are 48 sub-Saharan African (SSA) countries, of which 37 are AGOA-eligible. As of June 30, 2005, the 37 AGOA-eligible countries were: Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Djibouti, Democratic Republic of the Congo, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia.

The Commission employed multiple approaches in addressing the USTR's request. The list of identified potential export sectors and domestic and international barriers provided in this report is based on Commission research, including fieldwork to selected AGOA-eligible countries. For the purposes of this study, sectors or products exhibiting potential export growth include: (1) existing exported products that a country could increase through improved productivity or product quality; (2) products that reflect a country's endowment strengths, but have not been exported in significant quantities; and (3) products that represent downstream processing of existing export products.

The identification of potential export products or sectors and domestic and international barriers or impediments is based on statistical analysis of export data, information obtained from fieldwork in selected AGOA-eligible countries, and public sources. Given that the greatest potential for increased exports for many AGOA-eligible countries is in currently exported products, the country profiles discuss exports at the aggregated (2-digit level) and disaggregated (4-digit) levels, as well as significant trends in these exports. These data form the basis for the revealed comparative advantage analysis and market concentration measures in identifying potential export sectors and products. Information on domestic and international barriers to exports was compiled from a variety of sources, including the World Bank "Doing Business in 2005" survey, the Heritage Foundation "2005 index of Economic Freedom Database," and the World Bank "World Development Indicators" database. The U.S. Trade Representative did not specify the types of barriers or impediments the Commission should consider in its research. Rather, the barriers and impediments reported reflect the concerns raised by the exporters, governments, and other sector participants. Therefore, not all reported barriers or impediments apply equally to all countries and sectors

and some reported barriers or impediments may not, in fact, limit export growth for a particular sector.

The information on barriers included in this report reflects the views of industry, government, and other sources as to what they perceive to be the greatest impediments to the ability of AGOA-eligible countries to increase exports. Such barriers may result from a number of sources, including international and/or domestic policies and from geographic or regional features. The Commission has defined international barriers to include factors within each AGOA-eligible country that impede export growth. As discussed further in chapter 1, international barriers, which can be imposed by either the exporting or importing country, directly affect the terms on which international transactions take place. International barriers reported to the Commission include, for example, tariffs, quotas, tariff-rate quotas, and export taxes. Domestic barriers can affect exports by raising the cost of production. Domestic barriers reported to the Commission include, for example, labor market policies, domestic price regulation, certain business regulations, and inability to meet international standards. Commission research in selected AGOA-eligible countries, especially through interviews of company, association, and government representatives, as well as secondary sources, indicates that domestic barriers represent the greatest impediment to increasing AGOA-eligible country exports. Hence, in this report, the examination of barriers that limit export growth focuses primarily on domestic barriers and impediments.

Primary research involved gathering information through fieldwork, stakeholder interviews, and communication with the U.S. Department of State, including U.S. Embassies in the 37 countries. Fieldwork in 11 AGOA-eligible countries (Botswana, Cameroon, Malawi, Mali, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Uganda, and Zambia) was conducted to obtain information from in-country businesses, private-sector associations, and multinational companies regarding potential export sectors and products, as well as barriers and impediments encountered in exporting from SSA. Commission staff also interviewed African government officials regarding these topics, as well as efforts they have made to support and expand exports. In addition, Commission staff interviewed African government representatives in the United States, as well as officials of associations that are regularly involved in SSA trade-related issues, including the Africa Coalition for Trade. Secondary sources included publications from various U.S. government agencies, international organizations, and research institutions that deal with SSA trade-related issues.

In addition to the three elements discussed earlier, export growth may also result from market diversification or from further penetration of existing export markets. For example, China's growing demand for natural resources such as petroleum, timber, cotton, and minerals and metals has benefitted African countries exporting these products. Predominantly agricultural commodity-exporting countries could increase exports by shipping to developing and emerging economies which have been identified as potential markets for raw agricultural commodities, minimally processed products, and light-manufactured items. For the most part, exports of high-value horticulture, floriculture, or organic agricultural products have typically targeted markets in the European Union and United States.

The 37 AGOA-eligible countries have been categorized into 9 country groups based on similarities in export patterns. Table ES-1 provides a summary of Commission findings for each of the 37 AGOA-eligible countries with regard to sectors with the greatest export growth potential, domestic barriers, and international barriers.

Table ES-1

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Petroleum-exporting countries.—These predominantly petroleum-exporting countries are located on the Atlantic coast. Their GDPs range from \$3.5 billion (Republic of the Congo) to \$50.2 billion (Nigeria). These countries' petroleum reserves are predominantly offshore, and there is a varying level of refining capacity in each country. Cameroon's exports are the most diversified, and include, in addition to petroleum, wood, bananas, cocoa, aluminum, cotton, coffee, and natural rubber. Republic of the Congo and Gabon also export wood, and Angola and the Republic of the Congo export diamonds. Agriculture is important in Nigeria, accounting for nearly one-third of GDP and a major share of employment.

Angola	Leading Export Sectors	<ul style="list-style-type: none"> • Energy-related, including crude petroleum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish, coffee, and wood • Energy-related, including liquified natural gas • Services, including transportation services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including political instability • Infrastructure, including poor roads and railways • Uncertain business environment, including institutional weakness, lack of a skilled workforce necessary to diversify into more skill-intensive sectors, high cost of capital, and difficulties obtaining business permits
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including regional instability
Cameroon	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including hardwood lumber and logs, bananas, cocoa, and cotton • Energy-related, including petroleum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including hardwood lumber and wood products, bananas, cocoa, cotton, coffee, and processed fruits and vegetables • Energy-related, including downstream petroleum products • Manufacturing, including light industrial products • Minerals and metals, including aluminum • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of government and judicial transparency • Infrastructure, including inadequate rural roads, lack of electricity and fixed line telecommunications network, and lack of a deep-water port • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including high cost of capital, low volume capacity, and lack of global business management knowledge
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards and developed-country agriculture support programs • Tariffs, including tariff peaks and tariff escalation • Geographic trade-related barriers, including certification necessary for direct flight access to potential markets and few direct flights
Gabon	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including logs and timber • Energy-related, including petroleum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including lumber and wood products, seafood, and palm oil • Energy-related, including petroleum • Minerals and metals, including manganese

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Petroleum-exporting countries.—Continued		
Gabon—Cont.	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of government transparency • Infrastructure, including inadequate and poorly maintained road network • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low funding for education
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including few direct regional and international flights to potential markets
Nigeria	Leading Export Sectors	<ul style="list-style-type: none"> • Energy-related, including petroleum and liquified natural gas
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa, cashews, sesame, shrimp and prawns, and leather • Energy-related, including petroleum and liquified natural gas • Manufacturing, including leather products • Minerals and metals, including tantalum and niobium
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including pervasive unofficial payments • Infrastructure, including inadequate road and rail networks and port facilities and high cost of utilities • Labor, including labor market rigidity and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including lack of government transparency in development and implementation of regulations and burdensome regulations • Trade policy, including export taxes and high import tariffs • Uncertain business environment, including limited access to capital, high cost of inputs, and distorted exchange rate
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including changing regulations in EU markets
Republic of the Congo	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including wood and wood products • Energy-related, including petroleum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Energy-related, including petroleum and electricity • Manufacturing, including processed wood products • Minerals and metals, including magnesium and gold
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including internal insecurity • Infrastructure, including inadequate road network and port facilities • Regulatory, including burdensome regulations and limited contract enforcement • Trade policy, including high import tariffs • Uncertain business environment, including high cost of inputs, high cost and limited supply of credit, and high cost of utilities
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including sanitary and phytosanitary standards

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Predominantly mineral-exporting countries.—With the exception of Guinea, which is in western Africa, these countries are in south-central Africa. Their GDPs range from \$3.6 billion (Guinea) to \$7.4 billion (Botswana). The products mined in these countries include aluminum, copper, nickel, cobalt, and diamonds. Democratic Republic of the Congo and Guinea also export petroleum, and agricultural exports are important to Botswana (beef), Guinea (fish), and Zambia (cotton, tobacco, and sugar).

Botswana	Leading Export Sectors	<ul style="list-style-type: none"> Minerals and metals, including diamonds
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> Agriculture, forestry, fisheries, and agroprocessing, including beef, ostrich products, and hides and skins Manufacturing, including glass and jewelry Minerals and metals, including gold, base metals, and diamonds Services, including tourism and financial services outsourcing
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> Infrastructure, including high utility costs and supply constraints, insufficient telecommunications infrastructure, and high transportation costs Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors Regulatory, including restrictive labor laws, land lease restrictions, and restrictive industry structure Uncertain business environment, including low-volume production capacity
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> Nontariff measures, including standards Geographic trade-related barriers, including regional instability, land-locked status that requires use of neighboring country infrastructure, distance to current or potential markets, and regional infrastructure constraints
Democratic Republic of the Congo	Leading Export Sectors	<ul style="list-style-type: none"> Energy-related, including petroleum and hydroelectricity Minerals and metals, including diamonds
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> Agriculture, forestry, fisheries, and agroprocessing, including coffee Energy-related, including hydroelectricity Minerals and metals, including copper, diamonds, cobalt, sulphites, zinc products, and tantalum
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> Governance, including political instability, lack of transparency, and lack of government control over coffee- and mineral-producing territories Infrastructure, including inadequate road, port, and telecommunications networks Uncertain business environment, including collapse of banking system, insecure property rights, difficulties starting a business, and difficulties enforcing contracts
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> Nontariff measures, including standards Geographic trade-related barriers, including regional conflicts and costly air freight
Guinea	Leading Export Sectors	<ul style="list-style-type: none"> Agriculture, forestry, fisheries, and agroprocessing, including fish, cocoa, coffee, and natural rubber Energy-related, including crude petroleum Minerals and metals, including aluminum ores, concentrates, and oxides; diamonds; and copper ores and concentrates
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> Agriculture, forestry, fisheries, and agroprocessing, including frozen and processed fish, cocoa beans, mangoes, pineapples, and cashews Minerals and metals, including iron ore; aluminum ores, concentrates, and oxides; diamonds; copper ores and concentrates; and gold
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> Governance, including lack of transparency Infrastructure, including poor roads and ports, high utility costs, and insufficient telecommunications infrastructure Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors Regulatory, including restrictive regulatory framework Trade policy, including delays in value-added tax refunds

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Predominantly mineral-exporting countries.—Continued		
Guinea—Cont.	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Tariffs, including EU tariffs on agricultural products • Geographic trade-related barriers, including regional instability and regional road taxes
Zambia	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton and tobacco • Minerals and metals, including copper and cobalt
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including horticulture and floriculture products, cereal flours, maize, honey, coffee, and logs • Energy-related, including electricity • Manufacturing, including leather products, textile and apparel, and handicrafts • Minerals and metals, including copper, gemstones, niobium, and tantalum
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including inadequate road and railway networks, and high cost of telecommunications • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Trade policy, including high import tariffs • Uncertain business environment, including high inflation rates, high cost of utilities, burdensome regulations, high cost of capital, outdated technology, and high tax rates
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including rules of origin and developed-country support programs • Tariffs, including high tariffs in regional markets • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure and regional instability

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Moderately mineral-exporting countries.—These countries are not geographically close together, and they have a wide range of GDPs, from \$793 million (Sierra Leone) to \$159.9 billion (South Africa). While they export a significant amount of minerals and metals, their export base is diversified. For example, agricultural exports are important to Mozambique (crustaceans), Rwanda (coffee), and Sierra Leone (cocoa), and South Africa exports a number of manufactured products, including motor vehicles. All of these countries, with the exception of Sierra Leone, export significant amounts of fossil fuels.

Mozambique	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including seafood • Minerals and metals, including aluminum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including seafood, fresh fruits and vegetables, and cut flowers • Energy-related, including electricity • Manufacturing, including wood products • Minerals and metals, including aluminum and titanium • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including inefficient judicial system and domestic security issues • Infrastructure, including lack of paved roads, high transportation costs, high utility costs, inadequate transportation infrastructure, and inadequate electrical supply • Labor, including low labor productivity and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including burdensome corporate laws, complex and restrictive labor laws, land rights issues, and customs delays • Trade policy, including delays in value-added tax refunds • Uncertain business environment, including low-volume production capacity, lack of standards capacity, and outdated technologies
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards, developed-country agricultural policies, and rules of origin
Niger	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including livestock and fresh vegetables • Minerals and metals, including uranium
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including livestock, meat, gum arabic, and sesame • Energy-related, including crude petroleum, coal, and electrical power • Minerals and metals, including gold and phosphate
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including poor roads and inadequate communications infrastructure • Labor, including low literacy rate, lack of skilled labor necessary to diversify into more skill-intensive sectors, and lack of managerial training • Trade policy, including taxes on all exports except minerals and burdensome export procedures.
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards, developed-country agriculture support programs, and middle-income country support programs • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure
Rwanda	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee and tea • Minerals and metals, including tin, gold, coltan, and tungsten
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, tea, fruit, and fish • Manufacturing, including textiles and apparel and downstream chemicals • Minerals and metals, including tin, gold, beryllium, kaolin, and peat • Services, including tourism

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Moderately mineral-exporting countries.—Continued		
Rwanda—Cont.	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of security • Infrastructure, including limited railroad network and dilapidated road network • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including limited technology use, limited access to credit, high cost of utilities, and burdensome regulations and bureaucracy
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including rules of origin • Geographic trade-related barriers, including land-locked status necessitating access to neighboring country infrastructure
Sierra Leone	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa • Minerals and metals, including diamonds, bauxite, and rutile
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa and cocoa-based products and fish • Energy-related, including petroleum and gas • Manufacturing, including jewelry • Minerals and metals, including diamonds, bauxite, rutile, and iron • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of judicial transparency and domestic security issues • Infrastructure, including congested and inefficient port and impassable rural roads • Labor, including low literacy rate, lack of skilled labor necessary to diversify into more skill-intensive sectors, and lack of managerial training • Regulatory, including burdensome agricultural-sector and domestic trucking regulations • Uncertain business environment, including volatile exchange rate; relatively high rates of inflation; extensive business start-up, licensing, and registration procedures and costs; outdated technology; and low-volume production capacity
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Tariffs, including tariff peaks on footwear and apparel products • Geographic trade-related barriers, including international security risk or regional instability, certification necessary for direct flight access to potential markets, and lack of direct flights
South Africa	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including citrus fruit and wine • Energy-related, including coal • Manufacturing, including motor vehicles • Minerals and metals, including platinum-group metals, diamonds, and gold • Services, including financial services and tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fresh fruits and vegetables, canned and processed food, cut flowers, wine, and ostrich products • Manufacturing, including motor vehicles, engines, and parts • Minerals and metals, including ores and concentrates, precious and semiprecious stones, wrought forms of tin, and alloys • Services, including information and communication technologies, business process outsourcing, tourism, and feature and commercial film

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Moderately mineral-exporting countries.—Continued		
South Africa—Cont.	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including difficulties with organized crime • Infrastructure, including congested and inefficient ports and poor road and rail infrastructure • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, immigration policies, and rigid labor laws • Regulatory, including Broad-Based Black Economic Empowerment rules and mining legislation that has slowed foreign direct investment, burdensome agricultural-sector regulations, inefficient passenger aviation system for tourism • Trade policy, including export control and licensing requirements • Uncertain business environment, including volatile exchange rate, limited access to finance for small, medium, and micro enterprises, low-volume production capacity, lack of confidence to invest in expanding output, and lack of export market knowledge
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards, bans on imports of certain products, difficulties with foreign customs procedures, and developed-country and middle-income country agricultural support programs • Tariffs, including tariff peaks in certain markets • Geographic trade-related barriers, including regional road fees, difficulties in transporting products that require careful handling or refrigeration, and lack of direct flights to certain markets

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Cotton-exporting countries.—These four countries share the semiarid grassland and woodland climate of the Sahel region of West Africa in at least part of their territory. Their GDPs range from \$2.6 billion (Chad) to \$4.3 billion (Mali). Exports other than cotton that are typical of these countries include cashews, cigarettes, oilseeds, oil cakes, and goat leather.

Benin	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton, cashews, and leather • Energy-related, including petroleum • Manufacturing, including yarn and textiles • Minerals and metals, including gold, phosphates, iron ore, marble, and clay
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of government and judicial transparency • Infrastructure, including unreliable electricity, telecommunications, and water; and inadequate rural roads • Labor, including labor force rigidity • Regulatory, including burdensome labor laws • Uncertain business environment, including volatile exchange rate, relatively high rates of inflation, and lack of capital
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including developed-country agriculture support programs • Tariffs, including tariff peaks on textiles
Burkina Faso	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton, livestock, and hides and skins
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including shea butter • Manufacturing, including cotton yarn and handicrafts • Minerals and metals, including gold • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including inadequate transport infrastructure, inefficient railway operations, and high transportation and utility costs • Labor, including low literacy and life expectancy rates and lack of skilled labor necessary to diversify into more skill-intensive sectors • Uncertain business environment, including outdated technologies, employment market rigidity, and high business operating costs
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including developed-country agriculture support programs • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure
Chad	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton and gum arabic • Energy-related, including petroleum
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cattle, cotton, gum arabic, onions, shallots, and garlic • Energy-related, including petroleum • Manufacturing, including textiles
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of judicial transparency and domestic security issues • Infrastructure, including lack of paved roads and railroads • Labor, including low literacy rate and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including burdensome agricultural-sector regulations and domestic trucking regulations • Uncertain business environment, including extensive business start-up, licensing, and registration procedures, and associated costs

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Cotton-exporting countries.—Continued		
Chad—Cont.	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including developed-country cotton support programs • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure, certification requirements for direct flight access to potential markets, and lack of direct flights
Mali	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton and livestock • Minerals and metals, including gold
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton, cereals and grains, fruits and vegetables, processed food, and livestock • Minerals and metals, including gold • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including high levels of government intervention in the economy and limited property rights • Infrastructure, including inadequate and expensive transportation costs and high utility costs • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including labor market rigidity • Trade policy, including high import tariffs • Uncertain business environment, including high cost to start a business, high cost of capital, and technical inability to meet sanitary and phytosanitary requirements
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure and regional instability disrupting export outlets

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Fisheries-exporting countries.—These countries all have access to ocean resources, four in the north Atlantic ocean, one in the south Atlantic, and one in the Indian Ocean. Their GDPs range from \$53.7 million for São Tomé and Príncipe to \$9.9 billion for Tanzania. Nonfisheries exports for these countries include iron ore (Mauritania), coffee (Tanzania), cocoa (São Tomé and Príncipe), and shipping services (The Gambia and Senegal).

The Gambia	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including groundnuts and fish • Services, including tourism and re-exports
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including groundnut products, fish, flowers, fruits, and vegetables • Energy-related, including offshore petroleum • Manufacturing, including textiles and ceramic tiles • Services, including tourism and re-exports
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including domestic security • Infrastructure, including poor roads and inadequate telecommunications • Trade policy, including coffee export tax, inefficient export processing zone incentives, and delays in value-added tax refunds • Uncertain business environment, including extensive business start-up, licensing, and registration procedures and costs; outdated technology; and low-volume production capacity
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards • Geographic trade-related barriers, including international security risk and regional instability
Mauritania	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fisheries products • Minerals and metals, including iron ore
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fisheries products • Energy-related, including crude petroleum • Minerals and metals, including diamonds • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including poor and deteriorating roads • Labor, including low literacy rate, lack of skilled labor necessary to diversify into more skill-intensive sectors, and lack of managerial training • Uncertain business environment, including difficulties with respect to contract enforcement and obtaining credit and costly water and energy
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards, testing, and technical requirements • Tariffs, including high regional tariffs
Namibia	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fresh and processed meat and fish • Manufacturing, including textiles and apparel • Minerals and metals, including diamonds, uranium oxide, and unprocessed minerals
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fresh and processed meat and fish • Manufacturing, including textiles and apparel • Minerals and metals, including diamonds, uranium oxide, and unprocessed minerals

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Fisheries-exporting countries.—Continued		
Namibia—Cont.	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including state ownership of water, electricity, telecommunications, and air transport • Infrastructure, including frequent transport bottlenecks • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low productivity • Regulatory, including royalties and differential tax rates on natural resources, quota entitlement and total allowable catch levels in fisheries, and control boards • Trade policy, including export control and licensing requirements and customs inefficiencies • Uncertain business environment, including standards capacity
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including quality and standards requirements, customs requirements, and developed-country agricultural programs • Tariffs, including tariffs on some agricultural products
São Tomé and Príncipe	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa, cocoa products, coffee products, and fish • Energy-related, including crude petroleum • Services, including tourism and logistics services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including domestic political instability • Infrastructure, including insufficient transportation infrastructure and utility constraints • Labor, including a small labor pool and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including inability to own land • Uncertain business environment, including low-volume production capacity and outdated or inefficient agricultural technologies
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including additional costs of air transport associated with island status
Senegal	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish and crustaceans and peanut and peanut oils • Minerals and metals, including phosphates • Services, including tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish and crustaceans, peanut and peanut oils, fresh fruits and vegetables, and processed food products • Energy-related, including petroleum • Services, including tourism and information technology
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including degrading railway and road networks and insufficient port facilities • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, especially with respect to business management skills • Regulatory, including labor market rigidity and burdensome business regulations • Uncertain business environment, including high cost to start, register, and run a business; and high production costs
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including certification necessary for direct flight access to potential markets

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Fisheries-exporting countries.—Continued		
Tanzania	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish and coffee • Minerals and metals, including gold • Services, including tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish, coffee, spices, horticulture and floriculture products, and processed and packaged food • Energy-related, including petroleum • Manufacturing, including textiles and apparel, processed wood products, and leather products • Minerals and metals, including gold • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including an inadequate port and poor road and rail networks • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including excessive regulations, especially in the agriculture and mineral sectors • Trade policy, including high import tariffs and export taxes • Uncertain business environment, including high cost of capital, inputs, utilities, and transport; lack of export market knowledge; and lack of technical capacity to meet international standards
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including lack of direct flights to U.S. market

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Coffee, tea, and spice-exporting countries.—These three countries are geographically similarly situated (East Africa) and have similar elevated semiarid regions along the Rift Valley suitable for coffee production. Although Ethiopia and Uganda have similar GDPs (\$6.6 billion and \$6.2 billion, respectively), Kenya’s GDP is more than the other two countries combined, at \$13.8 billion. Exports other than coffee, tea, and spices include cut flowers; oilseeds, leather, and precious metals (Ethiopia); petroleum, legumes, and apparel (Kenya); and fish, tobacco, cotton, and hides (Uganda).

Ethiopia	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee and oilseeds
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, animal-related products, and horticultural products • Energy-related, including hydropower and geothermal energy • Manufacturing, including textiles and apparel, leather goods, and jewelry • Services, including tourism, air transportation, and publishing
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of transparency, social instability, civil unrest, famine, and population displacement • Infrastructure, including inadequate roads and telecommunications systems • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Trade policy, including high tariffs on inputs • Uncertain business environment, including structural issues in the banking sector, lack of market information, limited technology, and limited access to finance
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including agricultural support programs and standards • Tariffs, including peaks in agricultural tariffs
Kenya	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, tea, and cut flowers • Energy-related, including refined petroleum products • Services, including tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, tea, cut flowers, fresh fruit, and pyrethrum • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of transparency in government procurement and lack of security • Infrastructure, including poor roads, poor railways, unreliable electrical power, and inadequate telecommunications network • Regulatory, including lack of regulatory transparency and onerous customs procedures • Trade policy, including high tariffs and export taxes on hides, skins, and scrap metal • Uncertain business environment, including high taxes, lack of security, and large informal economy
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including certification necessary for direct flight access to potential markets
Uganda	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, fish, tobacco, vanilla beans, and cut flowers
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including coffee, fish, vanilla, cut flowers, and tobacco • Energy-related, including petroleum • Minerals and metals, including cobalt and gold • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of judicial and tax transparency and lack of security • Infrastructure, including inefficiencies in utilities and transportation • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors and low labor productivity • Regulatory, including inefficient customs procedures • Trade policy, including coffee export tax and weak export institutional framework • Uncertain business environment, including high cost of capital, lack of technology, outdated equipment, lack of market information, and lack of scale economies

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Coffee, tea, and spice-exporting countries.—Continued		
Uganda—Cont.	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including customs procedures and valuations, standards and labeling requirements, and agricultural support programs • Tariffs, including high tariffs in agricultural products • Geographic trade-related barriers, including land-locked status necessitating use of poor regional road networks and inadequate rail and air transport

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Other agriculture-exporting countries.—These countries are located in western and southern sub-Saharan Africa, and export a range of agricultural products. Their GDPs range from \$235.7 million (Guinea-Bissau) to \$7.7 billion (Ghana). Other important exports include aluminum and wood (Ghana); petroleum (Guinea-Bissau); sugar, tea, and apparel (Malawi); and apparel and citrus (Swaziland).

Ghana	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cocoa and processed cocoa products, wood products, and pineapples • Manufacturing, including wood products and fish products • Minerals and metals, including gold, bauxite and aluminum products, and manganese • Services, including tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fresh cut flowers, processed cocoa products, and fresh and processed fruits and vegetables • Manufacturing, including ceramics, cosmetics, electrical equipment, handtools, and jewelry • Minerals and metals, including diamonds and downstream aluminum products • Services, including tourism, diamond cutting and polishing, and offshore data processing
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including congested ports, inadequate and insufficient road network, unreliable energy supply, and an undercapitalized tourism sector with a shortage of hotels • Labor, including shortage of certain skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including complex land tenure system • Trade policy, including delays in drawback and value-added tax refunds • Uncertain business environment, including lack of domestic credit
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including sanitary and phytosanitary measures and developed-country agriculture support programs • Tariffs, including tariffs assessed by ECOWAS members on exports that should be duty free • Geographic trade-related barriers, including poor road connections with neighbors
Guinea-Bissau	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cashews and fish and crustaceans
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cashews, mangoes, cotton, downstream products of existing exports such as processed cashews or fish, and processed wood products • Energy-related, including petroleum
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including internal instability • Infrastructure, including expensive and inadequate utilities and destroyed road network • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including burdensome regulations and limited property rights • Uncertain business environment, including high cost and limited access to capital and lack of testing and documentation capacity to meet standards requirements
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Tariffs, including high tariffs on fish in export markets

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Other agriculture-exporting countries.—Continued		
Malawi	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including tobacco, sugar, and tea • Manufacturing, including apparel
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cotton, coffee, macadamia nuts, groundnuts and associated oils, fruit juices, cut flowers, and paprika • Manufacturing, including textiles and apparel • Minerals and metals, including bauxite and titanium • Services, including medical, accounting, and architectural services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including governmental transparency • Infrastructure, including inadequate transportation infrastructure, erratic electricity supply, lack of cold storage facilities, and low levels of irrigation • Regulatory, including foreign exchange conversion requirements and restrictive trucking regulations • Uncertain business environment, including high cost and lack of capital and technical and volume capacity constraints
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards and developed-country agricultural support programs • Tariffs, including tariff-rate quotas • Geographic trade-related barriers, including land-locked status necessitating use of neighboring country infrastructure
Swaziland	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cane sugar, chemical wood pulp, citrus, and beef • Manufacturing, including apparel • Services, including tourism and supplying fresh water to neighboring countries
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cane sugar, food preparations, chemical wood pulp, citrus fruit, and meat • Manufacturing, including artificial waxes, bookbinding machinery, textiles and apparel (woven cotton fabrics and gauze), and watch straps • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including inadequate domestic energy generation • Labor, including high emigration, declining population growth rate, and delays in obtaining work permits for foreign workers • Regulatory, including ambiguous land tenure regulations, lack of land ownership security, and difficulties meeting EU sanitary and phytosanitary standards
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including land-locked status necessitating use of ports in Mozambique or South Africa and high shipping costs

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Apparel-exporting countries.—These countries have been significant beneficiaries of the textile and apparel provisions of the AGOA program. Lesotho is less diversified than Madagascar and Mauritius, and, with a GDP of \$1.1 billion, has about one-fifth the GDP of the other two countries. Other important exports include diamonds (Lesotho); vanilla, fish and seafood, cloves, and fruit (Madagascar); and sugar, fish, diamonds, and tourism (Mauritius).

Lesotho	Leading Export Sectors	<ul style="list-style-type: none"> • Manufacturing, including apparel
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including cereals, animal hair, fruit juices, mushrooms, and canned peaches and asparagus • Manufacturing, including apparel • Minerals and metals, including diamonds • Services, including tourism
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including poor roads and inadequate container terminal and airport cargo-holding capabilities • Labor, including HIV infection rates, wage restrictions, labor productivity, and lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including land ownership limits and cumbersome mining regulations • Trade policy, including export tax on diamonds • Uncertain business environment, including business start-up time and number of procedures to enforce contracts
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including rules of origin • Geographic trade-related barriers, including transportation issues relating to land-locked status
Madagascar	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including vanilla and fish • Manufacturing, including apparel • Services, including tourism
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including vanilla, cloves, fish and crustaceans, and fresh fruit • Energy-related, including refined petroleum • Manufacturing, including textiles and apparel • Minerals and metals, including metals and metal minerals, industrial minerals, dimension stone, and semiprecious stones • Services, including tourism and business process outsourcing
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Governance, including lack of judicial, tax, and customs transparency • Infrastructure, including poor road, rail, and port facilities; high port fees; unreliable and costly air transport; and poor telecommunications and electricity systems • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, labor market rigidity, and difficulty in obtaining visas for foreign workers • Regulatory, including high taxes, ill-defined property rights, and inefficient customs procedures • Trade policy, including delays in value-added tax refunds • Uncertain business environment, including access to capital and high interest rates, and difficulties with marketing, certification, and quality control
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including standards • Geographic trade-related barriers, including long distance to markets, lack of flights, and costly flights

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Apparel-exporting countries.—Continued		
Mauritius	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including sugar • Manufacturing, including apparel • Services, including tourism, financial services, and information and communication technologies
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Services, including tourism, financial services, information and communication technologies, and distribution services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including high telecommunications costs • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including lack of competitive air transport policy and strict control of passenger visits • Uncertain business environment, including the lack of raw materials and low-volume production capacity
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including sanitary and phytosanitary measures • Geographic trade-related barriers, including lack of regional purchasing power

Table ES-1—Continued

Summary of findings: Potential export growth sectors and domestic and international barriers in AGOA-eligible countries

Transport services-exporting countries.—These countries are all located along strategic transportation routes and, consequently, are important countries in providing transit, port, and logistical services. All three have relatively small GDPs ranging from \$625.0 million (Djibouti) to \$831.1 million (Cape Verde). Important merchandise exports include apparel, electronic components, and footwear (Cape Verde); salt, live animals, wheat, and gold (Djibouti); and fisheries products (Seychelles).

Cape Verde	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fish and bananas • Manufacturing, including apparel, footwear, and electronic components • Services, including tourism and transportation support
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including seafood • Manufacturing, including apparel, footwear, and electronics • Services, including tourism and transportation support
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including limited fish processing and refrigeration facilities and high utility costs • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors • Regulatory, including high cost of capital and burdensome and ambiguous administrative procedures that increase the cost and time of doing business
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including the cost of transportation because of remote location from other SSA countries
Djibouti	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including livestock, hides, skins, and salt • Services, including port-related services
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including fisheries products, livestock, salt, and leather products • Services, including port-related services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including poor roads, inadequate telecommunications network, and few refrigerated storage facilities • Labor, including lack of skilled labor necessary to diversify into more skill-intensive sectors, especially with respect to managerial skills
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Geographic trade-related barriers, including regional instability and U.S. security restrictions
Seychelles	Leading Export Sectors	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including prepared or preserved fish and frozen fish • Services, including tourism, logistics, and offshore business services
	Sectors with Greatest Export Growth Potential	<ul style="list-style-type: none"> • Agriculture, forestry, fisheries, and agroprocessing, including prepared or preserved fish and frozen fish • Services, including tourism and offshore business services
	Reported Domestic Barriers and Impediments	<ul style="list-style-type: none"> • Infrastructure, including high transportation costs, high utility costs, and capacity constraints • Labor, including high labor costs and a limited labor pool • Regulatory, including price controls, exchange rate policy, lack of foreign exchange, and limited access to capital • Trade policy, including relatively high ad valorem duties • Uncertain business environment, including the lack of domestically available inputs, the limited size of the economy, and high capitalization requirements
	Reported International Barriers and Impediments	<ul style="list-style-type: none"> • Nontariff measures, including rules of origin and the requirements of international monitoring bodies

Source: Compiled by the Commission.

CHAPTER 1

Introduction

Purpose and Scope

On November 10, 2004, the United States Trade Representative (USTR) requested that the U.S. International Trade Commission (Commission) prepare a report under section 332 (g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) that identifies, for each AGOA-eligible country, (1) the major economic sectors with the greatest potential for growth in export sales and (2) domestic and international barriers that impede trade growth in such sectors.¹ In addition, the USTR requested that the Commission's report identify, to the extent possible, private-sector initiatives and technical assistance programs that attempt to address such barriers.² The USTR requested that the Commission submit its report no later than June 30, 2005.

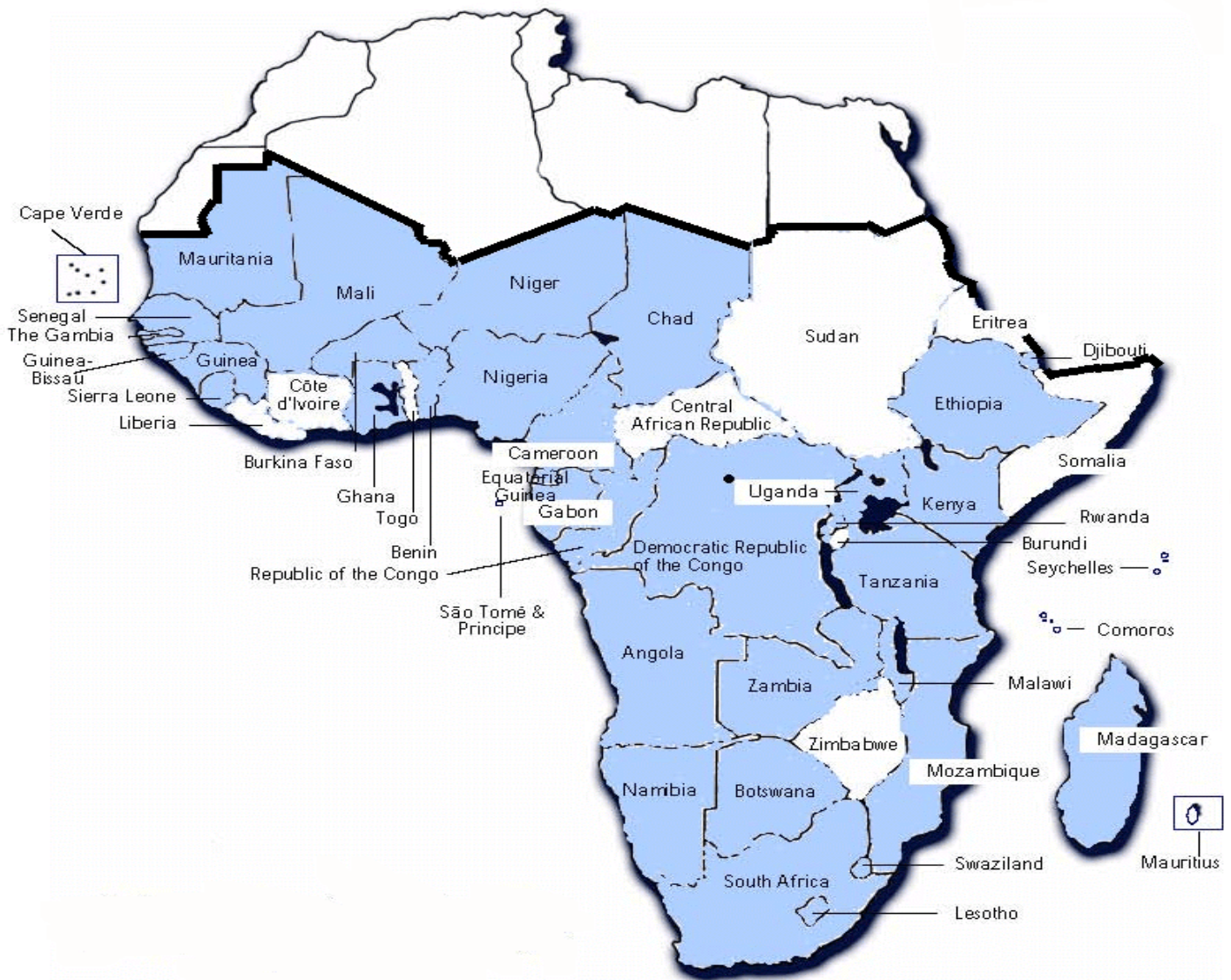
This study is related to the 2004 AGOA Acceleration Act (AGOA III), which was signed by the President on July 13, 2004. Section 9 of AGOA III directs the President to conduct a study on each AGOA-eligible sub-Saharan African (SSA) country, which (1) identifies economic sectors with the greatest potential for growth, (2) identifies domestic and international barriers that are impeding growth in such sectors, and (3) makes recommendations on how the U.S. government and the private sector can provide technical assistance to these countries to assist in both dismantling such barriers and in promoting investment in such sectors.

As of June 30, 2005, the 37 AGOA-eligible countries were: Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Djibouti, Democratic Republic of the Congo, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia (figure 1).

¹ The USTR letter is in app. A, and the Commission's notice of investigation, published in the *Federal Register* of Dec. 13, 2004 (69 F.R. 72217), is in app. B.

² Commission sources, both primary and secondary, identified few examples of private-sector initiatives specifically targeting the alleviation of domestic and international impediments to increased exports. In-country interviews suggested that existing private-sector efforts consist primarily of addressing broader issues regarding the removal of domestic barriers to business development.

Figure 1
Map of sub-Saharan Africa



Named countries represent all 48 sub-Saharan African countries. Shaded countries are AGOA-eligible. The illustration of the map in this figure is an artistic representation of the countries of sub-Saharan Africa. It is not drawn to scale, nor is it intended to depict political or geographical boundaries.

Approach

The Commission employed multiple approaches in addressing the USTR’s request. This section describes the criteria and approach employed to identify potential export growth sectors and domestic and international barriers. The list of identified potential export sectors and domestic and international barriers provided in this report is based on Commission research, including fieldwork conducted in selected AGOA-eligible countries. The export sectors, products, and barriers that have been identified may not be exhaustive, nor are they ranked according to their relative significance.³

*Identification Criteria*⁴

This study focuses on the potential for export growth over the course of several business cycles.⁵ The criteria used to identify potential export growth sectors or products include:⁶

1. existing exported products that a country could increase through improved productivity or product quality;
2. products that reflect a country’s endowment strengths, but have not been exported in significant quantities; and
3. products that represent downstream processing of existing export products.

³ The extent of discussion of specific constraints across the country profiles reflects the degree of recognition they received in the information gathered from public sources and from fieldwork. In addition, this report does not provide a comparative analysis across countries. Such assessment requires a detailed analysis of the potential revenue effect of increased exports and reduced barriers for each AGOA-eligible country. Such an analysis is beyond the scope of this study.

⁴ The identification of potential export products and sectors in this study is not proffered as a recommendation or an assessment, and the identification of impediments does not suggest support for any specific policy to address impediments. Government policy to support exports or to alleviate barriers should be contingent on additional study. The danger of using the identified products and sectors other than for initial guidance for policy objectives has been cited by researchers. For example, Blackhurst and Layakurwa note that an assessment of the prospects for nontraditional exports that does not provide an in-depth analysis of product-specific domestic conditions “inevitably involves a large element of attempting to ‘pick winners’.” [There] certainly is no empirical basis for claiming that this is a promising route to developing internationally competitive exports.” Richard Blackhurst and William Layakurwa, “Markets and market access for African exports: Past, present and future directions,” World Trade Organization: Framework Papers, Collaborative Research Project, CRC-3-3, p.18, found at www.aercafrica.org/DOCUMENTS/Lyakurwa.pdf, retrieved Apr. 25, 2005.

⁵ This period could be considered as short to medium term, with one business cycle of approximately 4 to 5 years. Theoretically, any country could export an almost-infinite variety of products in the long term, if inputs and technology can be acquired. As endowments, government policies, and domestic and international trade environments change, so may a country’s potential export products and sectors. For additional definitions of economic terms employed in this study, see app. C.

⁶ This study focuses on countries that are eligible for the AGOA preferential trade program, which is specific to the United States. However, in identifying potential export sectors and domestic and international barriers related to these countries, all export markets were considered.

In addition to these criteria, export growth may result from market diversification or from further penetration of existing export markets. For example, China's growing demand for natural resources such as petroleum, timber, cotton, and minerals and metals has benefitted African countries exporting these products. According to Commission fieldwork, predominantly agricultural commodity-exporting countries could increase exports by shipping to developing and emerging economies, which have been identified by government officials as potential markets for raw agricultural commodities, minimally processed products, and light-manufactured items. In general, officials in countries that have been promoting increased exports of high-value horticulture, floriculture, or organic agricultural products have targeted primarily the EU and U.S. markets.

International and domestic barriers are broadly defined to include impediments related directly to international transactions, as well as domestic factors within each AGOA-eligible country that impede export growth. International barriers, which can be imposed by either the exporting or importing country, directly affect the terms on which international transactions take place. Domestic impediments can indirectly affect markets for exports by affecting factors of production (labor, land, natural resources, and capital) or raise the cost of production by hampering the business environment. In general, the effects of impediments caused by international policies and those of domestic policies mimic each other, both adversely affecting a country's international competitiveness.⁷ The barriers mentioned below are observed in many SSA countries. International barriers imposed by importing countries include:⁸

- tariffs;
- quotas;
- tariff-rate quotas;
- nontariff barriers such as sanitary and phytosanitary standards, which may serve a legitimate domestic policy objective, but are impediments to trade as exporting countries may be limited in their technical capacity to comply with the standards; and
- domestic subsidies.

⁷ For the theory of multiple international and domestic distortions operating simultaneously, see Jagdish Bhagwati and V.K. Ramaswami, "Domestic Distortions, Tariffs and the Theory of Optimum Subsidy," *Journal of Political Economy*, 71, Feb. 1963; and Jagdish Bhagwati, "The Generalized Theory of Distortions and Welfare," in Jagdish Bhagwati, Ronald Jones, Robert Mundell, and Jaroslav Vanek, eds., *Trade, Balance of Payments, and Growth: Papers in International Economics in Honor of Charles P. Kindleberger* (Amsterdam: North-Holland, 1971).

⁸ Analysis of tariff and nontariff barriers for each AGOA-eligible country on market-by-market and tariff line-by-tariff line bases is beyond the scope of this study.

International barriers imposed by exporting countries include:

- high and uneven import tariffs, which distort the transmission of international prices to the domestic economy;
- export taxes and prohibitions;
- overvalued exchange rates, which systematically make exports artificially expensive and imports artificially inexpensive, and generally require foreign exchange rationing;
- export marketing boards that affect relative prices; and
- restrictions on foreign direct investment.

Domestic impediments that may limit SSA exports include:

- labor market policies that induce rigidity and prevent labor from moving from less to more profitable activities;
- rigidities in markets for land, particularly the inability of farmers to obtain full marketable title to land, which can prevent investment in both human and physical capital in agricultural export crops;
- government policies that artificially raise the cost of capital;
- domestic price regulation;
- business regulations that impair ease of entry and exit;
- government policies that establish or tolerate monopolies (other than natural monopolies) or business collusion;
- failures of the rule of law, contract enforcement, property rights, as well as lack of government transparency in the administration of any policy, which impairs all economic activity, including exports;
- lack of technical capacity to meet international standards such as sanitary and phytosanitary standards;
- inadequate infrastructure such as a lack of inland road and railroad transport, or inadequate seaport and airport service for exports, which makes it difficult to access export markets;⁹ inadequate telephone or Internet service, which increases the cost of accessing information to conduct transactions; and expensive and/or unreliable utilities, which increase the cost and risk of conducting business; and
- protracted domestic civil unrest, which increases risk and reduces investment.

⁹ On the effects of improved transportation links, see USITC, *Logistic Services: An Overview of the Global Market and Potential Effects of Removing Trade Impediments*, inv. No. 332-463, USITC pub. 3770, May 2005.

Geographic trade-related impediments that may limit SSA exports include:

- land-locked position, which can increase the cost of exporting products that can only be efficiently transported by land via neighboring countries;
- regional instability or civil unrest in neighboring countries; and
- recurring drought, famine, or other environmental adversities.

Commission research in selected AGOA-eligible countries, especially interviews of company, association, and government representatives, as well as secondary sources, cited domestic, rather than international impediments as the major barriers to increased exports.¹⁰ Hence, this report focuses primarily on domestic barriers that impede export growth. For most AGOA-eligible countries, sectors with the greatest potential for increased exports are existing export sectors that are hampered by domestic impediments. For example, one study examining SSA trade trends found that domestic policies were the primary impediment to export growth and diversification. The authors note that “it is unlikely that major shifts in the composition of exports can occur in the short to medium term. As such, the removal of general anti-export biases in African countries' domestic policies, as well as initiatives to promote more competitive (low cost) prices for traditional exports, still require immediate attention.”¹¹

Research and Analysis

The identification of potential export products or sectors and domestic and international barriers or impediments is based on statistical analysis of export data, information obtained from fieldwork in selected AGOA-eligible countries, and public sources. As mentioned above, given that the greatest potential for increased exports for many AGOA-eligible countries is in current exports, the country profiles discuss current sector- and product-specific exports, as well as significant trends in these exports. These data form the basis for the revealed comparative advantage analysis and market concentration measures in identifying potential export sectors and products. In addition to its fieldwork, the Commission also identified domestic and international barriers and impediments based on an analysis of business environment, economic freedom, and infrastructure indicators. This information was also supplemented with a review of primary and secondary sources (see below).

¹⁰ For a review of the importance of domestic impediments in limiting export growth, particularly the remnants of import-substitution-industrialization policies, see Francis Ng and Alexander Yeats, “What Can Africa Expect From Its Traditional Exports,” World Bank, Africa Region Working Paper Series No. 26, Feb. 2002; Economic Commission for Africa, *Economic Report on Africa 2004: Unlocking Africa's Trade Potential*, UNECA, 2004; and Ernesto Hernandez-Cata, Klaus Schwab, and Augusto Lopez-Claros, *The Africa Competitiveness Report 2004*, World Economic Forum, 2004.

¹¹ Ng and Yeats, “What Can Africa Expect From Its Traditional Exports,” p. vi.

The Commission conducted a revealed comparative advantage (RCA) analysis¹² to assess the relative efficiency of AGOA-eligible country exports. This analysis provided RCA indices¹³ that were used to identify sectors or products where AGOA-eligible countries were internationally competitive or were increasing in international competitiveness. Products with strong or rapidly improving RCA indices, therefore, likely have the potential for increased exports. Using diamond exports from Botswana as an example, the RCA index is equal to the share of diamond exports in Botswana's total exports relative to the share of diamond exports in total world exports, or:

$$\frac{(\text{Botswana diamond exports}/\text{Botswana total exports})/}{(\text{World diamond exports}/\text{World total exports})}.$$

When Botswana's diamond exports as a share of its total exports is greater (less) than global diamond exports as a share of total global exports, Botswana is said to have a revealed comparative advantage (disadvantage) in diamonds.

For ease of interpretation, the RCA index was converted into a Symmetric RCA index (SRCA). The RCA index can range from 0 to infinity, whereas the SRCA ranges from -1 to 1. For the main exports of each AGOA country, information is presented on the average SRCA index (00-03), the average yearly change in SRCA, the average growth in world markets, and the normalized standard deviation of market share from the global market share. The average SRCA is an indicator of a country's comparative advantage.¹⁴ For example, values of the SRCA between 0 and 1 suggest that the country may have a comparative advantage in the commodity, whereas values between -1 and 0 suggest a lack of a comparative advantage in the commodity under consideration. The average yearly change in the SRCA shows the stability of the SRCA index; positive average change generally represents increasing export opportunities, negative change generally represents decreasing export opportunities, and little change generally indicates stability.¹⁵ The average growth in world markets is a measure of world demand for the good. The normalized standard deviation (last column in appendix E tables) is an indicator of the dispersion of a country's exports of

¹² In practice, the RCA method is a well-established type of statistical analysis. Valentine and Krasnik applied the RCA method to six South African Development Community (SADC) countries' exports and found that, although most SADC countries have a comparative advantage in agricultural and mineral products, an improvement in their comparative advantage in nontraditional products has taken place since 1985. (See N. Valentine and G. Krasnik, "SADC Trade with the Rest of the World: Winning Export Sectors and Revealed Comparative Advantage Ratios," *The South African Journal of Economics*, 2000, 68(2), pp. 266-285.) More recently, Krakoff also applied the RCA methodology to SADC export statistics. (See Charles Krakoff, The Services Group for USAID, "Key Potential Export Markets and the Market Access Barriers Facing Southern African Exporters," Nov. 2003.) The RCA methodology has also been applied by the Commission in its estimation of the economic effect of a free trade agreement between the United States and Korea. In that particular case, a detailed RCA analysis complemented a broader model-based analysis. (See USITC, *U.S.-Korea FTA: The Economic Impact of Establishing a Free Trade Agreement (FTA) Between the United States and the Republic of Korea*, inv. No. 332-425, USITC pub. 3452, Sept. 2001.)

¹³ A description of the RCA analysis and market concentration measure is in app. D; the results of the RCA analysis are in app. E.

¹⁴ The averaging process takes out some of the transitory supply shocks.

¹⁵ It is possible that offsetting positive and negative changes could result in no change.

a particular product over different markets. Large values suggest that the exports of the good in question are concentrated in a few markets. There is not necessarily a relationship among these indicators. For example, products with large SRCAs may have either low or high normalized standard deviations. That is, although a country may be a major exporter of a particular commodity, it may only sell it in a limited number of markets. In order to make an assessment of potential export growth for each country, evaluation of the above-mentioned indices was supplemented with information gathered from public sources, interviews with industry and government representatives in selected AGOA-eligible countries, and African government representatives in the United States.

The Commission also developed export market concentration measures to assess the degree of product concentration in specific markets. This analysis resulted in a market concentration index that was used to highlight products where countries might be able to increase exports by penetrating new markets. The export market concentration measure is first determined by calculating the share of a specific product's imports in seven export markets.¹⁶ Again using Botswana diamond exports as an example, a value of "4.85" in the EU market means that the European Union's imports of diamonds from Botswana represent 4.85 percent of total EU imports of diamonds. Then, using the shares for all seven markets, the Commission calculated the extent to which a country's exports were highly concentrated in one or two markets. High export market concentration measures suggest products for which exports may be increased by penetrating additional markets. The extent to which the RCA analysis or export market concentration measures either complemented or supplemented information from primary and public sources varies by country.

An assessment of domestic impediments to increased exports is also provided by the indicators representing the state of the business environment, economic freedom, and infrastructure in each of the AGOA-eligible countries. Commission sources, both primary and secondary, have identified these measures as reliable indicators of the types of barriers faced by exporters. Business environment indicators highlight the difficulties of establishing and conducting business, including export-oriented business, in a country. Three frequently-cited domestic impediments were tariffs on imported inputs to production, the high cost of capital, and lack of government transparency. These impediments are, in part, reflected in the degree of economic freedom scores generated by the Heritage Foundation. For example, the "trade policy score" indicator measures the extent to which a country's own trade policy may inhibit export growth; the "banking and finance score" indicator measures the openness of the country's banking and financial system; and the "informal market activity score" indicator measures the degree of government transparency. As identified by Commission research, a significant constraint to increased exports in AGOA-eligible countries is inadequate infrastructure, including transport, communications, and utilities. The infrastructure-related indicators provide measures that underscore these infrastructure deficiencies. For consistency and completeness, all data are provided for all countries, if available; however, discussion of indicators is based on their relative appropriateness determined by Commission research and fieldwork.

¹⁶ The seven markets are Australia, Canada, the European Union (EU-15), Japan, lower- and middle-income countries, the United States, and rest of world. For a list of the component countries in "lower- and middle-income countries" and "rest of world," see table D-1.

Fieldwork and Data Sources

Primary research included gathering information through fieldwork, stakeholder interviews, and communication with the U.S. Department of State, including U.S. Embassies in the 37 countries. Fieldwork was conducted to obtain information from in-country businesses, private sector associations, and multinational companies regarding potential export sectors and products, as well as barriers and impediments they have encountered in exporting from sub-Saharan Africa. Commission staff also interviewed African government officials regarding these topics and efforts their governments have made to support and expand exports. Staff traveled to 11 AGOA-eligible countries,¹⁷ which varied according to: (1) economic size, (2) trade regimes, (3) access to trade infrastructure, and (4) business and investment environments. In addition, Commission staff interviewed African government representatives in the United States, as well as officials of associations that are regularly involved in SSA trade-related issues, including the Africa Coalition for Trade.¹⁸

Secondary sources included various U.S. government agencies, international organizations, and research institutions that deal with SSA trade-related issues. Such institutions include the U.S. Agency for International Development, the U.S. Department of Agriculture, the U.S. Trade and Development Agency, the World Bank, the World Trade Organization, the International Trade Centre (Geneva), the United Nations, the UN Economic Commission for Africa, the African Development Bank, the International Monetary Fund, the Economist Intelligence Unit, and the Heritage Foundation.

The Commission collected merchandise trade data at the HS 2-digit and 4-digit levels from the World Integrated Trade Solution (WITS) database.¹⁹ RCA analysis is based on country-specific export data at the HS 4-digit level. To increase data accuracy and coverage, merchandise export values were based on trading partners' import values. For example, the value of exports for Angola is the reported imports from Angola by its trading partners. As services trade data are unavailable by country, source, and sector, the analysis of current and potential services sector exports is primarily qualitative. Economic and infrastructure measures were assembled from the World Bank's World Development Indicators database; business environment measures were collected from the World Bank's Doing Business database and the World Trade Organization; and the economic freedom measures were drawn from the Heritage Foundation database. The Commission considered all collected information; however, depending on the completeness and consistency of available information, the emphasis given to certain sources and analysis differs across country profiles.

¹⁷ The 11 countries are Botswana, Cameroon, Malawi, Mali, Mauritius, Mozambique, Senegal, South Africa, Tanzania, Uganda, and Zambia.

¹⁸ The Commission scheduled a public hearing in connection with this investigation for Mar. 1, 2005. The hearing was canceled due to lack of participation; however written submissions were received. Information from the submissions was incorporated as appropriate in the country profiles.

¹⁹ The database accessed via WITS is the Commodity Trade Statistics database (UN Comtrade), which is maintained by the United Nations Statistics Division (UNSD). UN Comtrade contains annual trade flows—imports and exports—reported by more than 140 countries or areas with commodity-by-partner detail at 6-digit level of various commodity nomenclatures. For more detailed information on the underlying sources and definitions of WITS or UN Comtrade data, see Internet addresses <http://wits.worldbank.org/witsweb/default.aspx> or <http://unstats.un.org/unsd/comtrade/>, respectively.

Attempts have been made to provide standard and consistent data for defined measures for each country. However, information for the 37 AGOA-eligible countries may not be fully comparable because of varying statistical methods and data limitations, coverage, and practices across countries and sources. Consequently, the statistical information should be treated as indicative, and emphasis should be placed on broad trends over time. Frequently-used terms in the report such as Category 1 certification, informal sector/activity, Kimberley Process/Certification, Multifiber Arrangement, and trade capacity are defined in appendix C. Data definitions and sources for standard indicators and measures used in the report are provided in appendix F.

Organization

The 37 AGOA-eligible countries have been categorized into 9 country groups based on similar export patterns.²⁰ As current exports generally represent products for which the AGOA-eligible countries have a comparative advantage, grouping countries based on similar export patterns informs the reader about potential export sectors and international and domestic barriers or impediments for similarly-endowed countries. Each country assessment is, however, intended to be a separate and distinct country-specific review. Consequently, country profiles address topics and issues frequently and prominently cited by Commission sources. The nine country groups are represented in Chapters 2 through 10 and are:

- Petroleum-exporting countries (Angola, Cameroon, Gabon, Nigeria, and Republic of the Congo);
- Predominantly mineral-exporting countries (Botswana, Democratic Republic of the Congo, Guinea, and Zambia);
- Moderately mineral-exporting countries (Mozambique, Niger, Rwanda, Sierra Leone, and South Africa);
- Cotton-exporting countries (Benin, Burkina Faso, Chad, and Mali);
- Fish-exporting countries (The Gambia, Mauritania, Namibia, Senegal, Tanzania, and São Tomé and Príncipe);
- Coffee, tea, and spice-exporting countries (Ethiopia, Kenya, and Uganda);
- Other agriculture-exporting countries (Ghana, Guinea-Bissau, Malawi, and Swaziland);
- Apparel-exporting countries (Lesotho, Madagascar, and Mauritius); and
- Transport services-exporting countries (Cape Verde, Djibouti, and Seychelles).

²⁰ The country groups are based on similarity of the overall trade pattern across all trade categories. Thus, the sector with the largest share of trade may be different for countries in the same country group. For additional information on the cluster analysis used to identify these country groups, see app. D.

For each country in each group, the following are provided: (1) an economic overview, (2) an export profile, (3) identification of potential export sectors or products, and (4) identification of domestic and international barriers and impediments. Following the text of the report, there are six appendices: (A) request letter from the USTR; (B) *Federal Register* notice; (C) list of trade- and economics-related terms, and table of major unilateral trade preference programs and regional trade agreements; (D) description of quantitative analysis; (E) RCA indices tables by country; and (F) list of definitions and sources for standard indicators and measures provided in the study.

CHAPTER 2

Petroleum-Exporting Countries: Angola, Cameroon, Gabon, Nigeria, and Republic of the Congo

The five countries included in this chapter are all located on the Atlantic coast of Africa, around the Bight of Benin, and have a petroleum sector that accounts for a large share of their total exports (table 2-1). The petroleum reserves of these countries are both onshore and offshore. The extent to which crude petroleum is refined in the country in which it is extracted varies among countries, with most countries exporting a small quantity of refined products. Except for Nigeria, exports of liquified natural gas are minimal. A summary of findings with respect to potential export growth sectors and domestic and international barriers for each of the five countries is provided below.

Table 2-1
Angola, Cameroon, Gabon, Nigeria, and Republic of the Congo, 1999-2003 average share of total exports, by sector

Sectors	Angola	Cameroon	Gabon	Nigeria	Republic of the Congo
	Shares of total exports, 1999-2003 (percent)				
Fish and related products	0.4	0.2	0.6	0.5	0.2
Coffee, tea, and spices	(¹)	3.0	(¹)	(¹)	0.4
Cocoa	(¹)	7.6	(¹)	1.5	(¹)
Other agriculture	(¹)	9.8	0.1	1.0	0.8
Forest-based products	(¹)	25.6	17.9	0.5	6.2
Minerals, metals, and metal products	7.1	4.8	4.9	0.5	5.1
Fuels and electrical energy	92.0	43.8	75.4	95.4	86.6
Textiles and fibers	(¹)	4.1	(¹)	0.2	(¹)
Apparel and related articles	(¹)	0.1	(¹)	(¹)	(¹)
Other manufactures	0.3	1.1	1.2	0.4	0.6

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Angola

Agriculture and fisheries appear to have the greatest export potential. As Angola continues to recover from its long civil war, it has the potential to become a regional exporter of agricultural products, as well as the potential to move into food processing. The government also considers natural gas a potential export, although export quantities are likely to be relatively small for the foreseeable future. International investment is expected to play a key role in the development of Angola's natural gas industry. Inadequate transport infrastructure, high transport costs, and the general lack of a business environment conducive to nonpetroleum investment will continue to inhibit growth of potential export sectors. Regional instability continues to be an international impediment to export growth.

Cameroon

Sectors with the greatest potential for export development include the primary agricultural and forestry product sectors, processed agricultural products and processed wood products, light manufactured goods, certain mineral products, and tourism. Major domestic barriers to increased exports include the country's infrastructure deficiencies, the general business environment, financial sector constraints, and lack of government and regulatory transparency. International barriers to increased exports include destination-market standards that are difficult to meet, tariff escalation on processed agricultural products, and developed-country agricultural support programs.

Gabon

Gabon's economy is dependent on the petroleum and timber sectors. Given an expected decline in petroleum reserves, the identification of potential alternative exports is of particular significance. Potential exports include processed wood products, which have begun to emerge in importance, fish and crustaceans, and products previously exported such as palm oil. The main barriers to export are domestic, including the lack of government transparency and good governance, a noncompetitive business environment, lack of skilled labor, and inadequate transportation infrastructure.

Nigeria

Although once a large agricultural products exporter and still a largely agriculture-based economy, Nigeria's predominant exports are crude petroleum and liquified natural gas. Aside from petroleum, products identified as having export growth potential include cashews, sesame, shrimp and prawns, tantalite and certain other minerals, cocoa beans, and leather products. General barriers to increased exports are primarily domestic, including inadequate infrastructure (including transport and telecommunications), high cost of capital, expensive and unreliable utilities, high cost of inputs, high tariffs on imported inputs, and burdensome regulations. Sector-specific barriers in the agricultural sector include high taxes on agricultural exports and insufficient irrigation systems.

Republic of the Congo

Republic of the Congo is a major regional producer of crude petroleum. The country also exports a variety of other primary products, including wood, sugar, coffee, cocoa, diamonds, gold, and potash. Republic of the Congo could eventually become an exporter of electricity, magnesium ores and concentrates, and gold ores and concentrates, and could expand its exports of wood and wood products. Barriers to increased exports include a damaged infrastructure; unexploited mining opportunities; insufficient investment in several sectors, including agriculture; and an inability to meet sanitary and phytosanitary standards in many potential export markets.

Economic Overview

Angola is a petroleum- and mineral-rich country on Africa's southwest coast, with a population of 13.5 million, GDP of \$13.2 billion, and GDP per capita of \$977 in 2003 (table AN-1). Angola is rich in natural resources, but over two-thirds of the population lives in poverty, and almost one-third in extreme poverty.² After gaining independence in 1975, Angola experienced a protracted civil war until April 2002. The civil war has had a pronounced negative impact on infrastructure, the population distribution, and the ability of the government to institute sound policies.³ A staff-monitored program with the IMF was signed in 2000 with the objective of creating macroeconomic stability, ensuring sound and transparent budgetary management practices, and reducing poverty and other distortions leading to corruption and increased inefficiencies.

Angola's economy depends on crude petroleum, which accounts for 53.6 percent of GDP (figure AN-1) and about 96 percent of export earnings. Crude petroleum production has quadrupled since 1980, reaching 902,000 barrels per day in 2003.⁴ However, there are few linkages between the capital-intensive petroleum sector and the rest of the economy.⁵ Less than 1 percent of the workforce is employed in the petroleum sector.⁶ Nonpetroleum sector growth has been limited, as a result of "persistent macroeconomic instability, poor fiscal discipline, corruption, war, structural distortions including poor contractual and property rights, and a weak banking sector."⁷

The agricultural sector employs approximately 60 percent of the population, although it accounts for only 8.0 percent of GDP.⁸ Staple food crops, livestock, and small animals are the main focus of agricultural production, and the main subsistence crops are maize (corn), cassava, massango, massambala, beans, and sweet potatoes.⁹ Agricultural production

¹ Prepared by Alan Treat, Office of Industries.

² World Bank, *Transition Support Strategy for the Republic of Angola*, Mar. 4, 2003, found at www.worldbank.org, retrieved Mar. 4, 2005, pp. 4-5. The National Institute for Statistics defines the poverty line as approximately \$40 per month, and the extreme poverty line is defined as \$14 per month.

³ African Development Bank (AfDB) Group, *Country Strategy Paper 2002-2004 – Angola*, May 2003, p. iii, found at www.afdb.org, retrieved Apr. 15, 2005.

⁴ U.S. Department of Energy, *Angola Country Analysis Brief*, Jan. 2005, found at www.eia.doe.gov/cabs/angola.html, retrieved Mar. 4, 2005.

⁵ European Community, "Country Strategy Paper and Indicative Programme for the Period 2002-2007," found at <http://europa.eu.int>, retrieved Apr. 13, 2005.

⁶ Republic of Angola, *Monograph of the Republic of Angola*, Third United Nations Conference on Least Developed Countries, Brussels, May 14-20, 2001, p. 36, found at www.ccia.ebonet.net/docs/aconf191cp45ang.en.pdf, retrieved Apr. 2, 2005.

⁷ Economist Intelligence Unit (EIU), *Angola Country Profile*, 2004, p. 23.

⁸ Other than agriculture, employment is largely in the informal sector and the government. U.S. Department of State telegram, "Angola Export Opportunities and Barriers for USITC Study," message reference No. 00215, prepared by U.S. Embassy, Luanda, Feb. 18, 2005.

⁹ Republic of Angola, *Monograph of the Republic of Angola*, p. 13.

Table AN-1
Angola: Basic economic indicators

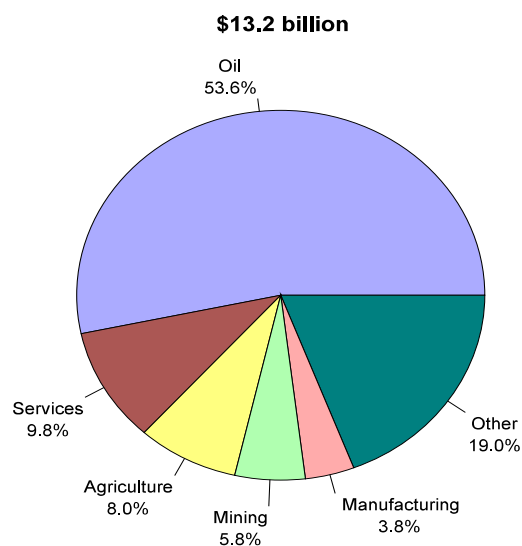
	MRV¹
GDP (current US\$, millions, 2003)	13,189.2
GDP growth (annual percent, based on local currency, 2003)	4.5
GDP per capita growth (annual percent, based on local currency, 2003)	1.4
Inflation, consumer prices (annual percent, 2003)	98.2
External debt, total (current US\$, millions, 1999)	10,134.3
Total debt service (percent of exports of goods and services, 2002)	10.0
Exports of goods and services (percent of GDP, 1999)	71.3
Trade (percent of GDP, 2003)	138.1
Official exchange rate (local currency unit per US\$, period average, 2003)	74.6
Population, total (millions, 2003)	13.5
Population growth (annual percent, 2003)	3.0
Labor force, total (millions, 2003)	6.3
Labor force participation rate, total (percent, 2002)	45.7
Literacy rate, adult total (percent of people ages 15 and above, 1999)	74.0
Primary school enrollment ratio, total (percent, 1999)	18.0
Secondary school enrollment ratio, total (percent, 1999)	2.4
Land use, arable land (percent of total, 1999)	32.2
Gross capital formation (percent of GDP, 2003)	32.2
Gross fixed capital formation (percent of GDP, 2003)	11.7
<u>Foreign direct investment, net inflows (percent of GDP, 1999)</u>	<u>6.5</u>

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure AN-1
Angola: Composition of GDP (2001)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

decreased significantly during the civil war, as people were either displaced or they abandoned agricultural activities in rural areas in order to move to urban areas.¹⁰ Angola is currently a net importer of food.

Services accounted for 9.8 percent of GDP and mining (principally diamond extraction) accounted for 5.8 percent. Angola is the fourth-largest producer of diamonds in the world, by value,¹¹ although official production figures likely do not reflect actual values because they do not include a large number of diamond mines that operate illegally.¹² Manufacturing accounted for 3.8 percent of GDP and is dominated by a few small state-owned firms that produce consumer goods and building materials, as well as metal working and assembly for the petroleum sector.¹³

Net foreign direct investment (FDI) steadily increased from \$180 million to \$2.5 billion during 1996-99, and fluctuated between \$879 million and \$2.1 billion during 2000-02.¹⁴ Angola was ranked as the second-largest recipient of FDI in sub-Saharan Africa (SSA) in 2003, and the largest recipient of FDI overall between 1999 and 2003. Investment is concentrated in the petroleum and mining sectors.

Export Profile

Angola is SSA's second-largest petroleum exporter, after Nigeria. In 2003, crude petroleum represented approximately 94 percent of Angola's exports, which totaled \$8.6 billion (tables AN-2 and AN-3). Gem-quality diamonds are the second-largest export from Angola, and constitute approximately 3 percent of Angola's total exports. The country is the fourth-largest diamond producer in the world after Botswana, Russia, and South Africa, and is widely considered to be a promising region for increased diamond exploitation.¹⁵ Other principal exports include petroleum oils, crustaceans and other aquatic marine life, industrial minerals, and dimension stone such as granite. Agricultural exports include coffee, maize, sisal, bananas, beans, sugar, and palm oil.

The United States is Angola's principal export market, accounting for 52.6 percent of its total exports in 2003 (table AN-4) and about 60 percent of its crude petroleum exports since the 1990s.¹⁶ Other large single-country markets for exports in 2003 were China (25.7 percent), France (8.1 percent), South Korea (3.1 percent), and Belgium (3.0 percent). Despite efforts to increase economic integration within the region, Angola has limited commercial ties with its neighbors.¹⁷ Intraregional trade between Angola and members of the Southern African Development Community (SADC) and the Common Market for

¹⁰ AfDB Group, *Country Strategy Paper 2002-2004 – Angola*, p. 3.

¹¹ Republic of Angola, *Monograph of the Republic of Angola*, p. 12.

¹² *Ibid.*, p. 13.

¹³ EIU, *Angola Country Profile*, p. 33.

¹⁴ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

¹⁵ EIU, *Angola Country Profile*, p. 31.

¹⁶ *Ibid.*, p. 36.

¹⁷ *Ibid.*, p. 37.

Table AN-2

Angola: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes . . .	3,008,346.9	4,174,179.5	8,215,619.3	95.9	11.8
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	16,195.2	551,142.3	277,232.4	3.2	37.1
73	Articles of iron or steel.	217.2	231.9	13,085.3	0.2	57.7
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	420.5	2,105.9	10,836.6	0.1	43.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,157.4	6,256.8	10,599.9	0.1	19.3
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	1,810.6	1,513.0	8,686.0	0.1	19.0
03	Fish and crustaceans, molluscs and other aquatic invertebrates	24,221.3	24,140.4	5,195.0	0.1	-15.7
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories . . .	283.0	1,070.7	3,386.1	0.0	31.8
76	Aluminum and articles thereof.	135.6	301.4	2,063.1	0.0	35.3
88	Aircraft, spacecraft, and parts thereof	964.3	299.7	1,972.9	0.0	8.3
	Other	13,167.8	26,791.0	18,850.9	0.2	4.1
	Total	3,067,919.8	4,788,032.7	8,567,527.5	100.0	12.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table AN-3

Angola: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2709	Petroleum oils and oils from bituminous minerals, crude	2,896,709.7	4,069,154.8	8,046,167.0	93.9	12.0
7102	Diamonds, whether or not worked, but not mounted or set	16,190.4	551,131.0	277,206.2	3.2	37.1
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	95,002.0	90,143.2	161,321.6	1.9	6.1
7308	Structures (excluding prefab buildings of heading 9406) and parts thereof (bridges, towers etc.), including prepared shapes etc., of iron or steel	15.2	24.8	12,642.8	0.1	111.1
9015	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments etc. nesoi; rangefinders; parts and accessories	336.9	1,078.9	9,407.3	0.1	44.8
2516	Granite, porphyry, basalt, sandstone and other building etc. stone, whether or not roughly trimmed or merely cut by sawing etc.	1,495.6	1,489.2	8,666.1	0.1	21.6
2711	Petroleum gases and other gaseous hydrocarbons . . .	16,635.3	14,881.6	7,832.7	0.1	-8.0
0307	Molluscs & other aquatic invertebrates nesoi, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals & pellets of aqua invertebrates fit for human consumption	1,772.3	1,831.2	3,461.7	0.0	7.7
8431	Parts of machinery of headings 8425 to 8430 covering derricks, fork-lift trucks, conveyers, self-propelled bulldozers, graders, snowplows, etc	168.6	745.2	2,113.8	0.0	32.4
7602	Aluminum waste and scrap	78.3	295.1	2,023.3	0.0	43.5
	Other	39,515.6	57,257.8	36,685.0	0.4	-0.8
	Total	3,067,919.8	4,788,032.7	8,567,527.5	100.0	12.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table AN-4
Angola: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	2,209,201.7	2,574,613.8	4,506,200.9	52.6	8.2
China	47,985.3	355,651.2	2,205,934.9	25.7	53.0
France	122,117.1	92,946.7	693,932.1	8.1	21.3
Korea, Rep.	71,600.4	646,411.1	267,633.8	3.1	15.8
Belgium	(¹)	534,882.1	258,082.7	3.0	(²)
Italy	123,305.1	9,558.2	202,128.5	2.4	5.6
Indonesia	0.0	52.2	94,802.1	1.1	(²)
Japan	10,253.6	9,108.4	83,658.1	1.0	26.3
Chile	69,949.3	0.0	64,496.0	0.8	-0.9
Germany	162,946.0	104,367.7	58,850.0	0.7	-10.7
Other	250,561.3	460,441.5	131,808.3	1.5	-6.9
Total	3,067,919.8	4,788,032.7	8,567,527.5	100.0	12.1

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Eastern and Southern Africa (COMESA)¹⁸ is minimal compared with exports to the United States, the European Union, and China.

Angola's exports increased by 56 percent during 1994-99, and by 79 percent during 1999-2003. Much of the export growth is attributable to increases in crude petroleum exports. China and Japan have been the fastest-growing major export markets for Angola during the past 10 years. During 1994-2003, Angola's total exports to China and Japan increased at a compound annual growth rate (CAGR) of 53.0 percent and 26.3 percent, respectively. Crude petroleum exports to China increased by more than 400 percent in 2001, while exports to South Korea, which had a 9-year CAGR of 15.8 percent, increased by more than 500 percent to \$588 million during 1998-99.¹⁹

Nearly all of Angola's top 10 export products, as listed by 4-digit HS, have grown significantly during the past 10 years. The 9-year CAGR was 12.0 percent for exports of crude petroleum and 37.1 percent for diamonds, although exports of diamonds declined by about 50 percent to \$277.2 million during 1999-2003.

Sectors with the Greatest Export Growth Potential

Agriculture and fisheries appear to have the greatest export potential. Arable land is widely available and fertile, and about 90 percent remains uncultivated. As agricultural production continues to recover following the civil war, Angola has the potential to transform itself once

¹⁸ For additional information on regional organizations, see app. C.

¹⁹ U.S. & Foreign Commercial Service, "Oil and Gas in Angola," Jan. 2003, found at <http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr113713e.html>, retrieved Dec. 29, 2004. Increases in the value of crude petroleum exports from Angola are mostly attributable to increases in crude petroleum prices. For example, crude petroleum export quantities from Angola remained relatively constant at 699 million barrels during 2000-01; however, crude petroleum prices increased from \$9.90 per barrel to \$24.00 per barrel during that period.

again into a net food exporter,²⁰ although the country will need modern farm equipment and inputs to do so.²¹ If intraregional infrastructure is improved, Angola has the potential to become a regional exporter of agricultural products and attract nonpetroleum foreign investment directed toward food processing. Based on a high average yearly change in the revealed comparative advantage²² (RCA) index from 1998 to 2003, as well as positive average growth in world market share, buckwheat/millet is an agricultural product that shows export growth potential (appendix E, table E-1), although it is not currently exported in substantial amounts. In addition, between 1993 and 2003, world trade in tomatoes grew by 11.3 percent, and represent another agricultural product export with growth potential. Coffee and wood have been cited as other potentially exportable products.²³

Angola has one of the richest and most diverse maritime coasts in Africa. Mackerel, sardines, tuna, and other fish are common.²⁴ Frozen fish exports grew by 5.1 percent in world trade during 1993-2003, and represent a potential downstream export product. World trade in seafood such as lobster, shrimp, and crab, as well as oysters, scallops, and mussels, have experienced average yearly growth rates of 4.8 percent and 6.1 percent, respectively, yet maintain relatively small percentages of Angola's trade (0.3 percent and 0.1 percent, respectively).

The government views natural gas, and its eventual conversion to liquified natural gas (LNG), as a potential export in the long term, although the country will continue to emphasize crude petroleum production for the foreseeable future. Sonangol, Angola's national oil company, and Chevron Texaco are developing a project to convert flared natural gas from offshore oilfields to LNG. The project was originally scheduled for completion in 2005, but has been delayed to 2007.²⁵ Sonangol has collaborated with several other multinational petroleum companies through joint ventures and production-sharing agreements to develop and exploit additional crude petroleum deposits.

Although most mining activity is currently limited to the extraction of diamonds, marble, and granite, Angola has the potential to diversify its mining activities by exploiting iron ore, gold, phosphates, manganese, copper, lead, zinc, tin, tungsten, vanadium, titanium, chrome, beryllium, koalin, quartz, gypsum, and uranium deposits.²⁶

Despite the fact that the United States and the European Union grant Angola preferential treatment, the greatest potential for Angola's exports may exist outside traditional markets such as the United States, the European Union, and China, which are already major consumers of its petroleum and mineral exports. Regional markets, including SADC and

²⁰ Prior to independence, Angola was a net food exporter. For example, Angola was the fourth-largest coffee producer in the world. Civil war, abandoned farms, and the subsequent creation of inefficient state farms contributed to the collapse of commercial agriculture. EIU, *Angola Country Profile*, p. 25.

²¹ U.S. Department of State telegram, "Angola's FY 2005 BFIF Proposals," message reference No. 000054, prepared by U.S. Embassy, Luanda, Jan. 13, 2005.

²² RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²³ U.S. Department of State telegram, "Angola Export Opportunities and Barriers for USITC Study;" and U.S. Department of State telegram, "Angola's FY-2005 BFIF Proposals."

²⁴ Republic of Angola, *Monograph of the Republic of Angola*, p. 15.

²⁵ U.S. Department of Energy, *Angola Country Analysis Brief*.

²⁶ EIU, *Angola Country Profile*, p. 32.

COMESA, represent significant potential export destinations for agricultural products if intraregional infrastructure is improved. Furthermore, by rehabilitating and modernizing its communications and railway infrastructure, as well as its airports, Angola has the potential to become a transport center in the region and to provide exports of transportation services.²⁷ The economic integration of Angola, as well as increased intraregional trade between Angola and its neighbors, depend in large part on internal political and economic developments within the country.²⁸

Domestic and International Barriers

Enforcement inefficiencies and a lack of government transparency are widespread problems in Angola. Contractual and property rights are poor, and are considered a major problem in the country.²⁹ The business environment in Angola is generally worse than regional averages, and well below OECD averages (table AN-5). For example, Angola scored well below regional averages regarding the time and number of procedures required for contract enforcement, as well as the time and cost associated with starting a business. In 2004, the World Economic Forum ranked Angola 103 out of 104 countries in terms of global business competitiveness, and the World Bank identified Angola as one of the most time-consuming countries in the world to establish a business.³⁰ Although the Heritage Foundation did not assess Angola's economic freedom in 2005, 1995 and 2000 indices are well below regional and OECD averages (table AN-6). The principal obstacles to private-sector development and business competitiveness in Angola include political uncertainty; lack of governance; problems associated with market regulations; difficulties of acquiring business permits; insufficient loan guarantees for financial services; high costs of capital and access to credit; a constraining administrative, legal, and judicial environment; and high transport, electricity, and telecommunications costs.³¹

As a result, only 10.4 percent of the 51,429 kilometers of roads are paved. According to the Government of Angola, the road networks have deteriorated because of war, poor maintenance, and insufficient investment since the country's independence (table AN-7).³² Infrastructure disrepair, as well as the widespread presence of land mines from the civil war, greatly increase the cost of transporting inputs to farms and agricultural products to market.³³ The three main rail lines are in poor condition, although limited sections have been opened up following rehabilitation.³⁴ The northern rail link to the port of Luanda is not operational, while the Benguela railroad, which formerly ran 830 miles across Angola's central region to Democratic Republic of the Congo's copper belt, currently runs 96 miles from the ports

²⁷ AfDB Group, *Country Strategy Papers 2002-2004 – Angola*, p. 7.

²⁸ Ibid.

²⁹ EIU, *Angola Country Profile*, p. 13.

³⁰ U.S. Department of State telegram, "Angola: 2005 Investment Climate Statement," message reference No. 00098, prepared by U.S. Embassy, Luanda, Jan. 27, 2005.

³¹ AfDB Group, *Country Strategy Papers 2002-2004 – Angola*, pp. 8-9, found www.afdb.org/en/country_operations/central_west/country_strategy_papers, retrieved Apr. 15, 2005.

³² Republic of Angola, *Monograph of the Republic of Angola*, p. 14.

³³ U.S. Department of State telegram, "Angola Export Opportunities and Barriers for USITC Study," message reference No. 000215, prepared by U.S. Embassy, Luanda, Feb. 18, 2005.

³⁴ EIU, *Angola Country Profile*, 2004, p. 17.

Table AN-5
Angola: Business environment

Business process	Angola	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	1.2	17.1	72.1
Closing a business: Time (years)	4.7	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	6.9	41.8	5.2
Getting credit: Credit information index	4.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	7.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	9.2	43.0	10.8
Enforcing contracts: Number of procedures	47.0	35.0	19.0
Enforcing contracts: Time (days)	1,011.0	434.0	229.0
Registering a property: Number of procedures	8.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	11.0	13.2	4.9
Registering a property: Time (days)	335.0	114.0	34.0
Starting a business: Number of procedures	14.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	884.6	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	64.4	254.1	44.1
Starting a business: Time (days)	146.0	63.0	25.0
Employment: Difficulty of firing index	100.0	50.6	26.8
Employment: Difficulty of hiring index	44.0	53.2	26.2
Employment: Firing costs (weeks)	116.0	59.5	40.4
Employment: Rigidity of employment index	75.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table AN-6
Angola: Economic freedom

	Angola	Regional average¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	4.4	3.6	2.5
2000 Overall score	4.5	3.7	2.2
2005 Overall score	(²)	3.4	2.2
Trade policy score	(²)	3.9	2.2
Fiscal burden of government score	(²)	3.9	3.6
Government intervention in the economy score	(²)	2.6	2.5
Monetary policy score	(²)	2.4	1.5
Capital flows and foreign investment score	(²)	3.2	2.0
Banking and finance score	(²)	3.2	1.9
Wages and prices score	(²)	2.8	2.1
Property rights score	(²)	3.7	1.6
Regulation score	(²)	3.7	2.7
Informal market activity score	(²)	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table AN-7
Angola: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 2001)	51,429.0
Roads, paved (percent of total roads, 2001)	10.4
Transport services (percent of service exports, BoP, 2001)	6.6
Transport services (percent of service imports, BoP, 2001)	11.2
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	15.4
Internet users (per 1,000 people, 2002)	2.9
Mobile phones (per 1,000 people, 2002)	9.3
Telephone mainlines (per 1,000 people, 2002)	6.1
Electric power transmission and distribution losses (percent of output, 2001)	14.6
Energy imports, net (percent of commercial energy use, 2001)	-415.2

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

of Lobito and Benguela to the foothills of Planalto.³⁵ The government plans to spend \$4 billion over the next 11 years to build and reconstruct major railways in the country, and plans to have rail lines operational for travel between Lobito and Cuito, a distance of approximately 300 miles, by the end of 2006.³⁶

Imported food products are often cheaper than domestic products from the interior because of high land transport costs.³⁷ However, Angola’s main ports suffer from a lack of maintenance and investment.³⁸ Poor market information and weak commercial networks also reduce potential market opportunities.³⁹

The agricultural and fisheries sectors face a number of additional constraints caused by the destruction of rural infrastructure, including wells, other sources of water, and roads during the civil war.⁴⁰ Other constraints include difficulties of commercialization, the lack of seeds and other agricultural inputs, and insufficient credit.⁴¹ Although the government has made efforts to rebuild the fishing fleet and rehabilitate existing fish-processing factory units, these efforts have failed to attract investment and have had a negligible effect on the sector.⁴²

The main international impediment to potential export growth has been regional instability. Although domestic civil unrest in Angola has subsided, regional instability continues to hamper export growth potential. In particular, the regional instability negatively affects nonpetroleum sector investment.

³⁵ U.S. Department of State telegram, “Angola Export Opportunities and Barriers for USITC Study.”

³⁶ U.S. Department of State telegram, “Angolan Economic Roundup – Dec. 04,” message reference No. 001474, prepared by U.S. Embassy, Luanda, Dec. 23, 2004.

³⁷ U.S. Department of State telegram, “Angola Export Opportunities and Barriers for USITC Study.”

³⁸ Republic of Angola, *Monograph of the Republic of Angola*, p. 15.

³⁹ U.S. Department of State telegram, “Angola Export Opportunities and Barriers for USITC Study.”

⁴⁰ AfDB Group, *Country Strategy Papers 2002-2004 – Angola*, p. 8.

⁴¹ *Ibid.*

⁴² Republic of Angola, *Monograph of the Republic of Angola*, p. 15.

Cameroon⁴³

Economic Overview

Cameroon, located on the west-central coast of Africa just north of the equator, possesses abundant natural resources and a diverse ecosystem, including dense tropical rainforests, mountains, grassland savannah, and semidesert.⁴⁴ Cameroon has highly fertile agricultural areas, extensive forestry resources, natural parks, regional port facilities, minerals, and petroleum reserves. The economy is heavily dependent on the country's resource endowments, such that petroleum, forestry, and agricultural commodity exports account for a significant portion of the nation's output. Cameroon's GDP totaled \$12.4 billion and expanded by 4.2 percent in 2003 (table CM-1).

Table CM-1
Cameroon: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	12,448.7
GDP growth (annual percent, based on local currency, 2003)	4.2
GDP per capita growth (annual percent, based on local currency, 2003)	0.5
Inflation, consumer prices (annual percent, 2002)	2.8
External debt, total (current US\$, millions, 2002)	8,502.5
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	24.6
Trade (percent of GDP, 2003)	50.0
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	16.1
Population growth (annual percent, 2003)	2.0
Labor force, total (millions, 2003)	6.6
Labor force participation rate, total (percent, 2002)	41.4
Literacy rate, adult total (percent of people ages 15 and above, 2001)	67.9
Primary school enrollment ratio, total (percent, 2000) ³	108.0
Secondary school enrollment ratio, total (percent, 1999)	19.6
Land use, arable land (percent of total, 2001)	12.8
Gross capital formation (percent of GDP, 2003)	17.3
Gross fixed capital formation (percent of GDP, 2003)	17.3
Foreign direct investment, net inflows (percent of GDP, 2002)	0.9

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

³ Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.— Indicator definitions are provided in app. F.

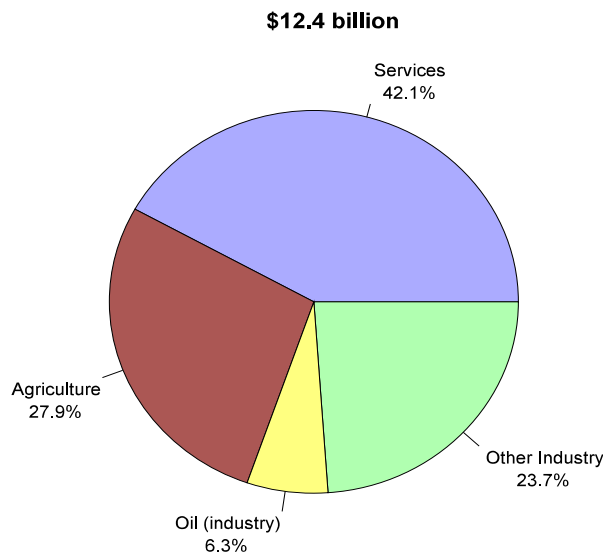
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

⁴³ Prepared by George S. Serletis, Office of Industries.

⁴⁴ Earthtrends Country Profiles, "Cameroon, Ecosystems by areas by type," found at http://earthtrends.wri.org/pdf_library/country_profiles/For_cou_120.pdf, retrieved Mar. 31, 2005, p. 1.

Agriculture, including forestry, livestock, and fishing, is the economy’s most important sector, supporting an estimated 70 percent of the population and employing about one-half of the nation’s workers. The sector accounts for 27.9 percent of GDP (figure CM-1). About 90 percent of nonforestry agricultural output is produced on small-scale farms; the balance is accounted for primarily by large-scale commercial banana, palm oil, and rubber plantations.⁴⁵ Other important cash crops include cocoa, cotton, coffee, and pineapple.⁴⁶ Leading food crops include cassava, plantains, corn, sorghum, and peanuts.⁴⁷

Figure CM-1
Cameroon: Composition of GDP (2003)



Source: EIU, “Economic Structure,” found at www.viewswire.com, retrieved Feb. 1, 2005.

Cameroon’s industrial sector employs 15 percent of the labor force and accounts for just under one-third of the country’s GDP. Its main components are the manufacturing and petroleum sectors. The manufacturing sector is diversified and includes agroprocessing and light industrial production. Cameroon imports and assembles various manufactured components principally for domestic consumption, but some of these goods are exported to regional members of the Economic Community of Central African States.⁴⁸ Principal manufactured products include food and beverages, aluminum, iron, steel, wood products, paint, alcohol, and cement.⁴⁹ Although domestic ownership in the manufacturing sector is

⁴⁵ Economist Intelligence Unit (EIU), “Cameroon: Economy: Background,” Oct. 28, 2004, found at www.viewswire.com, retrieved Apr. 5, 2005.

⁴⁶ EIU, “Cameroon: Historical Data - Production of cash crops,” Aug. 1, 2004, found at www.viewswire.com, retrieved Apr. 5, 2005.

⁴⁷ Ibid.

⁴⁸ For additional information on regional organizations, see app. C.

⁴⁹ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

reportedly expanding, the sector is dominated by 30 large foreign-owned companies and several small and medium enterprises (SMEs).⁵⁰

The petroleum sector accounts for 6.3 percent of GDP and has been Cameroon's leading export commodity and the dominant foreign exchange earner since it was first commercially exploited in 1978. However, production of petroleum is declining as Cameroon's existing fields are depleted.⁵¹ In addition to crude petroleum, Cameroon produces downstream products including gasoline, lubricants, and other petroleum-based products.

The services sector accounts for the largest share of GDP and employs one-third of the population. The sector is composed of government activities, construction, financial and banking services, transportation, communications, hotel and restaurant services, and other private-sector activities. Although not officially calculated into Cameroon's GDP figures, the informal sector is estimated to account for as much as 35 percent of the country's economic activity, reportedly employing three-quarters of the population in urban areas.⁵²

Despite Cameroon's ample resources, foreign direct investment (FDI) is low. Cameroon is classified as an "underperformer" in attracting FDI by the UN Conference on Trade and Development. Recent FDI increases were primarily directed to the petroleum sector, targeting the Chad-Cameroon petroleum pipeline.⁵³ Cameroon also has attractive export processing zone (EPZ) laws, and currently, 12 companies operate under the EPZ designation, with 2 more scheduled to begin operations soon. However, investment in the program has been limited since its implementation in 1992.⁵⁴

Export Profile

Cameroon's exports, valued at \$2.5 billion in 2003, were concentrated among a small number of primary commodity goods (tables CM-2 and CM-3). Nearly two-thirds of exports (\$1.5 billion) consisted of nonrenewable resources including petroleum (42.8 percent) and hardwood lumber and logs⁵⁵ (21.2 percent). Nonforestry agricultural commodity exports, principally tropical agricultural products, accounted for another 30 percent of merchandise exports and included bananas (9.8 percent), unprocessed cocoa beans (8.5 percent), cotton (4.1 percent), and rubber (2.6 percent) in 2003. Aluminum (3.1 percent) was the only significant industrial export.

⁵⁰ EIU, *Cameroon Country Profile*, 2004, p. 31.

⁵¹ "Cameroon," African Energy, found at www.africa-energy.com/html/public/data/cameroon.htm, retrieved Apr. 10, 2005.

⁵² EIU, "Cameroon: Economy: Background."

⁵³ The pipeline is jointly owned and managed by Texaco/Chevron, Exxon/Mobil, and Petronas. EIU, *Cameroon Country Profile*, p. 32.

⁵⁴ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁵⁵ While hardwood lumber is technically a renewable resource, there is little coordinated effort to replant forests that have been logged. Industry officials, interviews by USITC staff, Douala, Cameroon, Mar. 22-23, 2005. Officially, exports of unprocessed logs are prohibited; however, there are exceptions to the ban. "Cameroon Ban on Endangered Hardwoods, But with a Loophole," found at <http://forests.org/archive/africa/cambanase.htm>, retrieved Apr. 25, 2005.

Table CM-2
Cameroon: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	618,545.8	724,145.1	1,069,317.9	42.8	6.3
44	Wood and articles of wood; wood charcoal	504,183.4	560,445.1	530,195.9	21.2	0.6
18	Cocoa and cocoa preparations.	114,023.3	161,927.1	269,795.8	10.8	10.0
08	Edible fruit and nuts; peel of citrus fruit or melons	133,109.9	177,618.2	248,471.9	10.0	7.2
52	Cotton, including yarns and woven fabrics thereof	58,990.6	95,769.9	104,215.4	4.2	6.5
76	Aluminum and articles thereof	102,998.4	109,568.0	81,369.7	3.3	-2.6
40	Rubber and articles thereof	56,433.8	36,511.1	66,988.8	2.7	1.9
09	Coffee, tea, mate and spices	144,755.7	99,376.0	42,569.4	1.7	-12.7
84	Nuclear reactors, boilers, machinery	889.7	2,827.4	9,360.0	0.4	29.9
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	785.1	6,843.6	4,842.6	0.2	22.4
	Other	64,666.3	67,742.6	68,476.3	2.7	0.6
	Total	1,799,382.0	2,042,774.0	2,495,603.7	100.0	3.7

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table CM-3
Cameroon: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2709	Petroleum oils and oils from bituminous minerals, crude	590,387.1	669,518.6	1,066,753.8	42.7	6.8
4407	Wood sawn or chipped lengthwise, sliced or peeled, more than 6 mm (.236 in.) thick	110,924.1	211,108.6	346,420.4	13.9	13.5
0803	Bananas and plantains, fresh or dried	131,926.3	173,065.0	244,207.0	9.8	7.1
1801	Cocoa beans, whole or broken, raw or roasted	100,614.8	122,444.8	212,313.9	8.5	8.7
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	363,161.5	305,050.5	124,619.7	5.0	-11.2
5201	Cotton, not carded or combed	50,433.2	88,998.2	102,198.3	4.1	8.2
7601	Aluminum, unwrought	93,231.9	99,467.6	77,528.4	3.1	-2.0
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip	55,048.8	36,295.7	64,746.5	2.6	1.8
1803	Cocoa paste, whether or not defatted	7,664.7	32,108.8	46,460.4	1.9	22.2
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	144,289.3	99,259.1	42,507.7	1.7	-12.7
	Other	151,700.4	205,457.0	167,847.7	6.7	1.1
	Total	1,799,382.0	2,042,774.0	2,495,603.7	100.0	3.7

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Cameroon's leading export, crude petroleum, increased in value by a compound annual growth rate (CAGR) of 6.8 percent during 1994-2003, primarily due to steep increases in the price of crude petroleum during the period. However, during 2000-03, exports of petroleum declined by 20 percent and are expected to continue to fall as Cameroon's petroleum reserves are exhausted.⁵⁶ Exports of forestry products displayed two contrasting trends. Shipments of logs fell by 66 percent during the decade, the result of government policy limiting the export of unprocessed logs. In contrast, exports of lumber (sawn wood) increased by more than 200 percent as the forestry sector shifted to more value-added trade during the period.

Exports of bananas and cocoa, the third- and fourth-most valuable exports, both posted strong growth, which nearly doubled during 1994-2003. Exports of cotton, an important and growing export commodity, also trended upward, registering a CAGR of 8.2 percent during the period. Exports of Cameroon's leading agricultural downstream product, cocoa paste, also increased during the period, reaching over \$46 million in 2003. Exports of aluminum declined slightly as a result of shortages in electricity. Shipments of coffee fell steeply as declining world coffee prices caused Cameroon's production to contract during the period.

EU countries, representing 7 of Cameroon's top 10 export markets, were by far the leading destinations accounting for \$1.8 billion, or nearly three-quarters of the nation's merchandise exports (table CM-4). Europe is an appealing destination for Cameroon's exports because of close historical, cultural, and commercial ties, and an established shipping network. EU markets are also major consumers and downstream processors of Cameroon's commodity-based products. Regionally, Cameroon's exports to other sub-Saharan African (SSA) countries, totaled \$293 million in 2003, more than doubling during 1994-2003. Although the main exports were petroleum products (44 percent), other product exports were diversified and relatively balanced among a variety of goods including food products and light industrial products. There is also a significant amount of unofficial trade along Cameroon's borders with its neighbors, particularly on the northwest frontier with Nigeria where trade in contraband goods is thriving.⁵⁷ Cameroon's exports to China increased significantly, by a CAGR of 32.5 percent during the last decade, and represented its fastest-growing export destination among leading markets. Principal exports to China were petroleum, lumber, and cotton.

⁵⁶ EIU, *Cameroon Country Profile*, p. 48.

⁵⁷ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

Table CM-4
Cameroon: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Spain	314,399.5	238,675.1	541,962.9	21.7	6.2
Italy	314,387.2	419,739.2	404,449.9	16.2	2.8
France	429,272.9	367,892.8	302,318.2	12.0	-3.8
Netherlands	134,168.2	146,811.0	280,647.8	11.2	8.5
United States	60,966.0	83,795.7	225,910.6	9.1	15.7
United Kingdom	53,474.4	69,342.9	159,625.7	6.4	12.9
China	9,138.6	76,313.8	115,222.5	4.6	32.5
Belgium	(¹)	69,408.2	89,107.7	3.6	(²)
Germany	117,142.0	67,936.0	64,826.0	2.6	-6.4
Korea, Rep.	65,117.0	66,397.1	55,570.0	2.2	-1.7
Other	301,316.4	436,462.2	255,962.4	10.3	-1.8
Total	1,799,382.0	2,042,774.0	2,495,603.7	100.0	3.7

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Cameroon's export profile is highly correlated with its leading revealed comparative advantage⁵⁸ (RCA) indices. Seven of the top 10 products, as ranked by the RCA index, are leading export commodities, including mainly tropical agricultural and forestry products: bananas, cocoa, coffee, cotton, rubber, lumber, and other articles of wood (appendix E, table E-5). Most of these sectors are operating well below capacity,⁵⁹ and have potential for expansion. A major initiative of the government is to diversify the country's economic base away from its reliance on the petroleum sector; both the government and the Cameroon business community believe that Cameroon has promising potential for export growth in downstream products. The potential exports indicated by the RCA analysis also corresponds with the sectors identified by Cameroonian business participants. In addition to agricultural products, Cameroon has potential exports in the manufacturing, mining, and services sectors. Cameroon's diverse agricultural sector is fundamental to the country's export growth potential. Although agricultural commodity products represent the majority of nonpetroleum exports, the sector has been operating well below capacity, resulting from a lack of investment and years of public-sector mismanagement.⁶⁰

Cameroon's leading agricultural commodity export, cocoa, represents good potential for further export development. Because of its climate and low-acid volcanic soil, Cameroon produces high-quality cocoa beans, that are highly valued in the international market.⁶¹

⁵⁸ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁵⁹ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "Cameroon," *African Economic Outlook*, 2004, p. 96.

⁶⁰ EIU, "Cameroon Economy, The Government moves to revive the cocoa export." Jan. 11, 2005, found at www.viewswire.com, retrieved Apr. 4, 2005.

⁶¹ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

Output has stagnated for several decades because of lack of investment. The government recently invested \$73 million to provide technological and extension support to farmers, improve infrastructure, renew the aging plant-stock, improve pest control, and diversify plant varieties. Additional funding will support increased domestic processing of cocoa beans for export.

Cameroon produces and exports both robusta (85 percent) and arabica (15 percent) coffee beans. Cameroon's potential for increasing both the volume and value of exports depends on improving the quality of robusta production and increasing the cultivation of high-quality arabica coffee beans. There is also potential to produce and export certified organic and "rainforest-friendly products" that could command higher market prices.⁶² The key to increased coffee exports is farmers receiving prices that will provide incentives to continue to produce quality beans.⁶³ The goal of Cameroon's coffee producing sector is to increase exports of processed coffee products, including roasted and packaged coffee.⁶⁴ The industry already roasts, grinds, and packages coffee, primarily for the domestic and regional markets. A Cameroonian coffee sector representative commented that the sector could significantly increase exports of both beans and downstream coffee products, provided it can access marketing and technical assistance.⁶⁵

Given the recent privatization of the banana company and new investment to increase mechanization and to upgrade plantations, Cameroon's leading agricultural export by volume, bananas, also represents potential for increased exports. Cotton exports have trended upwards over the last decade. Given government plans to privatize the state-owned cotton company and increasing competitiveness in the sector, there is substantial potential for increased exports in the short to medium term.⁶⁶ Other potential agricultural exports identified by domestic industry representatives include soybeans, which reportedly grow well in coffee growing regions; natural rubber, which is increasingly being demanded for use in sporting goods products; and mangoes, papaya, beef, lamb, pork, fresh and salt water fish, and rattan.⁶⁷

Cameroon's current production of fruits and vegetables could potentially be further processed. The government and private sector reported that processed products are particularly promising because they are less perishable and are generally subject to less restrictive sanitary and phytosanitary (SPS) requirements than fresh products.⁶⁸ The greatest potential for these products exists in developing niche markets.⁶⁹ For example, fruit juices, including pineapple and mango juices, were identified as prospective specialty and organic exports.⁷⁰ Other agricultural commodities with potential for increased processed exports include green beans and processed tropical fruit. Cameroon currently processes green beans,

⁶² Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

⁶³ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

⁶⁴ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

⁶⁵ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

⁶⁶ "International success in cotton through local partnerships," found at www.worldreport-ind.com/cameroon/cotton.htm, retrieved, Apr. 15, 2005.

⁶⁷ Business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005; trade panel, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005; United Nations Development Programme, "Rattan To Grow - Cameroon," July 2004, found at www.tve.org/ho/doc.cfm?aid=1526&lang=English, retrieved Apr. 23, 2005.

⁶⁸ Business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁶⁹ Business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷⁰ Business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

and it was reported that there is enough demand for processed green beans to warrant a second factory.⁷¹ Cameroon also has potential for producing tropical fruit pulp products that can be used in processed food applications.⁷² In addition, Cameroon's leading processed agricultural export, cocoa butter, is expected to continue its export growth.⁷³ Other identified potential processed agricultural exports include shea butter, cigar wrapper tobacco, and processed meat.⁷⁴

Cameroon's forested area, covering 40 percent of the country's land area, is the third largest in Africa and offers enormous potential for development of exports. Consisting of tropical and deciduous forest, Cameroon has 17 million hectares of potentially exploitable woodlands,⁷⁵ and potential exports include lumber and processed wood products such as furniture, wood veneers, wood flooring, and high-quality plywood.⁷⁶ In addition to traditional forest product exports, other forest resources with potential export applications include barks, medicinal plants, and essential oils.⁷⁷

Although potential exports in Cameroon's manufacturing sector are limited because of increasing competition from imports and capacity constraints,⁷⁸ the leading manufactured export, aluminum, has potential for expanded exports if electricity shortages can be addressed. A new diesel electricity plant in Limbe is expected to supply the industry with adequate electricity to increase production.⁷⁹ There is also potential for Cameroon to increase exports of certain light industrial products to regional markets.⁸⁰ These light-manufactured goods representing potential for export growth include handicrafts such as wood carvings, articles of bronze, embroidered fabrics, jewelry, and straw bags.⁸¹

Textiles and apparel products (particularly small niche-market products and hand-woven textiles)⁸² were also identified as potential manufacturing sector exports. Although the country currently does not export significant quantities of textiles or apparel, industry officials identified hospital scrubs, underwear, bed sheets, upholstery, and T-shirts as potential exports, if producers can make use of existing preferential trade agreements, such as AGOA.⁸³ The potential for such exports is dampened, however, by the increased global competition presented by removal of textile and apparel quotas in 2005.⁸⁴

⁷¹ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷² Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷³ Business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷⁴ Trade panel, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005.

⁷⁵ Cameroon Chamber of Commerce, Industry, Mines and Crafts, "The Forestry Field," brochure provided to USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷⁶ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷⁷ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁷⁸ EIU, *Cameroon Country Profile*, p. 31.

⁷⁹ AfDB/OECD, "Cameroon," p. 95.

⁸⁰ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005; and trade panel, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005.

⁸¹ Industry officials, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

⁸² West African Trade Hub, "WATH Focuses on Selected Sectors," found at http://www.watradehub.com/program/agoa_export.htm, retrieved, Apr. 22, 2005.

⁸³ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

⁸⁴ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

Cameroon's numerous underexploited mineral resources present potential for expanded exports. Such minerals include rutile (titanium oxide); Cameroon reportedly has the world's second-largest deposits after Australia.⁸⁵ Cameroon's extensive bauxite reserves have potential for export growth.⁸⁶ Cameroon also has confirmed exploitable deposits of iron, cobalt, and nickel ores. The government is exploring the possibility of extracting other minerals such as cassiterite (used to produce tin), gold (with potential production of 1 metric ton per year), diamonds (with a potential of 7,000 carats per year),⁸⁷ marble, and limestone.⁸⁸ It was also reported that Cameroon's littoral sand could be of an ideal quality for glass production.⁸⁹

Although Cameroon's petroleum reserves are declining, the country has the refining capacity to process petroleum coming from Chad through the Chad-Cameroon pipeline. Refined petroleum products have been an important segment of Cameroon's exports to the region, and the increased supply of crude petroleum provides an opportunity to expand those exports. Cameroon also has underexploited reserves of natural gas that could be exported.⁹⁰

Within the services sector, tourism offers an opportunity for increased exports. Although the current level of tourism is small—only about 250,000 tourists visited Cameroon in 2002⁹¹—Cameroon's diverse ecosystems represent a potential for increasing the number of tourists. Cameroon possesses five diverse natural parks that have an abundance of wildlife and extensive tropical rainforests, which hold great potential for ecotourism. Cameroon also offers tropical beach areas on the Atlantic Ocean and cultural tourism opportunities in traditional tribal areas.⁹²

Domestic and International Barriers

Cameroon lags behind SSA averages in business environment indices in a number of areas such as attaining credit, enforcing contracts, and employment rigidity (table CM-5). Cameroon ranks below SSA economic freedom averages for most categories, including trade policy, government intervention, and banking and finance (table CM-6). Since the recession in the mid-1980s and continuing through the present, Cameroon's systems of transportation, telecommunications, and electricity generation (table CM-7) have been in need of investment. These impediments substantially lower the export sector's productivity and international competitiveness. The lack of an environment conducive to business has prompted some potential entrepreneurs to operate in the informal sector. Cameroon's informal market activity score is higher than the average for SSA.

⁸⁵ Cameroon Chamber of Commerce, "The Mining Field," brochure provided to USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁸⁶ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁸⁷ Cameroon Chamber of Commerce, "The Mining Field;" and EIU, *Cameroon Country Profile*, p. 31.

⁸⁸ Ibid.

⁸⁹ Trade panel, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005.

⁹⁰ Cameroon Chamber of Commerce, "The Mining Field."

⁹¹ Cameroon Chamber of Commerce, "The Tourism Field," brochure provided to USITC staff, Douala, Cameroon, Mar. 23, 2005.

⁹² Ibid.

Table CM-5
Cameroon: Business environment

	Cameroon	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	21.4	17.1	72.1
Closing a business: Time (years)	3.2	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	87.6	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	4.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	1.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	36.4	43.0	10.8
Enforcing contracts: Number of procedures	58.0	35.0	19.0
Enforcing contracts: Time (days)	585.0	434.0	229.0
Registering a property: Number of procedures	5.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	18.8	13.2	4.9
Registering a property: Time (days)	93.0	114.0	34.0
Starting a business: Number of procedures	12.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	182.5	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	232.0	254.1	44.1
Starting a business: Time (days)	37.0	63.0	25.0
Employment: Difficulty of firing index	80.0	50.6	26.8
Employment: Difficulty of hiring index	61.0	53.2	26.2
Employment: Firing costs (weeks)	46.0	59.5	40.4
Employment: Rigidity of employment index	74.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Cameroon, applied rate, 2001)		
All goods			18.0
Agricultural goods			22.0
Nonagricultural goods			17.5

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table CM-6
Cameroon: Economic freedom

	Cameroon	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.5	3.6	2.5
2000 Overall score	3.7	3.7	2.2
2005 Overall score	3.6	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	3.5	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table CM-7
Cameroon: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	34,300.0
Roads, paved (percent of total roads, 1999)	12.5
Transport services (percent of service exports, BoP)	(2)
Transport services (percent of service imports, BoP)	(2)
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	49.7
Internet users (per 1,000 people, 2002)	3.8
Mobile phones (per 1,000 people, 2002)	42.7
Telephone mainlines (per 1,000 people, 2002)	7.0
Electric power transmission and distribution losses (percent of output, 2001)	25.7
Energy imports, net (percent of commercial energy use, 2001)	-93.7

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Cameroon's transportation system is a significant impediment to developing the country's economic resources.⁹³ A lack of road networks connecting it with its neighbors also limits Cameroon's ability to trade with the region. Bridge infrastructure is in need of repair and replacement. For example, on the highway that connects Cameroon's rich agricultural province of Limbe with the port at Douala, a colonial-era bridge collapsed in early 2004 and has yet to be replaced. The Bonaberi bridge over the Wouri river, which connects the two halves of Cameroon commercial center in Douala, also is dilapidated, causing major traffic jams in the country's most important commercial center. Other transportation systems are also deficient. Cameroon's rail system, though privatized and reportedly receiving FDI, has only 1,000 kilometers of track and is hampered by inefficiency, old rolling stock, and poor safety systems. Cameroon's national airline suffers from a lack of capital and does not have regular flights.⁹⁴ Moreover, Cameroon's access by air to its major trading partners in the European Union and within the region is relatively limited.

Cameroon's main outlet for exports is the port of Douala, which handles 95 percent of the country's external trade.⁹⁵ Although the port promotes itself as a transportation hub for entral Africa, a number of factors limit its role as a regional hub.⁹⁶ The port is located 25 miles from the Atlantic Ocean on the Wouri estuary, which is prone to silt buildup. Therefore, the port requires expensive dredging, making it unsuitable for the largest sea-going ships.⁹⁷ Although the port has some new facilities, it has a number of old storage depots, outdated infrastructure,⁹⁸ and needs additional cold storage facilities for perishable agricultural commodities. Until recently, the container facility was slow to process cargo containers. However, privatization has reportedly increased efficiency and improved turn-around times

⁹³ Industry official, interview with USITC staff, Douala, Cameroon, Mar. 24, 2005; and EIU, *Cameroon Country Profile*, p. 33.

⁹⁴ EIU, *Cameroon Country Profile*, p. 17.

⁹⁵ *Ibid.*, p. 18.

⁹⁶ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

⁹⁷ Infrastructure management official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

⁹⁸ Infrastructure management official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

for container processing.⁹⁹ Cameroonian port authority officials stated that a new deep-sea port will be constructed on the coast at Limbe, which should alleviate current capacity problems. However, the facility will not be operational until 2008.¹⁰⁰

Cameroon is using only an estimated 2 percent of its hydroelectric potential and lacks sufficient electric power generating capacity.¹⁰¹ Over 90 percent of the country's electricity is generated from hydroelectric stations. During the last 4 years, electric generating capacity fell by 35 percent because of low rainfall,¹⁰² resulting in frequent cuts in power and high electricity rates. A new thermal power station in Limbe is expected to increase the availability of electricity to agricultural and manufacturing businesses in the region.

Cameroon's fixed-line telecommunications system reportedly has outdated equipment that causes irregular service in many parts of the country.¹⁰³ Although mobile phones have better service and 10 times the subscriber base, the cost of service is high.¹⁰⁴

Quality control, inadequate technical capacity, and lack of government and institutional support were also cited as impediments to export development. There is reportedly a limited understanding of global market quality requirements, particularly for large developed markets such as the United States.¹⁰⁵ In addition, domestic firms are unable to fulfill the volume requirements of importers in developed-country markets. With the exception of Cameroon's EPZ program, the institutional framework for developing export businesses is lacking.¹⁰⁶ The country's EPZ policies are reportedly very favorable.¹⁰⁷

It has been suggested that the government should provide additional regulatory and tax policy incentives to improve the business environment, so that businesses that serve the domestic market can expand into exports.¹⁰⁸ There are also significant bureaucratic requirements such as complicated paperwork and time-consuming approval procedures that must be followed when establishing a business. Cameroon requires twice the number of procedures must be undertaken to start a business as compared with OECD countries. SMEs in particular face a number of challenges in Cameroon that make it difficult to establish a new business. There is no investment promotion agency and no framework to facilitate or promote exports by SMEs. For example, the government has yet to establish certain procedures for businesses wanting to take advantage of opportunities in the AGOA program.¹⁰⁹

The lack of available capital was cited by Cameroon business participants as a leading obstacle to the development of export industries. In terms of indices for getting credit, Cameroon ranks below SSA averages in most categories, and well below OECD averages

⁹⁹ Infrastructure management official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

¹⁰⁰ Infrastructure management official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004.

¹⁰¹ AfDB/OECD, "Cameroon," p. 95.

¹⁰² EIU, *Cameroon Country Profile*, p. 20.

¹⁰³ *Ibid.*, p. 18.

¹⁰⁴ *Ibid.*, p. 19.

¹⁰⁵ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005.

¹⁰⁶ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005.

¹⁰⁷ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005.

¹⁰⁸ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005.

¹⁰⁹ Trade official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005.

(table CM-5). A contributing factor is that the country has no investment banks that provide long-term, low-interest loans. Commercial banks operating in Cameroon provide short-term, high-interest loans primarily to large companies that can make substantial collateral commitments.¹¹⁰ Because interest rates are high, reportedly averaging 20 percent, most commercial loans are used to finance short-term capital projects, or to finance trade transactions, instead of long-term business development. Consequently, large sectors of Cameroon's economy do not have access to capital. The scarcity of credit is particularly acute for SMEs.¹¹¹

According to the U.S. Department of State, corruption is endemic in Cameroon.¹¹² Despite various anticorruption campaigns by the government, lack of transparency is prevalent at many levels. Lack of transparency in judicial and customs regulations were regularly cited as factors constraining export growth. Timely movement of goods through customs, particularly through the port of Douala, requires unofficial payments in the form of additional "taxes" and "fees." For example, exporters of traditional crafts are required to pay a customs fee of 5 percent, but to "expedite" the shipment, additional taxes must be paid to customs agents.¹¹³ Generally, fees must be paid to meet with customs personnel, to check on shipments, and to inspect cargo containers.¹¹⁴

The U.S. Department of State also notes that the "dysfunctional judiciary severely disrupts the development of Cameroon's economy and society."¹¹⁵ Local businesses reportedly exert financial and political pressure to influence judges.¹¹⁶ Accordingly, enforcing contracts in Cameroon takes more time and requires more procedures than the regional SSA average. Reportedly, widespread fraud within the judiciary is a critical factor limiting FDI.¹¹⁷ The lack of transparency reportedly extends beyond the judicial system to criminal and transportation enforcement by the police, and to regulations governing the exploitation of natural resources.¹¹⁸

Another often-identified impediment is the lack of skilled technical labor necessary for diversification into more skill-intensive industries. In some cases, skilled technical workers have to be imported to work on large or sophisticated projects,¹¹⁹ as there are not enough technical and vocational schools to train the personnel necessary to meet the country's needs. Other less-frequently identified impediments include a lack of global business management

¹¹⁰ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

¹¹¹ EIU, *Cameroon Country Profile*, p. 32.

¹¹² U.S. Department of State telegram, "Cameroon Investment Climate Statement 2005," message reference No. 250356, prepared by U.S. Embassy, Yaoundé, Jan. 5, 2005.

¹¹³ Industry officials, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005.

¹¹⁴ "Corruption at the Douala Port, A Special Report," posted Jan. 6, 2005, found at www.postnewsline.com/special_report_corruption_at_douala_port, retrieved Apr. 25, 2005.

¹¹⁵ U.S. Department of State telegram, "Cameroon Investment Climate Statement 2005."

¹¹⁶ *Ibid.*

¹¹⁷ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 24, 2005; and U.S. Department of State telegram, "Cameroon Investment Climate Statement 2005."

¹¹⁸ U.S. Embassy official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005; and "Africa's rainforest depend on cutting out corruption," Environmental Media Resources, found at www.ems.org/nws/2005/02/05/africas_rainfore, retrieved May 1, 2005.

¹¹⁹ For example, for the Chad-Cameroon petroleum pipeline, a large number of welders from India came to Cameroon because there were not sufficient numbers of domestic welders to work on the project. Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

knowledge, over-reliance on the French language, lack of coordination by companies within industries, and a lack of security.¹²⁰

Although textiles and apparel were cited as potential exports, there is reportedly a lack of quality inputs, including yarn, fabric, and apparel-making equipment.¹²¹ Moreover, no domestic manufacturers supply shipping and packaging material appropriate for the international apparel business.¹²² In the forestry sector, there is a lack of processing capacity, as a result of too few large-scale sawmills, plywood manufacturing plants, and factories to construct other downstream wood products including flooring, wood veneer products, and furniture.¹²³ There is also a shortage of skilled furniture designers and craftsmen that can manufacture furniture demanded by the world market.¹²⁴

Finally, the lack of tourist-quality hotels, resorts, and other associated infrastructure, the poor state of Cameroon's road networks, and a lack of personal security, particularly in major urban areas, may dissuade tourists from visiting the country. The lack of regularly-scheduled domestic air service is also a major hindrance to increased tourism.

Cameroon's agricultural commodity-based exports face international barriers, including SPS requirements and certification standards in important export markets such as the European Union, the United States, and Japan. These technical market requirements increase the cost of business and limit export growth. Although many tariffs for primary commodities are generally low, tariffs on processed agricultural products can be high. In some of Cameroon's potential markets, two of Cameroon's leading exports, coffee and cocoa, face tariff escalation, whereby higher tariffs are placed on processed products as compared with their corresponding commodity inputs. This tariff structure limits trade to low-value commodities and discourages exports of downstream products. Certain processed fruits and vegetables may also be affected by tariff escalation.¹²⁵ In addition to nontariff measures and tariffs, observers have cited agricultural support programs in developed countries as barriers to increased exports of products such as cotton.¹²⁶

¹²⁰ Industry executive, interview by USITC staff, Douala, Cameroon, Mar. 24, 2004; business executive panel, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005; industry official, interview by USITC staff, Douala, Cameroon, Mar. 22, 2005; and trade panel, interview by USITC staff, Douala, Cameroon, Mar. 24 2005.

¹²¹ Industry official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005.

¹²² Industry official, interview by USITC staff, Douala, Cameroon, Mar. 21, 2005.

¹²³ Cameroon Chamber of Commerce, "The Forestry Field."

¹²⁴ Export official, interview by USITC staff, Douala, Cameroon, Mar. 23, 2005.

¹²⁵ U.S. Department of Agriculture, Economic Research Service, "Market Access for High-Value Foods," found at www.ers.usda.gov/publications/aer840/aer840.pdf, retrieved Apr. 12, 2005.

¹²⁶ U.S. Ambassador to Cameroon, "Ambassador Marquardt: 'Trade is Africa's Greatest Hope for Prosperity,'" Op-Ed article, Apr. 16, 2005, found at http://usembassy.state.gov/Yaounde/wwwhamb_oped.html, retrieved Apr. 25, 2005.

Economic Overview

Gabon has a well-developed petroleum sector and is one of the richest countries in sub-Saharan Africa. In 2003, its GDP was \$5.6 billion, and GDP growth was 3.4 percent (table GN-1). However, Gabon's dependence on petroleum revenues makes its economy vulnerable to fluctuations in petroleum prices. Although Gabon's per capita GDP of \$4,312 is relatively high, wealth distribution is highly uneven; about 5 percent of the population owns over 90 percent of the wealth.¹²⁸

The petroleum industry accounts for 41.9 percent of GDP (figure GN-1). The main crude petroleum field at Rabi is nearing the end of its productive life, with some sources estimating a 50-percent drop within the next 10 years.¹²⁹ Gabon has used several strategies to slow the decline in petroleum production, including improvements in technology that have enabled production from marginal fields. Gabon's attempts during 1999-2001 to encourage foreign investment in deep-water offshore exploration were mostly unsuccessful. Gabon now focuses on attracting companies skilled in exploiting the more numerous, marginal petroleum fields.¹³⁰ Nevertheless, unless new fields are discovered, Gabon faces the inevitable depletion of its petroleum reserves.

The services sector accounts for 37.4 percent of GDP, and is dominated by services associated with the petroleum industry and the public sector (the largest employer in the formal sector).¹³¹ The manufacturing sector accounts for 13.7 percent of GDP and includes construction, electricity, water, and other utilities. Important manufacturing activities include production of canned and bottled drinks, cement, soap, industrial gas, cigarettes, textile printing, flour mills, and coffee hulling.

The agriculture, fisheries, and mining sector accounts for 7.0 percent of GDP and are dominated by manganese mining and the timber industry. Small-scale farms cultivate crops such as cassava, yams, and plantains. The traditional cash crops are palm oil and peanuts, which have experienced reduced activity since the petroleum boom of the 1980s.¹³²

¹²⁷ Prepared by Karen Taylor, Office of Industries.

¹²⁸ U.S. Department of State, "Background Note: Gabon," Jan. 2005, found at www.state.gov, retrieved Mar. 8, 2005.

¹²⁹ World Bank, *What Happens When a Country Does Not Adjust to Terms of Trade Shocks? - The Case of Oil-Rich Gabon*, Sept. 2004, p. 9.

¹³⁰ An estimated 80 percent of Gabon's oilfields contain fewer than 5 metric tons of reserves. Economist Intelligence Unit (EIU), *Gabon Country Profile*, 2004, p. 33.

¹³¹ *Ibid.*, p. 23.

¹³² *Ibid.*, p. 29.

Table GN-1
Gabon: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	5,605.3
GDP growth (annual percent, based on local currency, 2003)	3.4
GDP per capita growth (annual percent, based on local currency, 2003)	1.2
Inflation, consumer prices (annual percent, 2000)	0.5
External debt, total (current US\$, millions, 2002)	3,533.5
Total debt service (percent of exports of goods and services, 1999)	18.8
Exports of goods and services (percent of GDP, 2003)	67.4
Trade (percent of GDP, 2003)	111.8
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	1.3
Population growth (annual percent, 2003)	2.2
Labor force, total (millions, 2003)	0.6
Labor force participation rate, total (percent, 2002)	44.7
Literacy rate, adult total (percent of people ages 15 and above)	(2)
Primary school enrollment ratio, total (percent, 2000) ³	144.0
Secondary school enrollment ratio, total (percent, 2000)	60.0
Land use, arable land (percent of total, 2001)	1.3
Gross capital formation (percent of GDP, 2003)	31.3
Gross fixed capital formation (percent of GDP, 2003)	31.3
Foreign direct investment, net inflows (percent of GDP, 2002)	2.5

¹ Most recent year for which data are available between 1999 and 2003.

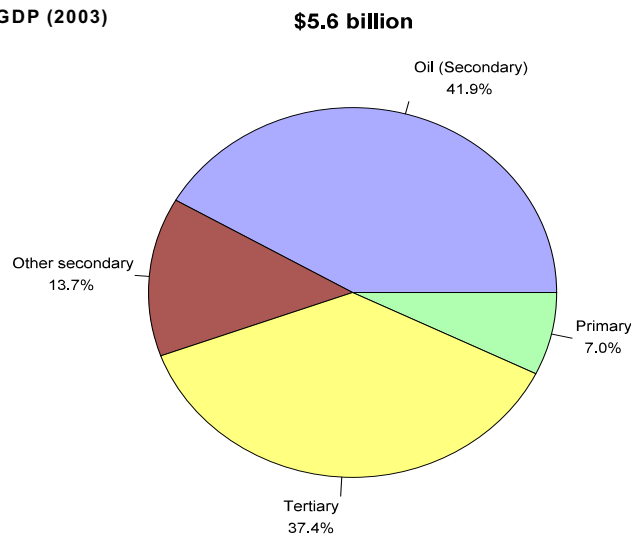
² Not available.

³ Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure GN-1
Gabon: Composition of GDP (2003)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying, secondary is defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Employment in the timber industry—Gabon’s second-largest employer—grew at a rate of 5.8 percent annually during 1996-2000. However, employment growth in this sector has been unable to absorb the estimated 10,000-15,000 annual labor force entrants.¹³³ The employment rate is low, at 44.7 percent. Employment in the public sector, Gabon’s largest employer, is decreasing. The petroleum boom increased wages in urban areas, causing a migration from the countryside to urban areas that adversely affected agriculture by reducing the rural labor supply.

Net inflows of foreign direct investment (FDI) were 2.5 percent of GDP in 2003 and have generally increased since 1998. France accounts for about 70 percent of FDI in Gabon. Gabon is considered to have a good investment climate as compared with neighboring countries. Foreign firms operate on an equal basis with Gabonese firms and there are no known cases of discrimination against or expropriation of foreign firms.¹³⁴

Export Profile

Over 90 percent of Gabon’s exports are generated from only two sectors: petroleum and forestry (tables GN-2 and GN-3). Petroleum exports accounted for 77.5 percent of exports in 2003 and consisted primarily of crude petroleum. The large proportion of GDP accounted for by petroleum has lessened the government’s incentive to develop other export sectors, despite the fact that production and revenues peaked in 1997. Forestry accounted for 16.5 percent of exports and consists almost entirely of logs and timber. Two tropical species, okoume and ozigo (used for plywood), represent one-half of this sector’s exports. Gabon engages in little downstream processing of petroleum and timber sector products. Manganese production accounted for 3.7 percent of exports.¹³⁵

Gabon’s has few major trading partners, with three countries accounting for 73.4 percent of total exports (table GN-4). The United States is the main market for Gabon’s petroleum and accounting for 59.1 percent of Gabon’s total exports. China, with a 8.6-percent share, is the second-largest market and the main market for Gabon’s timber products. China is a major consumer of commodities to fuel its industrialization. Gabon’s exports to China—entirely petroleum and wood products—have more than tripled during 1994-2003.¹³⁶ The state-run Chinese company Sinopec, Total Gabon (France), and the Gabonese government signed several agreements that guarantee China a steady flow of Gabonese petroleum.¹³⁷

The third-largest market is France, accounting for 5.7 percent of Gabonese exports. The strong French participation in the mining sector (primarily manganese ore) accounts for France’s export market share.¹³⁸ For example, the French company Eramet is a joint owner of the parastatal company Comilog, which extracts and processes manganese. Trinidad and

¹³³ Ibid., pp. 29-30.

¹³⁴ U.S. Department of State telegram, “Gabon: 2005 Investment Climate Statement,” message reference No. 00010, prepared by U.S. Embassy, Libreville, Jan. 2005.

¹³⁵ EIU, *Gabon Country Profile*, pp. 31 and 35.

¹³⁶ “China Customs Information Network,” found at <http://english.china-customs.com/>, retrieved Apr. 5, 2005.

¹³⁷ The Institute for the Analysis of Global Security, *Chinese Quest for Crude Increases Focus on Africa*, Nov. 15, 2004, found at www.iags.org/n1115044.htm, retrieved Mar. 30, 2005.

¹³⁸ EIU, *Gabon Country Profile*, pp. 35 and 39.

Tobago is the fourth-largest export market. Exports to Trinidad and Tobago have grown considerably in recent years and consist almost entirely of crude petroleum.

Even with declining petroleum production, the value of exports increased by more than \$1 billion during 1994-2003 because of petroleum price increases. Given the predominance of petroleum in Gabon's exports, total export growth during 1994-2003 (4.1 percent compound annual growth rate (CAGR)) has been driven by petroleum sector value growth (4.7 percent CAGR) (table GN-2). Notably, although overall wood exports (HS 44) have grown at a CAGR of 3.4 percent, downstream products such as plywood, sawn wood, and veneered wood (HS 4407, 4408, and 4412) have increased at much faster rates, indicating an expansion of downstream wood processing. Gabon has been attempting to increase downstream processing of wood and approved a new forestry code in 2002 providing tax incentives for capital investments in the forestry sector.¹³⁹ This strategy appears to be successful, because downstream wood products are the two fastest-growing exports. Finally, two sectors that have experienced decreasing rates of growth are manganese and petroleum oils (excluding crude).

Table GN-2
Gabon: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,807,052.5	1,870,901.9	2,721,759.2	77.5	4.7
44	Wood and articles of wood; wood charcoal	425,911.7	511,814.9	577,840.8	16.5	3.4
26	Ores, slag and ash	163,618.2	152,982.0	128,766.6	3.7	-2.6
03	Fish and crustaceans, molluscs and other aquatic invertebrates	9,315.0	14,550.4	19,141.6	0.5	8.3
88	Aircraft, spacecraft, and parts thereof	1,535.4	7,821.7	17,529.5	0.5	31.1
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1,563.0	1,673.5	5,302.0	0.2	14.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,106.4	6,781.9	4,952.4	0.1	10.0
40	Rubber and articles thereof	2,184.4	4,937.6	2,601.6	0.1	2.0
97	Works of art, collectors' pieces and antiques	441.7	2,207.6	2,371.9	0.1	20.5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	1,359.4	3,550.2	1,050.7	0.0	-2.8
	Other	32,273.1	99,816.8	29,496.3	0.8	-1.0
Total		2,447,360.7	2,677,038.6	3,510,812.6	100.0	4.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹³⁹ Ibid., p. 31.

Table GN-3
Gabon: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2709	Petroleum oils and oils from bituminous minerals, crude	1,782,447.5	1,851,389.8	2,710,284.6	77.2	4.8
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	412,312.6	463,444.0	425,624.7	12.1	0.4
2602	Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20% or more, based on dry weight	163,430.8	152,980.2	128,635.5	3.7	-2.6
4408	Veneer sheets and sheets for plywood and other wood sawn lengthwise, sliced or peeled, not more than 6 mm (.236 in.) thick	228.6	16,943.2	79,747.1	2.3	91.6
4407	Wood sawn or chipped lengthwise, sliced or peeled, more than 6 mm (.236 in.) thick	1,605.8	13,536.4	47,976.7	1.4	45.9
4412	Plywood, veneered panels and similar laminated wood	11,597.1	17,556.3	20,192.1	0.6	6.4
0306	Crustaceans, live, fresh, chilled, frozen etc.; crustaceans, in shell, cooked by steam or boiling water; flours, meals, & pellets of crustaceans, fit for human consumption	7,669.8	12,657.5	18,027.9	0.5	10.0
8802	Aircraft, powered (for example, helicopters, airplanes); spacecraft (including satellites) and spacecraft launch vehicles	1,500.0	7,803.2	17,453.8	0.5	31.3
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	24,588.7	19,215.6	11,456.3	0.3	-8.1
7209	Flat-rolled iron or nonalloy steel products, 600 mm (23.6 in.) or more wide, cold-rolled, not clad, plated or coated	0.0	0.0	7,158.6	0.2	(¹)
	Other	41,979.8	121,512.4	44,255.3	1.3	0.6
	Total	2,447,360.7	2,677,038.6	3,510,812.6	100.0	4.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GN-4
Gabon: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	1,237,783.8	1,619,066.4	2,074,571.0	59.1	5.9
China	86,703.7	279,117.3	300,603.3	8.6	14.8
France	408,354.2	209,520.1	199,625.5	5.7	-7.6
Trinidad and Tobago	0.0	8.3	197,349.4	5.6	(¹)
Japan	202,231.3	43,564.3	165,941.0	4.7	-2.2
Korea, Rep.	30,418.7	86,615.0	120,009.7	3.4	16.5
Portugal	56,207.4	65,860.1	69,429.7	2.0	2.4
Italy	27,009.1	30,678.6	56,651.1	1.6	8.6
United Kingdom	5,903.1	7,715.3	38,666.4	1.1	23.2
Singapore	25,386.9	24,963.4	31,308.2	0.9	2.4
Other	367,362.4	309,929.7	256,657.2	7.3	-3.9
Total	2,447,360.7	2,677,038.6	3,510,812.6	100.0	4.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Although the United States is by far Gabon's leading export market, other countries have rapidly increased their imports from Gabon, including China (14.8 percent 9-year CAGR), Korea (16.5 percent), and the United Kingdom (23.2 percent) (table GN-4). Gabon's petroleum exports to Trinidad and Tobago increased from zero in 1994 to almost \$200 million in 2003, nearly matching France's market share. Trinidad and Tobago has excess capacity at its refinery, and therefore requires imports of crude petroleum to run efficiently. Total crude petroleum imports in Trinidad and Tobago increased by 140 percent during 1999-2003.¹⁴⁰

Sectors with the Greatest Export Growth Potential

Wood and wood related products reveal relatively strong and stable revealed comparative advantage¹⁴¹ (RCA) indices, suggesting future potential export growth for this sector (appendix E, table E-11). The concentration of these exports to a few countries, including the European Union and lower- and middle-income countries, indicates potential opportunities to expand to other high-income export markets. Potential for the mining sector is reflected in the fact that several manganese-related products show the greatest average yearly growth in the RCA index.

China's demand for Gabon's wood and petroleum products is likely to grow, as China and Gabon signed an agreement on economic cooperation in 2004.¹⁴² Trinidad and Tobago may be another growth market for petroleum. Petrotrin, Trinidad's state-owned oil company, can refine 160,000 barrels of crude petroleum per day, but only 60,000 barrels per day of domestic crude petroleum are available for refining. Petrotrin must source crude petroleum in foreign markets to fully make use of its excess refining capacity.¹⁴³

Timber processing is the largest manufacturing sector outside of petroleum processing. Although veneer sheets and sawn wood make up a small share of total exports (2.3 and 1.4 percent, respectively), Gabon had significant and stable RCA indices for both products during 2000-03. Densified wood products are ranked highly based on change in the RCA index, indicating increasing relative efficiency. International trade in densified wood has also shown significant growth.

Fish and crustaceans, included in Gabon's top 10 exports, also have export growth potential. Gabon has an 800-kilometer coastline with plentiful fish stocks consisting primarily of small pelagic fish (230,000 metric tons), groundfish (140,000 metric tons), and shrimp (2,000 metric tons). Crabs and deep-water shrimp are not yet heavily harvested, and therefore may have greater potential than other types of seafood.¹⁴⁴

¹⁴⁰ Trinidad and Tobago Ministry of Energy and Industry, *Petrotrin to upgrade*, found at www.energy.gov.tt/applicationloader.asp?app=newsarticles&cmd=view&articleid=103, retrieved Mar. 30, 2005.

¹⁴¹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁴² Sun Shangwu, "Presidents Promote Growth with Gabon," *China Daily*, Sept. 9, 2004, found at www.chinadaily.com.cn/english/doc/2004-09/09/content_372815.htm, retrieved Mar. 30, 2005.

¹⁴³ Trinidad and Tobago Ministry of Energy and Energy Industries, *Petrotrin to Upgrade*.

¹⁴⁴ World Trade Organization, *Trade Policy Review: Gabon*, May 2001, found at www.wto.org, retrieved Mar. 30, 2005, p. 73.

Palm oil was a substantial export product before the petroleum boom. The previously government-owned palm oil company, Agrogabon, was unprofitable for years due in part to poor management.¹⁴⁵ Given the 2003 privatization of Agrogabon, the potential for the re-emergence of palm oil as a potential export has improved substantially.

Domestic and International Barriers

Impediments to increased exports include lack of government transparency, poor infrastructure, and the lack of skilled labor necessary to diversify into more skill-intensive industries. High tariff rates on imported products raise the cost of production (table GN-5). Poor management of public finance provides opportunities for government officials to obtain unofficial income.¹⁴⁶ Lack of transparency is especially high with respect to the procedures for bidding on government contracts. The lack of transparency also hurts the overall business climate, and, in particular, deters investment. As shown in table GN-6, Gabon’s 2005 overall economic freedom indicator was equal to the region’s average; however, while the region’s economic freedom rating improved between 2000 and 2005, Gabon’s economic freedom rating deteriorated. Notably, of all the economic freedom indicators, Gabon’s worst performing 2005 component score was trade policy.

Table GN-5
Gabon: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties (Gabon, applied rate, 2002)
All goods	18.0
Agricultural goods	22.3
Nonagricultural goods	17.4

Source: World Bank, “Doing Business in 2005,” found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, “Country Profile,” Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

¹⁴⁵ EIU, *Gabon Country Profile*, p. 29.

¹⁴⁶ U.S. Department of State telegram, “Gabon: 2005 Investment Climate Statement.”

Table GN-6
Gabon: Economic freedom

	Gabon	Regional average ¹	OECD average
— Heritage Foundation indicators —			
1995 Overall score	3.2	3.6	2.5
2000 Overall score	3.3	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	3.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

Labor factors and education represent an impediment to economic development and export growth. There are shortages of highly skilled workers.¹⁴⁷ In addition, labor costs are high in the formal sector because of labor market rigidities and excessive regulations. Immigrant and migrant workers perform most of the work requiring low-skilled, low-paid labor. Low public spending on education is a factor in the skilled-labor shortage. Education is also disrupted by strikes over delays in salary payments to teachers. The migration of families from the country to urban areas has resulted in overcrowded urban schools. Although the government provides limited technical training in agriculture and tourism, quality education is only provided by the private sector. Most Gabonese cannot afford private education.¹⁴⁸

Another impediment to export growth is the poor state of Gabon’s transportation infrastructure. Only 10 percent of the total road network is paved (table GN-7), and there is no direct road to Libreville, the capital, or the main seaport, Port-Gentil.¹⁴⁹ The harsh climate deteriorates roads quickly, and road maintenance is poor. Difficult terrain near many urban areas and low population density, and large distances from agricultural areas to small urban markets make it difficult to improve the infrastructure. The inadequacy of the roads encourages use of the domestic airports and increases transportation costs. There are five domestic airports, three of which can handle international traffic, and many small airfields.¹⁵⁰ The state-owned airline, Air Gabon, has been unprofitable since 1994. Its financial difficulties caused it to cancel flights to Europe in 2004.¹⁵¹ The only other airline with a Gabon-Europe route is Air France, which is relatively expensive, and, consequently, inhibits the export of low-value, high-volume products.

¹⁴⁷ Ibid.

¹⁴⁸ EIU, *Gabon Country Profile*, p. 17.

¹⁴⁹ Ibid., p. 19.

¹⁵⁰ Ibid., pp. 19-20.

¹⁵¹ U.S. Department of State telegram, “Air Gabon to Resume Flights to Europe,” message reference No. 00791, prepared by U.S. Embassy, Libreville, Dec. 2004.

Table GN-7
Gabon: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 2001</i>)	8,464.0
Roads, paved (<i>percent of total roads, 2001</i>)	9.9
Transport services (<i>percent of service exports, BoP, 1999</i>)	53.9
Transport services (<i>percent of service imports, BoP, 1999</i>)	33.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	239.7
Internet users (<i>per 1,000 people, 2002</i>)	19.2
Mobile phones (<i>per 1,000 people, 2002</i>)	215.0
Telephone mainlines (<i>per 1,000 people, 2002</i>)	24.7
Electric power transmission and distribution losses (<i>percent of output, 2001</i>)	17.8
Energy imports, net (<i>percent of commercial energy use, 2001</i>)	-768.9

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

The manufacturing sector, with the exception of oil refining and timber processing, is adversely affected by high labor costs, a lack of skilled labor, and poor infrastructure.¹⁵² Construction depends primarily on government-sponsored projects, which declined after 1999 because of the decline in petroleum revenues.¹⁵³ In the agricultural sector, large distances from agricultural areas to small urban markets hamper efforts to diversify away from petroleum.¹⁵⁴ Compared to domestic impediments, international factors have not emerged as significant impediments to export growth of Gabon's most important exports, petroleum and wood products.

¹⁵² EIU, *Gabon Country Profile*, p. 16.

¹⁵³ *Ibid.*, p. 37.

¹⁵⁴ *Ibid.*, p. 19.

Economic Overview

Nigeria is bordered by Benin, Cameroon, Chad, Niger, and the Gulf of Guinea. Nigeria's population was 135.6 million in 2003 (table NG-1). About 70 percent of the country's labor force was employed in agriculture, 20 percent in services, and 10 percent in industry.¹⁵⁶ The country's GDP was valued at \$50.2 billion in 2003, an increase of 10.6 percent over 2002; the corresponding increase in GDP per capita was 8.3 percent. The large increase in GDP was attributed primarily to higher world petroleum prices, increased revenues from nonpetroleum exports, and judicious economic policies.¹⁵⁷ Exports of goods and services represented a little more than one-third of GDP in 2003.

Crude petroleum and natural gas accounted for 33.4 percent of Nigeria's GDP in 2003 (figure NG-1). The petroleum industry in Nigeria developed in the late 1960s and has accounted for a major share of the country's exports since that time. The production of crude petroleum during 1998-2002 fluctuated around 2 million barrels per day,¹⁵⁸ with more than 95 percent of the country's production accounted for by joint ventures between the Nigerian National Petroleum Corporation (NNPC) and Nigerian subsidiaries of several major multinational petroleum companies.¹⁵⁹ Nigeria also has large reserves of natural gas, some associated with the country's petroleum reserves. Natural gas production more than doubled during 1998-2002, and Nigeria's revenues from liquified natural gas (LNG), valued at \$569 million in 2004, are projected to increase to more than \$6 billion in 2007, matching expected revenue levels of crude petroleum.¹⁶⁰ In addition to crude petroleum and natural gas, Nigeria's mineral and mineral fuel reserves include coal, iron ore, cassiterite, lead, zinc, manganese, gold, tantalite, gemstones, gypsum, kaolin, phosphates, limestone, marble, and columbite.

Agriculture accounted for about 31.3 percent of GDP in 2003. Nigeria has been traditionally largely agrarian. Prior to the emergence of the petroleum industry, its leading exports were cocoa beans, groundnuts (peanuts), palm kernels, rubber, cotton, and timber. As crude petroleum began to represent an increasing share of exports, however, agricultural exports

¹⁵⁵ Prepared by Elizabeth Nesbitt, Office of Industries.

¹⁵⁶ U.S. Department of State telegram, "USITC Study on Export Opportunities and Barriers in African Growth and Opportunity Act (AGOA)-Eligible Countries," message reference No. 00276, prepared by U.S. Embassy, Abuja, Feb. 22, 2005; and Central Intelligence Agency, "Nigeria," *World Factbook 2005*, found at www.cia.gov/cia/publications/factbook/geos/ni.html#People, retrieved May 24, 2005.

¹⁵⁷ "Nigeria Economy on Track," Afrol News, Aug. 13, 2004, found at www.afrol.com/articles/13704, retrieved Feb. 27, 2005.

¹⁵⁸ Economist Intelligence Unit (EIU), *Nigeria Country Profile*, 2004, p. 51.

¹⁵⁹ The Centre for Petroleum Information, "Frequently Asked Questions," last updated Jan. 2004, found at www.petroinfoinigeria.com/faq.html, retrieved Mar. 8, 2005; and Energy Information Administration (EIA), "Nigeria Country Analysis Brief," found at www.eia.doe.gov/emeu/cabs/nigeria.html, retrieved Feb. 27, 2005.

¹⁶⁰ *Alexander's Gas & Oil Connections*, "Nigeria to Earn \$6bn from LNG by 2007," Dec. 22, 2004, found at www.gasandoil.com/goc/news/nta45104.htm, retrieved Mar. 25, 2005.

Table GN-1
Gabon: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	5,605.3
GDP growth (annual percent, based on local currency, 2003)	3.4
GDP per capita growth (annual percent, based on local currency, 2003)	1.2
Inflation, consumer prices (annual percent, 2000)	0.5
External debt, total (current US\$, millions, 2002)	3,533.5
Total debt service (percent of exports of goods and services, 1999)	18.8
Exports of goods and services (percent of GDP, 2003)	67.4
Trade (percent of GDP, 2003)	111.8
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	1.3
Population growth (annual percent, 2003)	2.2
Labor force, total (millions, 2003)	0.6
Labor force participation rate, total (percent, 2002)	44.7
Literacy rate, adult total (percent of people ages 15 and above)	(2)
Primary school enrollment ratio, total (percent, 2000) ³	144.0
Secondary school enrollment ratio, total (percent, 2000)	60.0
Land use, arable land (percent of total, 2001)	1.3
Gross capital formation (percent of GDP, 2003)	31.3
Gross fixed capital formation (percent of GDP, 2003)	31.3
Foreign direct investment, net inflows (percent of GDP, 2002)	2.5

¹ Most recent year for which data are available between 1999 and 2003.

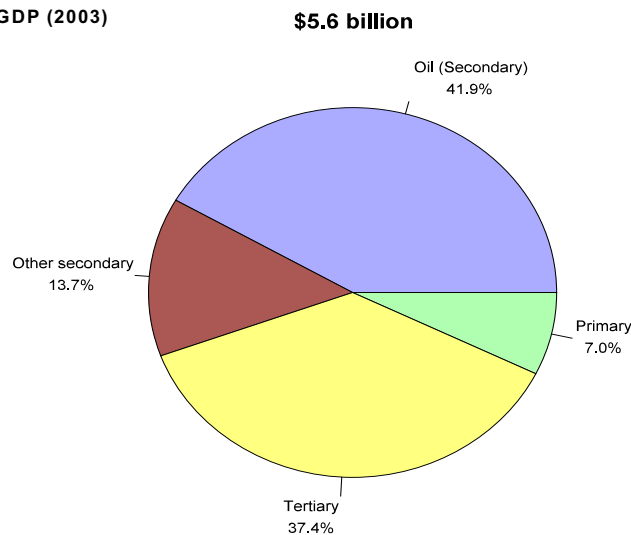
² Not available.

³ Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure GN-1
Gabon: Composition of GDP (2003)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying, secondary is defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

waned; cocoa, rubber, and palm became the primary crops exported. The sector is considered a key economic driver that accounts for a major share of national employment and generates the majority of nonpetroleum export revenue.¹⁶¹

Manufacturing accounted for only about 4.4 percent of the country's GDP in 2003. Textiles, beverages, cigarettes, soaps, and cement represented almost two-thirds of total manufacturing production.¹⁶² Production levels of sugar, cement, beer, and cotton fabric increased significantly during 2001-03.¹⁶³

Inflows of foreign direct investment (FDI) during 1999-2002 averaged about \$1.3 billion per year.¹⁶⁴ Much of the FDI in 2003 was in the energy sector, particularly crude petroleum.¹⁶⁵ Smaller amounts of FDI reportedly were invested in the telecommunication services and manufacturing sectors.¹⁶⁶ Companies investing in the manufacturing sector during the last few years include British American Tobacco; Guinness Nigeria Plc; Nigerian Bottling Co. Plc, a subsidiary of Coca-Cola International; Nigerian Breweries, a subsidiary of Heineken Breweries; Procter and Gamble; and Unilever Plc. Although these operations currently produce only for domestic consumption, their products could potentially be exported.¹⁶⁷

Export Profile

Nigeria's exports in 2003 were \$23.9 billion (table NG-2). Major product groupings were mineral fuels (largely crude petroleum and natural gas), 94.6 percent; cocoa and cocoa preparations, 2.2 percent; tanned hides and skins, 0.7 percent;¹⁶⁸ and crustaceans, 0.3 percent. Nigerian exports of crude petroleum and natural gas were \$20.7 billion and \$1.3 billion, respectively, in 2003 (table NG-3). The value of such exports fluctuated during 1999-2003, largely as a result of fluctuations in the price of the commodities. The 9-year compound

¹⁶¹ "2004 Budget Speech by His Excellency President Olusegun Obasanjo at the Joint Session of the National Assembly," Dec. 18, 2003, p. 8; EIU, *Nigeria Country Profile*, p. 31; and Embassy of Nigeria, written submission in connection with USITC inv. No. 332-464, *Export Opportunities and Barriers in African Growth and Opportunity Act-Eligible Countries*, Mar. 1, 2005, pp. 3-6.

¹⁶² EIU, *Nigeria Country Profile*, pp. 36-37.

¹⁶³ Federal Office of Statistics, Federal Republic of Nigeria, *Nigeria Statistical Fact Sheets on Economic & Social Development, 1999-2003*, Apr. 2004, found at www.cenbank.org/out/publications/statbulletin/pid/2004/Nigeria%20statistical%20factor%20sheets%20on%20econs%20&%20social%20development.pdf, retrieved Mar. 8, 2005.

¹⁶⁴ World Bank, "World Development Indicators," found at <http://devdata.worldbank/dataonline>, retrieved Feb. 1, 2005.

¹⁶⁵ Ernest Hirsch, "Investors Start to Eye Africa," *Africa Renewal*, Jan. 2005, vol. 18, No. 4, p. 20.

¹⁶⁶ U.S. Department of State telegram, "Trade and Investment Climate Statement, Nigeria," prepared by U.S. Embassy, Abuja, Jan. 27, 2005; and Dr. Julius Bala, Director, Policy Advocacy and External Relations, Nigerian Investment Promotion Commission, "The Challenges and Opportunities of the Investment Environment in Nigeria," presented at the International Meeting for the Promotion of Investment to Africa, organized by the Ministry of Foreign Affairs of Japan, Feb. 26, 2003, pp. 7 and 9.

¹⁶⁷ U.S. Department of State telegram, "USITC Study on Export Opportunities."

¹⁶⁸ Nigeria bans exports of raw hides and skin, including wet blue and all unfinished leather. U.S. Department of State telegram, "USITC Study on Export Opportunities."

Table NG-2
Nigeria: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes . . .	10,600,947.2	13,813,945.3	22,558,196.7	94.6	8.8
18	Cocoa and cocoa preparations.	195,627.4	259,500.9	524,518.1	2.2	11.6
41	Raw hides and skins (other than furskins) and leather . .	129,140.2	90,693.0	161,921.0	0.7	2.5
03	Fish and crustaceans, molluscs and other aquatic invertebrates	44,687.8	54,256.2	70,720.9	0.3	5.2
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	18,649.7	34,791.8	59,020.3	0.2	13.7
44	Wood and articles of wood; wood charcoal	44,247.6	101,593.7	54,725.4	0.2	2.4
26	Ores, slag and ash.	7,373.8	16,515.8	48,239.9	0.2	23.2
52	Cotton, including yarns and woven fabrics thereof.	10,567.4	27,533.6	34,510.3	0.1	14.1
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	4,869.8	24,460.6	32,918.8	0.1	23.7
40	Rubber and articles thereof.	94,201.1	17,429.7	25,610.1	0.1	-13.5
	Other	166,400.7	218,095.9	283,130.4	1.2	3.1
Total		11,316,712.7	14,658,816.5	23,853,511.9	100.0	8.6

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table NG-3
Nigeria: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2709	Petroleum oils and oils from bituminous minerals, crude	10,219,171.3	12,962,365.4	20,681,610.5	86.7	8.1
2711	Petroleum gases and other gaseous hydrocarbons	180.3	220,990.3	1,339,256.5	5.6	169.2
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	381,032.1	620,417.2	523,422.0	2.2	3.6
1801	Cocoa beans, whole or broken, raw or roasted	174,174.8	223,958.1	491,857.7	2.1	12.2
4106	Tanned or crust skins of animals nesoi, without wool or hair on, whether or not split, but not further prepared	70,089.6	42,190.5	82,520.0	0.3	1.8
4105	Tanned or crust skins of sheep or lamb, without wool on, whether or not split, but not further prepared . . .	50,871.8	43,279.2	74,410.1	0.3	4.3
0306	Crustaceans, live, fresh, chilled, frozen etc.; crustaceans, in shell, cooked by steam or boiling water; flours, meals, & pellets of crustaceans, fit for human consumption	41,622.0	48,992.6	66,075.1	0.3	5.3
2609	Tin ores and concentrates	5,045.4	7,714.5	27,040.4	0.1	20.5
1804	Cocoa butter, fat and oil	20,097.4	29,997.6	26,727.8	0.1	3.2
8431	Parts of machinery of headings 8425 to 8430 covering derricks, fork-lift trucks, conveyers, self-propelled bulldozers, graders, snowplows, etc.	1,555.7	764.7	24,706.9	0.1	36.0
	Other	352,872.2	458,146.4	515,884.9	2.2	4.3
Total		11,316,712.7	14,658,816.5	23,853,511.9	100.0	8.6

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

annual growth rate (CAGR) of natural gas exports amounted to 169.2 percent versus 8.1 percent for crude petroleum.

Although dwarfed by exports of crude petroleum, Nigeria's nonpetroleum exports are an increasingly important factor in the country's economy. Nigeria's top three markets for cocoa beans and cocoa products in 2003 were the Netherlands (36 percent), France (16 percent), and Belgium (14 percent),¹⁶⁹ all manufacturers of chocolate. The European Union was also a major market for the country's exports of leather and leather products. In 2003, Italy and Spain accounted for about 92 percent of such exports, or \$148 million. The top five export markets for fish and crustaceans in 2003 were France, the Netherlands, Belgium, Spain, and the United States, together accounting for 93 percent of total Nigerian exports of these products. In 2002, Nigeria reportedly exported about one-third of its output of raw cashew nuts to major processing countries such as India, Brazil, and Vietnam. Major markets for Nigerian cashew kernel exports are the United States and the United Kingdom.¹⁷⁰

Major markets for Nigerian exports in 2003 were the United States (45.9 percent), Spain (9.0 percent), and Brazil and France (6.4 percent and 5.9 percent, respectively) (table NG-4). Exports to these four countries, mainly of crude petroleum, accounted for 67.2 percent of total exports in 2003.¹⁷¹ The markets with the largest 9-year CAGRs were Japan (52.8 percent), Indonesia (47.4 percent), and Brazil (22.5 percent). China is also an expanding market for Nigeria, particularly for crude petroleum and certain minerals. Nigerian exports to China increased by 546.4 percent in 2004 to \$460 million.¹⁷² Nigeria's major regional markets in 2003 were Côte d'Ivoire, South Africa, Senegal, and Cameroon. Exports to these countries were valued at \$1.4 billion, or almost 6 percent of total Nigerian exports. Crude petroleum and natural gas accounted for 99 percent of the country's exports to these regional markets.

¹⁶⁹ World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹⁷⁰ Chemonics International Inc., "Subsector Assessment of the Nigerian Cashew Industry," prepared for USAID, Sept. 2002, pp. 19-23.

¹⁷¹ Nigeria's exports of crude petroleum to the European Union declined because of petroleum production in the North Sea. EIU, *Nigeria Country Profile*, p. 41.

¹⁷² Ministry of Commerce of the People's Republic of China, *Foreign Market Access Report: 2005*, p. 162.

Table NG-4
Nigeria: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	4,705,887.5	4,631,929.9	10,948,543.8	45.9	9.8
Spain	1,072,730.2	1,188,481.5	2,146,585.1	9.0	8.0
Brazil	246,101.6	769,271.2	1,524,405.9	6.4	22.5
France	1,087,875.4	752,489.0	1,401,653.6	5.9	2.9
Japan	19,712.2	195,794.9	896,624.3	3.8	52.8
Indonesia	26,246.5	188,310.5	861,968.6	3.6	47.4
Germany	951,100.0	206,295.0	756,004.0	3.2	-2.5
Portugal	384,493.4	324,998.4	752,851.0	3.2	7.8
Italy	236,585.8	243,939.0	521,930.8	2.2	9.2
Côte d'Ivoire	0.0	396,334.7	509,812.7	2.1	(¹)
Other	2,585,980.1	5,760,972.5	3,533,132.1	14.8	3.5
Total	11,316,712.7	14,658,816.5	23,853,511.9	100.0	8.6

¹ Undefined.

Note.—Although these figures represent official WITS data, they deviate substantially from other sources.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Although crude petroleum currently accounts for a major share of national GDP and export earnings, it is likely that the sector will continue to develop market share in countries worldwide. For example, China, already a major investor, has been developing stronger ties with most African counties,¹⁷³ including Nigeria,¹⁷⁴ in an effort to expand its resource base and secure supplies of crude petroleum and energy technology to satisfy its continuously increasing energy needs.¹⁷⁵ Growth in the natural gas industry is also expected during the next 5 years, particularly given the 2008 deadline set by the government to cease the flaring of natural gas.¹⁷⁶ Nigeria's natural gas reserves are said to amount to 159 trillion cubic feet of gas, the ninth-largest natural gas reserves worldwide.¹⁷⁷ Nigeria's revenues from LNG are expected to increase to an estimated \$6 billion annually by 2007.¹⁷⁸

¹⁷³ Institute for the Analysis of Global Security, "Chinese Quest for Crude Increases Focus on Africa," Nov. 15, 2004, found at www.iags.org/n1115044.htm, retrieved Mar. 14, 2005; and Karby Leggett, "China Flexes Economic Muscle Throughout Burgeoning Africa," *The Wall Street Journal*, Mar. 29, 2005, p. 1.

¹⁷⁴ Ibid.

¹⁷⁵ As of 2003, only the United States consumed more petroleum products than China worldwide. Institute for the Analysis of Global Security, "Chinese Quest for Crude Increases Focus on Africa."

¹⁷⁶ The EIA defines flared natural gas as "gas disposed of by burning in flares usually at the production sites or at gas processing plants." EIA, "Glossary," *International Energy Annual 2002*, found at www.eia.doe.gov/emeu/iea/glossary.html#F, retrieved May 24, 2005.

¹⁷⁷ The Centre for Petroleum Information, "Frequently Asked Questions."

¹⁷⁸ *Alexander's Gas & Oil Connections*, "Nigeria to Earn \$6bn from LNG by 2007."

The Nigerian government states that the agricultural, manufacturing, and minerals sectors are considered most likely to experience export growth.¹⁷⁹ Agricultural product exports that could be further developed with increased investment include cocoa, cashews (particularly downstream products such as cashew kernels and cashew nut shell liquid), sesame, and shrimp and prawns.¹⁸⁰ Potential markets for increased agricultural exports include the United States and India,¹⁸¹ as well as regional markets.

Nigeria has a strong revealed comparative advantage (RCA) index in cocoa beans, a product that accounted for about 2 percent of total Nigerian exports in 2003, or more than \$500 million (appendix E, table E-26). Moreover, average annual growth in world cocoa bean markets during 1993-2003 was almost 14 percent. Major markets for the country's exports of cocoa beans in 2003 were the European Union (cocoa bean imports from Nigeria accounted for approximately 12.4 percent of total EU cocoa bean imports); Canada (7.7 percent); and the United States (1.8 percent). The country's high RCA index, market penetration, and the recent world growth in sales of cocoa beans would appear to indicate that export sales of the product could increase.

Nigeria currently exports about 30,000 metric tons of cashew nuts annually, primarily to India, Brazil, and Vietnam, all major processing countries. In line with the ongoing emphasis on developing downstream processing, cashew kernels were identified as having substantial export potential, particularly to the United States. Nigeria currently exports only about 25 percent of its production of cashew nut kernels, mainly to the United States and the United Kingdom.¹⁸² Moreover, exports of cashew kernels and cashew nut shell liquid may increase when an export-oriented cashew nut processing facility comes onstream in Kwara State.¹⁸³ With regard to sesame, it has been suggested that development of the Nigerian industry could result in increased exports of sesame and sesame oil, particularly to countries in Asia.¹⁸⁴

The global market for shrimp and prawns is said to be increasing by 3 percent per year, largely as a result of increased consumption in the United States, Europe, and Japan. Development of a shrimp and prawns farming industry in Nigeria, intended to serve domestic and international consumption, could be valued at a total of \$384 million over the course of 10 years.¹⁸⁵

¹⁷⁹ Embassy of Nigeria, written submission, p. 1.

¹⁸⁰ Chemonics International Inc., "Industry Action Plan for Nigerian Shrimp and Prawns," prepared for USAID, Nov. 2002, p. 7; Chemonics International Inc., "Overview of the Nigerian Sesame Industry," prepared for USAID, Nov. 2002, various pages; and Chemonics, "Subsector Assessment of the Nigerian Cashew Industry," p. 14.

¹⁸¹ Chemonics, "Industry Action Plan for Nigerian Shrimp and Prawns," p. 7; and Chemonics, "Subsector Assessment of the Nigerian Cashew Industry," p. 14.

¹⁸² Chemonics, "Subsector Assessment of the Nigerian Cashew Industry," pp. 19-23.

¹⁸³ "Kwara Acquires N95m Loan," *Nigerian Newswatch*, Nov. 29, 2004, found at www.nasarawastate.org/newsday/news/economy/11129121723, retrieved Mar. 25, 2005. The plant, funded by a loan provided by the Nigerian Export-Import Bank, will employ about 2,000 employees and will use locally produced inputs.

¹⁸⁴ Chemonics, "Overview of the Nigerian Sesame Industry," various pages. Downstream derivatives of sesame include sesame oil (for cooking purposes or for use in industrial applications such as medicinal products, soaps, paints, and certain aerosol products), sesame paste, and sesame meal.

¹⁸⁵ Chemonics, "Industry Action Plan for Nigerian Shrimp and Prawns," p. 7; and Chemonics, "Subsector Assessment of the Nigerian Cashew Industry," p. 14.

RCA analysis shows that Nigeria is relatively internationally efficient in goat and sheep skin leather exports. Whereas such exports accounted for less than 1 percent of total Nigerian exports in 2003, or about \$157 million, average annual growth in the world markets for goat and sheep skin leather during 1993-2003 was 10 percent and 6 percent, respectively, suggesting that further development of the sector could result in expanded export opportunities for these products.

The Nigerian government is emphasizing the development of the largely unexploited mining sector, with the expectation that it could prove to be a major source of export revenues.¹⁸⁶ On a product-specific basis, Nigeria has a relatively high RCA index for the product grouping consisting of niobium, tantalum, vanadium, and zirconium. The 9-year CAGR for these products was almost 17 percent; exports of these products represented, on average, only 0.2 percent of total Nigerian exports during the period. Tantalum,¹⁸⁷ which accounted for a significant share of trade and investment in the sector in recent years, possibly as a result of efforts by the Nigerian Mining Corp. to encourage investment in tantalite mining operations, could show expanded export growth.¹⁸⁸ Investments made by Marubeni Corporation in 2001 in the exploration and extraction of tantalite could have been a contributing factor in the increased exports in that year.¹⁸⁹ More recently, Central African Mining & Exploration Plc, which has been operating in the country since 2004, is said to be exploring potential reserves of tantalum, gold, and columbite (a source of niobium).¹⁹⁰ In addition, a Nigerian company, Trans Afrik Nigeria, was reportedly licensed in August 2004 to explore for tantalite.¹⁹¹ Also in 2004, Pinnacle Resources, Inc. identified Nigeria as a possible source of tantalite ore feedstock for its tantalum pentoxide production in South Africa.¹⁹² Export growth in tantalite and niobium ores is also likely to be spurred by the recent increases in prices for these minerals.¹⁹³

¹⁸⁶ *Alexander's Gas and Oil Connections*, "Nigeria Hopes that Minerals Will become Alternative Revenue Earners," Oct. 2, 2003 found at www.gasandoil.com/goc/news/nta34023.htm, retrieved Mar. 24, 2005; and Chief (Dr.) J.O. Sanusi (CON), Governor, Central Bank of Nigeria, "Overview of Recent Economic Developments and Investment Potentials in Nigeria," Feb. 20, 2003, p. 6, found at www.cenbank.org/out/speeches/2003/govadd-20FEBB.pdf, retrieved Mar. 8, 2005.

¹⁸⁷ Tantalum, extracted from tantalite, is used in medical applications as well as in electronics (capacitors) and alloys.

¹⁸⁸ Philip Mobbs, "The Mineral Industry of Nigeria," *U.S. Geological Survey Minerals Yearbook-2000*, p. 24.2.

¹⁸⁹ Another factor cited as a possible explanation for increased exports of tantalum in 2001 was a buildup in inventory by electronics industry buyers concerned about possible supply shortages. "What is the Market Outlook for Tantalum," Infomine-africa.com, found at www.infomine-africa.com/afrinfoen.asp#What%20is%20the%20market%20outlook%20for%20Tantalum?, retrieved Mar. 29, 2005.

¹⁹⁰ "Central African Mining & Exploration Plc Interim Results," Fillyaboos.com, Dec. 29, 2004, found at www.fillyaboos.com/_fybArc1/000003ef.htm, retrieved Mar. 24, 2005.

¹⁹¹ According to information supplied by Mr. Philip Mobbs, Country Specialist, U.S. Geological Survey, "Exploration of Tantalite in Ekiti to Cost N20b," *The Guardian*, found at www.guardiannewsngr.com/business/article05, retrieved Aug. 26, 2004. The joint venture, valued at \$200 million, involves Trans Afrik Nigeria and CME, a Canadian company.

¹⁹² Pinnacle Resources, Inc., "Tantalum Project," found at www.pnrr.net/tant_proj.html, retrieved Mar. 25, 2005.

¹⁹³ Mr. Philip Mobbs, Country Specialist, U.S. Geological Survey, telephone interview by USITC staff, Mar. 25, 2005. Niobium is used in several applications, including the formation of an extremely strong steel alloy and in the manufacture of capacitors.

Domestic and International Barriers

General constraints inhibiting Nigerian exports include high financing costs; poor infrastructure, including inadequate electrical, water, and telephone services, deteriorating road conditions, and rundown railroads; corruption;¹⁹⁴ and an uncertain operating climate stemming from changing government regulations and policies.¹⁹⁵

Whereas some business environment indicators are significantly better than the regional average (e.g., the time to close a business, the number of procedures in enforcing contracts, the minimum capital needed to start a business, and multiple employment indicators), others are significantly worse, including the time needed to enforce contracts and to register property (table NG-5). Import tariffs are also high, averaging 30 percent on all goods. Moreover, Nigeria's economic freedom score worsened during 1995-2005, from 3.4, which was similar to the regional average, to 4.0 (table NG-6). Nigeria's trade policy and informal market sector activity scores lagged particularly far behind regional and OECD averages.

During the past few decades, Nigeria's infrastructure has been neglected, leading to deterioration in the state of the country's roads, railway, and ports.¹⁹⁶ Although approximately 31 percent of Nigerian roads are paved (table NG-7),¹⁹⁷ a fairly high proportion compared with other sub-Saharan African countries, much of the network is in disrepair. Inadequate equipment at the country's ports results in delays in loading and offloading, and has been cited as an impediment to transporting goods. In addition, "frequent policy changes and the multiplicity of authorities in ports mean that corruption and delays are common."¹⁹⁸

Another operating constraint has been a shortage of national energy supplies. Nigeria's power comes from downstream petroleum products, natural gas, hydroelectricity, and thermal power.¹⁹⁹ In the petroleum sector, the poor performance of the national refineries and the reported smuggling of petroleum products to regional markets stemming from

¹⁹⁴ According to Transparency International's 2004 index, Nigeria is ranked as the third most corrupt country in the world. Transparency International, "Transparency International Corruption Perceptions Index 2004," found at www.transparency.org/surveys/index.html, retrieved Mar. 10, 2005.

¹⁹⁵ U.S. Department of State telegram, "USITC Study on Export Opportunities."

¹⁹⁶ "2004 Budget Speech," p. 3; and Bala, "The Challenges and Opportunities," pp. 3 and 5.

¹⁹⁷ Numerous road repair projects were initiated in 2003 in conjunction with the creation of the national Road Maintenance Agency. Federal Office of Statistics, Federal Republic of Nigeria, *Nigeria Statistical Fact Sheets*, p. 87.

¹⁹⁸ EIU, *Nigeria Country Profile*, p. 21. It has been noted, however, that the ports used and maintained by the multinational energy companies are in better shape.

¹⁹⁹ EIU, *Nigeria Country Profile*, p. 23.

Table NG-5
Nigeria: Business environment

	Nigeria	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	33.2	17.1	72.1
Closing a business: Time (years)	1.5	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	20.7	41.8	5.2
Getting credit: Credit information Index	3.0	2.1	5.0
Getting credit: Legal rights index	8.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	37.2	43.0	10.8
Enforcing contracts: Number of procedures	23.0	35.0	19.0
Enforcing contracts: Time (days)	730.0	434.0	229.0
Registering a property: Number of procedures	21.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	27.2	13.2	4.9
Registering a property: Time (days)	274.0	114.0	34.0
Starting a business: Number of procedures	10.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	95.2	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	59.4	254.1	44.1
Starting a business: Time (days)	44.0	63.0	25.0
Employment: Difficulty of firing index	30.0	50.6	26.8
Employment: Difficulty of hiring index	22.0	53.2	26.2
Employment: Firing costs (weeks)	13.0	59.5	40.4
Employment: Rigidity of employment index	44.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Nigeria, applied rate, 2002)		
All goods			30.0
Agricultural goods			53.9
Nonagricultural goods			26.3

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table NG-6
Nigeria: Economic freedom

	Nigeria	Regional average¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	3.4	3.6	2.5
2000 Overall score	3.4	3.7	2.2
2005 Overall score	4.0	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.0	3.9	3.6
Government intervention in the economy score	4.0	2.6	2.5
Monetary policy score	4.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table NG-7
Nigeria: Infrastructure-related indicators

	MR¹
Roads, total network (km, 1999)	194,394.0
Roads, paved (percent of total roads, 1999)	30.9
Transport services (percent of service exports, BoP, 1999)	12.0
Transport services (percent of service imports, BoP, 1999)	18.9
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	19.2
Internet users (per 1,000 people, 2002)	3.5
Mobile phones (per 1,000 people, 2002)	13.4
Telephone mainlines (per 1,000 people, 2002)	5.8
Electric power transmission and distribution losses (percent of output, 2001)	38.0
Energy imports, net (percent of commercial energy use, 2001)	-116.9

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

domestic price controls on petroleum products resulted in shortages of petroleum derivatives.²⁰⁰ Supplies of electricity have been limited and inconsistent, a situation largely attributed to underutilization of power generation capacity and needed improvements in electricity distribution.²⁰¹ Electric power transmission and distribution losses amounted to approximately 38 percent of output in 2001.

In addition to the economywide constraints identified above, the agriculture, petroleum, manufacturing, and mineral sectors face sector-specific impediments that hamper export growth. About 30 percent of Nigeria’s available land is arable, of which, in 2003, only about 50 percent was cultivated.²⁰² Constraints to expanding agricultural exports include inadequate infrastructure in rural areas, limited technical assistance, distorted exchange rates, high taxes on agricultural exports, insufficient irrigation systems, inadequate distribution of fertilizer and other inputs, high production and transportation costs, and lack of technical capacity to meet product quality and packaging requirements.²⁰³ Continued social unrest in the Niger River Delta, a major petroleum production site in Nigeria, has been a constraint to petroleum exports. Most recently, such unrest in December 2004 caused Shell to suspend exports for an indefinite period, potentially forgoing exports of about 2 million barrels.²⁰⁴ Constraints to export growth in the manufacturing sector include lack of knowledge regarding implementation of local content requirements, and lack of engineering and technical knowledge, training, and support.²⁰⁵ The generally low output of nonenergy-related minerals in Nigeria is largely attributable to lack of capital to invest in equipment maintenance and upgrades.²⁰⁶ Other impediments include a need to complete a countrywide

²⁰⁰ Ibid.; and International Monetary Fund (IMF), *Nigeria: Selected Issues and Statistical Appendix*, Aug. 2004, p. 100.

²⁰¹ IMF, *Nigeria: Selected Issues and Statistical Appendix*, p. 115.

²⁰² Chief (Dr.) J.O. Sanusi (CON), Governor, Central Bank of Nigeria, “Overview of Recent Economic Developments and Investment Potentials in Nigeria,” Feb. 20, 2003, p. 6, found at www.cenbank.org/out/speeches/2003/govadd20FEBB.pdf, retrieved Mar. 8, 2005.

²⁰³ EIU, *Nigeria Country Profile*, p. 32; and “Minister Canvasses Viable Body for Cassava Stakeholders,” *The Guardian (Online)*, July 20, 2004, found at www.sdnetwork.kabissa.org/sdnnewsarchivejuly2004.htm, retrieved Mar. 8, 2005.

²⁰⁴ “Shell Cuts Nigerian Exports,” CNN.com, Dec. 23, 2004, found at www.cnn.com/2004/WORLD/africa/12/23/nigeria.shell, retrieved Feb. 27, 2005.

²⁰⁵ Embassy of Nigeria, written submission, pp. 6-7.

²⁰⁶ EIU, *Nigeria Country Profile*, p. 36.

survey of mineral reserves which, when completed, is expected to promote private-sector investment, and generally inadequate mining infrastructure.²⁰⁷

An identified international impediment is preference loss in the agricultural sector resulting from the implementation of a new regulation in the European Union in 2003 allowing for replacement of up to 5 percent of cocoa butter used in the production of chocolate with “replacement” or “substitute” fats. This new regulation may hinder growth of Nigerian cocoa exports to the European Union.²⁰⁸ According to the International Cocoa Organization, this regulation is expected to result in a decline of about 20 percent in export earnings for cocoa exporting countries such as Nigeria.²⁰⁹

²⁰⁷ Embassy of Nigeria, written submission, p. 10; and “2004 Budget Speech,” p. 8.

²⁰⁸ New World Chocolate Society, “News: The New Taste of Chocolate in Europe,” Aug. 11, 2004, found at www.newworldchocolatesociety.com/index.php/nwcs/comments/news-eurochoctaste/, retrieved Mar. 31, 2005.

²⁰⁹ Ibid.

Republic of the Congo²¹⁰

Economic Overview

The Republic of the Congo is bordered by Cameroon, Central African Republic, Democratic Republic of the Congo, Gabon, and the Atlantic Ocean. In 2004, Republic of the Congo was the fifth-largest producer of crude petroleum in Africa after Nigeria, Angola, Gabon, and Equatorial Guinea,²¹¹ and has the third-largest reserves of natural gas in the region, exceeded only by Nigeria and Cameroon.²¹² Republic of the Congo's several periods of instability, including 1993, 1997, 1998-99, and again in 2002, caused significant damage to the Congolese infrastructure and eroded its economic base, resulting in a slowing of GDP growth during these periods. With the cessation of hostilities, several sectors posted economic gains during 2000-02, particularly the agricultural, forestry, commercial, and transport sectors.²¹³ The growth rate then slowed to 1.0 percent in 2003 following increased instability in 2002 (table RC-1). Crude petroleum, including natural gas production, was one of the main exceptions to this cycle, as much of the industry is located offshore and was less directly affected by internal social instability.

Table RC-1
Republic of the Congo: Basic economic indicators

	MR¹
GDP (current US\$, millions, 2003)	3,510.0
GDP growth (annual percent, based on local currency, 2003)	1.0
GDP per capita growth (annual percent, based on local currency, 2003)	-1.7
Inflation, consumer prices (annual percent, 2003)	-0.8
External debt, total (current US\$, millions, 2002)	5,152.3
Total debt service (percent of exports of goods and services, 2002)	1.0
Exports of goods and services (percent of GDP, 2003)	78.4
Trade (percent of GDP, 2003)	132.9
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	3.8
Population growth (annual percent, 2003)	2.7
Labor force, total (millions, 2003)	1.6
Labor force participation rate, total (percent, 2002)	40.6
Literacy rate, adult total (percent of people ages 15 and above, 2002)	82.8
Primary school enrollment ratio, total (percent, 2000)	97.0
Secondary school enrollment ratio, total (percent, 2000)	42.0
Land use, arable land (percent of total, 2001)	0.5
Gross capital formation (percent of GDP, 2003)	23.1
Gross fixed capital formation (percent of GDP, 2003)	22.5
Foreign direct investment, net inflows (percent of GDP, 2002)	11.0

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

²¹⁰ Prepared by Elizabeth Nesbitt, Office of Industries.

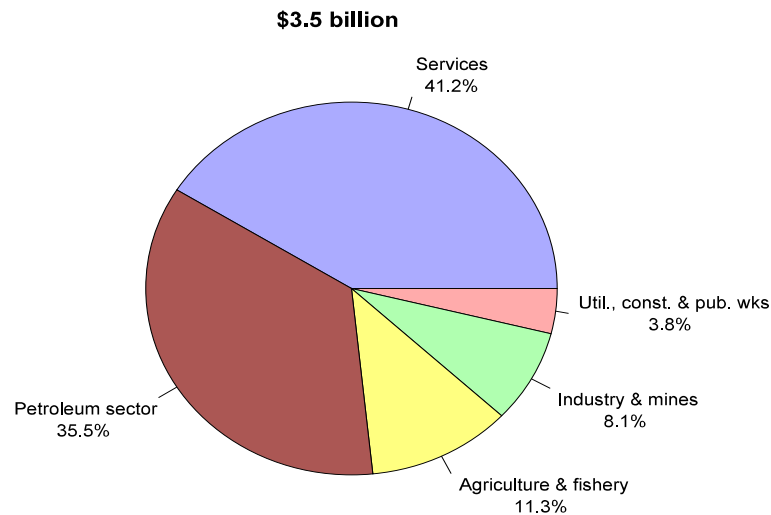
²¹¹ Energy Information Administration (EIA), "Congo-Brazzaville," *EIA Country Analysis Brief*, Sept. 2004, found at www.eia.doe.gov/emeu/cabs/congo.html, retrieved Feb. 27, 2005.

²¹² EIA, "Congo-Brazzaville."

²¹³ African Development Fund (ADF), "Republic of Congo Policy Reform Programme: Appraisal Report," Oct. 2004, p. 4.

Services, including government, accounted for the largest share of Republic of the Congo's GDP in 2003, or 41.2 percent (figure RC-1).²¹⁴ Activities in the services sector include banking and retail operations, both of which have been negatively affected by the ongoing instability, and a nascent tourism industry, development of which will depend largely on continued peace in the country.²¹⁵ The petroleum sector accounted for the second-largest share (35.5 percent). The remainder was accounted for by the agriculture and fisheries sector (11.3 percent), industry and mines (8.1 percent), and utilities, construction, and public works sector (3.8 percent). According to the IMF, public administration, which represented about 12 percent of the country's GDP in 2003, is a relatively large sector in Republic of the Congo, employing more than 66,000 people.²¹⁶ Regarding the petrochemical industry, the closure of Republic of the Congo's only refinery during 1997-2000 resulted in the importation of needed petroleum products, largely from Democratic Republic of the Congo.²¹⁷ In the manufacturing sector, cement, lumber, sugar, palm oil, soap, flour, and cigarettes account for a majority of production.²¹⁸ Production of logs and sawn lumber increased in Republic of the Congo during 2001-02, by 24.4 percent and 35 percent, respectively. During 2002-03, however, production levels remained unchanged,²¹⁹ possibly

Figure RC-1
Republic of the Congo: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

²¹⁴ U.S. Department of State, "Background Note: Republic of the Congo," April 2005, found at www.state.gov/r/pa/ei/bgn/2825.htm, retrieved May 4, 2005.

²¹⁵ Economist Intelligence Unit (EIU), *Congo (Brazzaville) Country Profile*, 2004, pp. 41-42.

²¹⁶ International Monetary Fund (IMF), *Republic of Congo: Selected Issues and Statistical Appendix*, July 2004, pp. 4, 53, and 69.

²¹⁷ EIA, "Congo-Brazzaville."

²¹⁸ Central Intelligence Agency (CIA), "Republic of the Congo," *World Factbook*, last updated Apr. 21, 2005, found at www.cia.gov/cia/publications/factbook/geos/cf.html, retrieved May 4, 2005.

²¹⁹ "China's Rise Disrupts Tropical Country Efforts to Increase Domestic Log Processing," *Hardwoodmarkets.com*, Aug. 2004, p. 2, found at www.hardwoodmarkets.com/sample/aug_04.pdf, retrieved Mar. 16, 2005.

reflecting the ongoing internal instability in 2002.²²⁰ Republic of the Congo's major subsistence crops are cassava, plantains, rice, and groundnuts (peanuts). Its major cash crops are coffee, cocoa, and sugar.²²¹

Much of the foreign direct investment is in the country's energy sector, largely generated by the operations of major multinational petroleum companies.²²² Sectors identified by the government as priorities for investment include the industrial sector, agroprocessing, forestry, construction, metals, electricity, and the petrochemical industry.²²³ Among other initiatives to encourage domestic and foreign investment, Republic of the Congo implemented a national investment program in 2003, reduced taxes, implemented customs exemptions, and streamlined procedures related to corporate operations in the country.²²⁴

Export Profile

Republic of the Congo's exports totaled \$2.2 billion in 2003 (tables RC-2 and RC-3). The country's major exports—mostly primary products, a function of the country's natural resource endowment—are petroleum, wood, sugar, coffee, cocoa, diamonds, gold, and potash.²²⁵ Crude petroleum accounted for 72.0 percent of the value of total exports in 2003 and natural gas accounted for 2.5 percent of the total.²²⁶ Much of Republic of the Congo's trade with China, the United States, and the European Union is in crude petroleum.²²⁷

The second-largest product grouping in Republic of the Congo's export portfolio is wood and wood products, reflecting the country's forest resources that cover over 50 percent of its terrain.²²⁸ Exports of hardwood logs accounted for about 8 percent of the total value of Congolese exports. Combined, exports of downstream products such as hardwood lumber, veneer, flooring, siding, and molding accounted for 2.4 percent of total exports. Republic of the Congo's exports of logs and sawn timber increased significantly during 1998-2003; exports of sawn timber alone increased by 126 percent.²²⁹ Although Republic of the Congo exports wood to the United States, in 2003, the largest export markets for wood and articles

²²⁰ United Nations Economic Commission for Europe, "Forest Products Annual Market Analysis, 2002-2004," *Timber Bulletin*, vol. LVI (2003), No. 3, p. 102.

²²¹ EIU, *Congo (Brazzaville) Country Profile*, p. 37.

²²² EIA, "Congo-Brazzaville."

²²³ ADF, "Republic of Congo Policy Reform Programme," p. 10 of Annex III.

²²⁴ *Ibid.*

²²⁵ Embassy of the Republic of the Congo officials, interview by USITC staff, Washington, DC, Feb. 15, 2005.

²²⁶ World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

²²⁷ EIU, *Congo (Brazzaville) Country Profile*, p. 43.

²²⁸ ADF, "Republic of Congo Policy Reform Programme," pp. 1 and 8 of Annex III. The report describes the country as having "enormous forestry potential."

²²⁹ "China's Rise Disrupts Tropical Country Efforts to Increase Domestic Log Processing," p. 8.

of wood were China, France, Italy, Portugal, and Spain.²³⁰ Japan, Hong Kong, Korea, and Vietnam are also significant markets.

The 9-year compound annual growth rates (CAGR) for Republic of the Congo's exports of ores, slag, and ash, and coffee were the highest for all of Republic of the Congo's exports, amounting to 89.2 percent and 65.4 percent, respectively. The CAGRs for copper and sugar were 30.2 percent and 14.1 percent, respectively.

Despite the fluctuations in export levels, exports to several markets increased substantially during 1992-2003 (table RC-4). The CAGR for exports to China was 95.2 percent during 1994-2003, most likely reflecting China's recent emergence as a substantial market for Congolese exports of crude petroleum. Brazil had the next-highest CAGR during the period, at 18.7 percent. The United States, France, and Portugal exhibited relatively low, but positive, CAGRs. In contrast, exports to Italy and Spain decreased significantly during the 10-year period, by CAGRs of 18.5 percent and 7.9 percent, respectively.

Table RC-2
Republic of the Congo: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	874,750.5	1,574,646.2	1,687,710.7	78.2	7.6
44	Wood and articles of wood; wood charcoal	151,153.5	119,820.7	215,998.6	10.0	4.0
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	19,572.5	68,404.1	55,910.7	2.6	12.4
26	Ores, slag and ash.	114.7	7,172.4	35,947.4	1.7	89.4
17	Sugars and sugar confectionery.	4,631.2	13,939.4	15,225.1	0.7	14.1
81	Base metals nesoi; cermets; articles thereof	506.0	20,695.6	14,165.2	0.7	44.8
74	Copper and articles thereof.	917.2	7,850.5	9,851.5	0.5	30.2
09	Coffee, tea, mate and spices.	94.9	13,321.6	8,806.3	0.4	65.4
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	3,023.8	3,786.0	6,186.4	0.3	8.3
03	Fish and crustaceans, molluscs and other aquatic invertebrates	3,743.2	1,994.7	4,185.9	0.2	1.2
	Other	47,097.5	28,889.9	103,984.7	4.8	9.2
Total		1,105,605.1	1,860,521.1	2,157,972.5	100.0	7.7

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

²³⁰ Embassy of the Republic of Congo officials, interview by USITC staff, Washington, DC, Feb. 15, 2005.

Table RC-3
Republic of the Congo: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2709	Petroleum oils and oils from bituminous minerals, crude	798,846.1	1,420,935.5	1,553,549.7	72.0	7.7
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	112,779.8	83,362.6	165,362.1	7.7	4.3
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	75,904.4	87,210.4	153,932.9	7.1	8.2
7102	Diamonds, whether or not worked, but not mounted or set	17,922.0	64,624.2	55,606.6	2.6	13.4
2711	Petroleum gases and other gaseous hydrocarbons	0.0	66,500.0	54,184.6	2.5	(¹)
4407	Wood sawn or chipped lengthwise, sliced or peeled, more than 6 mm (.236 in.) thick	14,143.3	23,471.1	43,649.6	2.0	13.3
2605	Cobalt ores and concentrates	0.0	267.0	22,810.7	1.1	(¹)
1701	Cane or beet sugar and chemically pure sucrose, in solid form	4,631.2	13,931.6	15,225.1	0.7	14.1
8105	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap	506.0	20,186.6	14,140.0	0.7	44.8
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	91.1	13,318.9	8,806.3	0.4	66.2
	Other	80,781.2	66,713.4	70,704.8	3.3	-1.5
	Total	1,105,605.1	1,860,521.1	2,157,972.5	100.0	7.7

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table RC-4
Republic of the Congo: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
China	1,977.7	59,930.1	814,658.7	37.8	95.2
United States	434,530.7	438,249.4	457,189.3	21.2	0.6
Korea, Rep.	0.0	287,684.9	368,501.1	17.1	(¹)
France	66,000.0	47,797.9	85,843.0	4.0	3.0
Trinidad and Tobago	0.0	0.0	68,747.5	3.2	(¹)
Brazil	13,924.6	7,285.1	65,219.9	3.0	18.7
Belgium	(²)	14,443.3	42,856.9	2.0	(¹)
Portugal	27,915.4	25,596.2	39,756.3	1.8	4.0
Italy	210,630.1	43,903.3	33,321.9	1.5	-18.5
Spain	53,524.9	34,765.1	25,637.0	1.2	-7.9
Other	297,101.7	900,865.9	156,240.8	7.2	-6.9
Total	1,105,605.1	1,860,521.1	2,157,972.5	100.0	7.7

¹ Undefined.

² Not available.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Revealed comparative advantage²³¹ (RCA) analysis shows that although Republic of the Congo has a comparative advantage in the production of hardwood logs, the slow average annual growth in the world market during 1993-2003 of only 0.7 percent would likely make exports from this sector less advantageous (appendix E, table E-27). Although Republic of the Congo had a lower RCA index in sawn tropical hardwood, the average annual growth in the world market during 1993-2003 was about 4 percent. The government reportedly is encouraging an increased share of processed wood in total wood exports.²³²

Mining opportunities related to gold are said to remain largely unexploited,²³³ but significant investment has been made in the production of magnesium in recent years. The Kouilou Magnesium Project, currently in the construction phase, has been under development by MagIndustries Corp. since 1997. The project is expected to include a carnallite mine;²³⁴ a 60,000 metric ton-per-year magnesium metal production facility; a central refining, alloying, and casting facility; and a stand-alone potash plant.²³⁵ Potash production is expected to start in 2007 and magnesium production in 2008.

Republic of the Congo could eventually become an exporter of electricity. Although Republic of the Congo currently imports electricity, largely from Democratic Republic of the Congo, increased investment in the power generation and transmission sector is expected to result in enough power generation for local consumption and potentially exports.²³⁶ Examples of such investment include a natural gas-fired power plant, a joint venture between AGIP and ChevronTexaco, that came onstream in December 2002, and the construction of a hydroelectric dam on the Lefini River, started in 2003, which is expected to come online within 5-6 years. Two Chinese companies are developing the Lefini River project with The Government of Republic of the Congo.²³⁷ Existing power generation and transmission networks are also being renovated, with one such project receiving Chinese technical support

²³¹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²³² "China's Rise Disrupts Tropical Country Efforts to Increase Domestic Log Processing," p. 8.

²³³ ADF, "Republic of Congo Policy Reform Programme," p. 10 of Annex III; and George J. Coakley, "The Mineral Industry of Congo (Brazzaville)," *U.S. Geological Survey Minerals Yearbook-2002*, p. 9-1. An Italian company, S.E.M.I. SA is reportedly developing the Yangadou gold mine following the withdrawal of a Canadian company.

²³⁴ Carnallite is a magnesium-potassium hydrated chloride mineral that is an important source of magnesium and potash.

²³⁵ "Kouilou Magnesium Project-Set for Success: Solution-Mining Carnallite in the Republic of Congo," *Light Metal Age*, Aug. 2004, found at www.magalloy.com/reports/articles.asp, retrieved Mar. 17, 2005; MagIndustries Corp., "Shareholders' Approve Change of Name to MagIndustries Corp.," press release, Jan. 28, 2005, found at www.magalloy.com/press/050128.asp, retrieved Mar. 17, 2005; and MagAlloy Corp., "MagAlloy Taps Into INGA, One of the World's Largest Hydro-sites," press release, Nov. 1, 2004, found at www.magalloy.com/press/041101.asp, retrieved Mar. 17, 2005.

²³⁶ EIU, *Congo (Brazzaville) Country Profile*, p. 31; ADF, "Republic of Congo Policy Reform Programme," p. 10 of Annex III; and Embassy of the Republic of Congo officials, interview by USITC staff, Washington, DC, Feb. 15, 2005.

²³⁷ EIA, "Congo-Brazzaville;" and "Construction du Plus Grand Barrage Hydroélectrique du Congo," CongoPage.com, Dec. 23, 2002, found at www.congopage.com/imprimersans.php3?id_article=649, retrieved Feb. 27, 2005.

and funding.²³⁸ Also, declining crude petroleum production levels at mature fields are expected to be offset as new fields are tapped, particularly ultradeep-water fields.²³⁹ Although much of Republic of the Congo's natural gas is currently unused, this is likely to change as a result of a government initiative to use gas to generate electrical power.²⁴⁰

China, reportedly interested in expanding its resource base and in securing supplies of crude petroleum and energy technology to satisfy its increasing energy needs,²⁴¹ has been developing stronger ties with most African countries.²⁴² Republic of the Congo's major exports to China include crude petroleum since 2001,²⁴³ and wood. Trade between the two countries nearly doubled in 2004.²⁴⁴ Moreover, exports to China could potentially increase if Republic of the Congo is able to increase production and exports of downstream forestry products such as tropical hardwood plywood and veneer. China's production of tropical plywood has reportedly increased to the third-highest level in the world to satisfy domestic consumption and export needs. Moreover, China's imports of tropical hardwood sawn lumber increased by approximately 40 percent during 2002-03.²⁴⁵

Domestic and International Barriers

Although certain aspects of doing business in Republic of the Congo are favorable, companies operating in the country face some complications. While 6 of the business environment indicators are better than the regional average (i.e., the credit information index, the time to register a property, the number of procedures needed to start a business, the time needed to close a business, the minimum capital to start a business, and firing costs), 14 are lower, including procedures and time needed to enforce contracts; costs incurred to create collateral, register a property, and start a business; public credit registry coverage; and most of the employment indicators (table RC-5). Republic of the Congo scored at the regional average with respect to the cost of enforcing contracts and the number of procedures needed to register property. Also, import tariffs average 18.0 percent for all goods, and 22.3 percent on agricultural products. These tariff rates increase the cost of production by making inputs more costly. Although Republic of the Congo's overall economic freedom score in 2005 was on par with the regional average, most of the individual scores were worse than the average with the exception of the country's monetary policy and wages and prices scores (table RC-6).

²³⁸ EIU, *Congo (Brazzaville) Country Profile*, p. 31.

²³⁹ EIA, "Congo-Brazzaville."

²⁴⁰ Ibid.

²⁴¹ As of 2003, only the United States consumed more petroleum products than China worldwide. Institute for the Analysis of Global Security, "Chinese Quest for Crude Increases Focus on Africa," Nov. 15, 2004, found at www.iags.org/n1115044.htm, retrieved Mar. 14, 2005.

²⁴² Institute for the Analysis of Global Security, "Chinese Quest for Crude Increases Focus on Africa;" and Karby Leggett, "China Flexes Economic Muscle Throughout Burgeoning Africa," *The Wall Street Journal*, Mar. 29, 2005, p. 1.

²⁴³ The Ministry of Foreign Affairs of the People's Republic of China, "China and Congo," Oct. 12, 2003, found at www.fmprc.gov.cn, retrieved Mar. 17, 2005.

²⁴⁴ "China Hopes to Expand Trade, Cooperation with Congo: Official," Xinhua Online, found at www.chinaview.cn, retrieved on Mar. 16, 2005.

²⁴⁵ "China's Rise Disrupts Tropical Country Efforts to Increase Domestic Log Processing," pp. 4-5.

Table RC-5
Republic of the Congo: Business environment

	Republic of the Congo	Regional average	OECD average
Closing a business: Cost (percent of estate)	38.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	10.4	17.1	72.1
Closing a business: Time (years)	3.0	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	151.1	41.8	5.2
Getting credit: Credit information Index	3.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	1.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	43.0	43.0	10.8
Enforcing contracts: Number of procedures	47.0	35.0	19.0
Enforcing contracts: Time (days)	560.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	22.5	13.2	4.9
Registering a property: Time (days)	103.0	114.0	34.0
Starting a business: Number of procedures	8.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	317.6	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	244.6	254.1	44.1
Starting a business: Time (days)	67.0	63.0	25.0
Employment: Difficulty of firing index	90.0	50.6	26.8
Employment: Difficulty of hiring index	89.0	53.2	26.2
Employment: Firing costs (weeks)	42.0	59.5	40.4
Employment: Rigidity of employment index	86.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	<i>(Rep. of the Congo, applied rate, 2002)</i>		
All goods			18.0
Agricultural goods			22.3
Nonagricultural goods			17.4

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table RC-6
Republic of the Congo: Economic freedom

	Republic of the Congo	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	(²)	3.7	2.2
2005 Overall score	3.8	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	5.0	3.9	3.6
Government intervention in the economy score	4.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Republic of the Congo's transport sector, including the transportation infrastructure, has been characterized as being "in a state of advanced deterioration" and is no longer considered adequate for the country's needs.²⁴⁶ Less than 10 percent of Republic of the Congo's roads were paved (table RC-7). Insufficient electricity generation has also been identified as a constraint to increased manufacturing investment in Republic of the Congo.²⁴⁷ According to one source, "the potential for hydroelectric power generation in Republic of the Congo is vast, but it has only barely been exploited because of the lack of regional markets and investment to finance new generating capacity."²⁴⁸ Electric power transmission and distribution losses as a percent of output have been fairly high, decreasing from 82.9 percent in 1999 to approximately 60-65 percent during 2000-01. Other impediments in the electricity sector include infrastructure damage from the periods of internal and regional instability and outdated equipment.²⁴⁹

Table RC-7
Republic of the Congo: Infrastructure-related indicators

	MRY ¹
Roads, total network (km, 1999)	12,800.0
Roads, paved (percent of total roads, 1999)	9.7
Transport services (percent of service exports, BoP, 2002)	22.6
Transport services (percent of service imports, BoP, 2002)	12.9
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	73.9
Internet users (per 1,000 people, 2002)	1.5
Mobile phones (per 1,000 people, 2002)	67.2
Telephone mainlines (per 1,000 people, 2002)	6.7
Electric power transmission and distribution losses (percent of output, 2001)	65.3
Energy imports, net (percent of commercial energy use, 2001)	-1,368.1

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Constraints to increased exports of wood and wood products include increased tax rates in 2003 and the country's inadequate infrastructure.²⁵⁰ The main mode of freight transport between Brazzaville and the port at Pointe Noire is the Congo-Ocean Railway. Given that the main north-south road is not paved in its entirety, logs and wood products intended for export are usually barged down the river from the north and then transferred to the rail line at Brazzaville for transport to the port.²⁵¹ However, barging product down the river can only be done 8 months of the year.²⁵²

²⁴⁶ ADF, "Republic of Congo Policy Reform Programme," p. 10 of Annex III.

²⁴⁷ Embassy of the Republic of Congo officials, interview by USITC staff; Washington, DC, Feb. 15, 2005.

²⁴⁸ EIU, *Congo (Brazzaville) Country Profile*, p. 30.

²⁴⁹ ADF, "Republic of Congo Policy Reform Programme," p. 10 of Annex III.

²⁵⁰ "Africa: Congo Brazzaville," *Hardwoodmarkets.com*, Aug. 2004, found at www.hardwoodmarkets.com/sample/aug_04.pdf, retrieved Mar. 16, 2005.

²⁵¹ Embassy of the Republic of Congo officials, interview by USITC staff, Washington, DC, Feb. 15, 2005.

²⁵² "Africa: Congo Brazzaville."

Lack of technical capacity to meet phytosanitary and hygiene standards in world markets were also cited as international impediments. Improved food handling procedures and more widespread and readily accessible laboratory testing could help ensure that Congolese agricultural exports meet such standards, potentially allowing for increased exports.²⁵³

²⁵³ Embassy of the Republic of Congo officials, interview by USITC staff, Washington, DC, Feb. 15, 2005.

CHAPTER 3

Predominantly Mineral-Exporting Countries: Botswana, Democratic Republic of the Congo, Guinea, and Zambia

The countries included in this chapter have well-developed mining sectors, and mineral products account for a large share of their total exports (table 3-1). The materials that are mined vary by country. Diamonds are the largest export of Botswana and Democratic Republic of the Congo, and are a significant export of Guinea as well. The predominant export of Guinea is aluminum, and of Zambia is copper. The other three countries also export copper. Democratic Republic of the Congo and Guinea also export small quantities of crude petroleum. Nickel exports are significant for Botswana, as is cobalt for Democratic Republic of the Congo and Zambia. Botswana and Zambia have downstream operations that produce wire for export. A summary of findings for each of the four countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 3-1
Botswana, Democratic Republic of the Congo, Guinea, and Zambia, 1999-2003 average share of total exports, by sector

Sectors	Botswana	Democratic Republic of the Congo	Guinea	Zambia
	—— Shares of total exports, 1999-2003 (percent) ——			
Fish and related products	0.1	0.2	4.1	0.4
Coffee, tea, and spices	(¹)	1.6	2.0	1.4
Cocoa	(¹)	0.1	0.8	(¹)
Other agriculture	4.4	1.0	0.8	12.6
Forest-based products	0.2	2.3	1.4	0.5
Minerals, metals, and metal products	90.7	78.6	79.4	73.4
Fuels and electrical energy	0.1	15.1	9.8	0.2
Textiles and fibers	0.1	(¹)	0.9	8.3
Apparel and related articles	1.6	(¹)	(¹)	0.1
Other manufactures	2.9	1.2	0.8	3.1

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Botswana

Botswana is heavily dependent on its mining sector, which is likely to provide for future growth in exports, both in terms of basic commodities and downstream sectors. Likewise, Botswana's established beef industry and growing services sectors offer additional opportunities for expansion and diversification of exports if the country can address the various infrastructure, labor, resource, and structural barriers that currently constrain the country's competitiveness. An international impediment to increased exports is the inability to meet sanitary and phytosanitary standards in developed-country markets.

Democratic Republic of the Congo

With Democratic Republic of the Congo's rich mineral resources, there is substantial room for growth in mineral production. Diamonds, the country's main export, have shown strong growth over the last 10 years and improved export performance is expected. Several new mining projects are in place that could increase mineral exports in the short term. In addition, the Kimberley Process has substantially reduced the smuggling of diamonds out of the country, which should increase legitimate diamond exports by the formal sector. Hydroelectric power also has great potential and development of this resource has begun. Coffee is an historically important export that has declined, but may again also show potential export growth if political stability can be achieved and if the coffee wilt disease can be controlled. The main barriers to export growth are the less competitive macroeconomic and business environments, as well as a lack of governance, due in part to regional and domestic instability. Another serious barrier to trade for Democratic Republic of the Congo is the country's poor infrastructure, including the poor road system that forces exporters to use much more expensive air transport to export their goods. An international impediment to increased exports is the inability to meet sanitary and phytosanitary standards in certain markets.

Guinea

Increasing demand for bauxite and related products is expected to support expansion of this main export. Additionally, there is the potential for export development of iron ore, diamonds, gold, frozen and processed fish, cocoa beans, mangoes, and pineapples. The main barriers to export growth are lack of skilled labor, high costs of utilities, inadequate regulatory structure, lack of government transparency, and deteriorated roads and ports. International impediments to expanded exports include regional instability and tariff escalation for processed products in key markets.

Zambia

Zambia has extensive natural resources, including minerals (copper, other metals, and gemstones), and arable land. Traditionally focused on copper mining and related exports, Zambia's economic base is currently structured around agriculture, manufacturing, mining, and tourism. Potential export growth sectors include agricultural and horticultural products (e.g., flowers, honey, tobacco, and high-value products such as paprika), wood products (e.g., timber, logs, and handicrafts), mineral products (e.g., copper, gemstones, niobium, and tantalum), leather products, and electricity. Domestic export barriers include macroeconomic conditions, high production and transport costs, high cost of capital, insufficient technical knowledge, high energy costs, and low production capacity. Tariff and nontariff barriers such as rules of origin, regional instability, and the cost associated with accessing neighboring country transport infrastructure are cited as international barriers to increased exports.

Botswana¹

Economic Overview

Botswana is a land-locked country in the southernmost part of the continent, bordered by Zambia, Zimbabwe, South Africa, and Namibia. Approximately 70 percent of the country's 581,730 square kilometers is covered by desert.² The country is prone to drought, and less than 1 percent of the land is arable (table BT-1). In 2003, GDP was \$7.4 billion, and per capita GDP was \$4,346, making Botswana a middle-income country³ and one of the most prosperous nations in Africa. The country experienced uninterrupted growth averaging over 9 percent during the three decades following independence,⁴ primarily driven by the discovery of diamonds and development of the mining sector in the 1970s.

The largest contributor to GDP at 46.1 percent is the services sector, which consists largely of public-sector operations (government), followed by tourism and financial services (figure BT-1). The public sector is one of the largest sources of employment in Botswana, accounting for roughly one-half of total formal sector employment in central and local government agencies and parastatal operations.⁵ Tourism as a contributor to GDP has become increasingly important, and the sector grew by 3.8 percent in 2003.⁶ Tourism has become the country's second-largest foreign exchange source, contributing \$240 million per year.⁷ The sector consisted of 525 licensed tourist enterprises⁸ and employed approximately 10 percent of the workforce in 2003.⁹ Botswana's financial services sector has also developed rapidly, particularly since establishment in 1999 of the International Financial Services Centre (IFSC),¹⁰ a project initiated by the government and modeled after

¹ Prepared by Heidi Colby-Oizumi, Office of Industries.

² World Trade Organization (WTO), *Trade Policy Review: Botswana*, Apr. 1, 1998, p. 1.

³ For more information on country classification, see the World Bank's classification of economies at www.worldbank.org/data/countryclass/classgroups.htm.

⁴ U.S. Department of State, Bureau of African Affairs, "Background Note: Botswana," Feb. 2005, found at www.state.gov, retrieved Feb. 22, 2005.

⁵ Economist Intelligence Unit (EIU), *Botswana Country Profile*, 2004, p. 29; and Central Statistics Office, "Estimated Number of Paid Employees by Sector and Economic Activity," found at www.cso.gov.bw, retrieved Apr. 22, 2005.

⁶ Based on the Botswana fiscal year, which runs from April to March. Figure represents the percentage of growth from the previous fiscal Year. U.S. & Foreign Commercial Service (US&FCS), "2005 Country Commercial Guide: Botswana," found at www.stat-usa.gov, retrieved Apr. 1, 2005.

⁷ Discover Botswana, "2002 Investors Guide to Botswana: Structure of the Economy," found at www.discover-botswana.com, retrieved Apr. 6, 2005.

⁸ Consisting of lodging facilities, safari operations, and travel agencies. US&FCS, "2005 Country Commercial Guide: Botswana."

⁹ Data include hotel and restaurant employees and are for the year ending September 2003. Central Statistics Office, "Estimated Number of Paid Employees by Sector and Economic Activity."

¹⁰ The IFSC was created with the objective of making Botswana a strategically located regional financial hub to provide cross-border financial services to companies headquartered in other countries. Services include banking, investment funds, financial advisory services, information and communication services, call centers, and back office processing services. A range of fiscal incentives are provided to both financial and nonfinancial institutions to encourage them to establish in the IFSC.

Table BT-1
Botswana: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	7,387.7
GDP growth (annual percent, based on local currency, 2003)	4.7
GDP per capita growth (annual percent, based on local currency, 2003)	4.0
Inflation, consumer prices (annual percent, 2003)	9.2
External debt, total (current US\$, millions, 2002)	479.9
Total debt service (percent of exports of goods and services, 1999)	2.1
Exports of goods and services (percent of GDP, 2003)	53.1
Trade (percent of GDP, 2003)	91.8
Official exchange rate (local currency unit per US\$, period average, 2003)	4.9
Population, total (millions, 2003)	1.7
Population growth (annual percent, 2003)	0.6
Labor force, total (millions, 2003)	0.8
Labor force participation rate, total (percent, 2002)	45.2
Literacy rate, adult total (percent of people ages 15 and above, 2002)	78.9
Primary school enrollment ratio, total (percent, 2000) ²	108.0
Secondary school enrollment ratio, total (percent, 2000)	79.0
Land use, arable land (percent of total, 2001)	0.7
Gross capital formation (percent of GDP, 2003)	25.1
Gross fixed capital formation (percent of GDP, 2003)	11.4
Foreign direct investment, net inflows (percent of GDP, 2002)	0.7

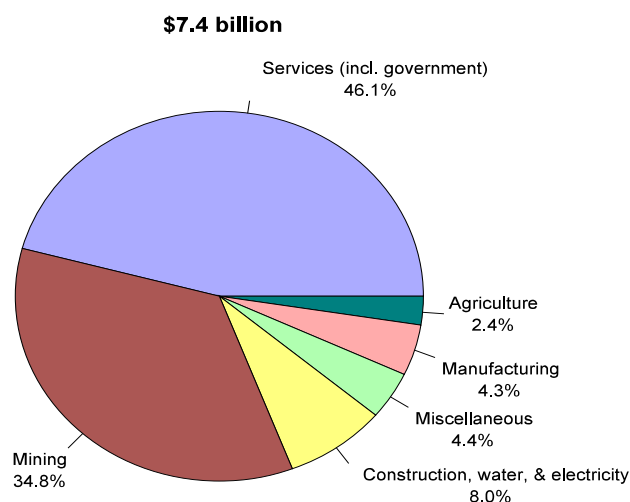
¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure BT-1
Botswana: Composition of GDP (2002/03)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

the Dublin IFSC. Botswana is targeting financial services as a means to increase exports, economic diversification, global integration, employment opportunities, and skilled labor development. The market for both tourism and financial services is estimated to have doubled during 2002-04.¹¹

Mining is the primary industry in Botswana, contributing 34.8 percent to GDP in 2003 and providing one-half of government revenues.¹² In contrast to the services sector, the mining industry accounts for less than 5 percent of total employment in the formal sector.¹³ This capital-intensive sector is heavily dominated by the extraction of diamonds, with additional production of copper-nickel mattes, soda ash, salt, and gold. Botswana is the largest exporter of gem-quality diamonds in the world, with output of 31 million carats in 2004,¹⁴ and diamond exports are the largest source of foreign exchange for the country. Debswana, an equal partnership between the Government of Botswana and South Africa's DeBeers, operates four diamond mines in Botswana. Also partially owned by the government, Bamangwato Concessions, Ltd. (BCL)¹⁵ is the second-largest mining company in Botswana and operates copper-nickel and soda ash mines.

Agriculture, largely cattle production and subsistence farming, was the primary economic activity prior to development of the diamond industry. The sector now contributes only 2.4 percent to GDP, but remains an important industry and a mainstay in the rural community. Cattle are valued in Botswana culture and the industry receives government support and incentives. Currently, beef processing accounts for approximately 80 percent of agricultural output.¹⁶

The Government of Botswana is interested in attracting investment to facilitate diversification of the economy and lessen dependence on the mining sector. However, despite various incentives, high sovereign ratings by Moody's and Standard and Poors, and being ranked as one of the least corrupt countries in Africa, foreign direct investment (FDI) as a percentage of Botswana's GDP is less than 1 percent.¹⁷ FDI inflows into Botswana have been largely dominated by investment in manufacturing activity linked to the mining sector, which accounted for 71.2 percent of total FDI inflows in 2002.¹⁸ The second- and third-ranked sectors for investment were financial services and retail and wholesale operations.¹⁹ Europe

¹¹ US&FCS, "2005 Country Commercial Guide: Botswana."

¹² Ibid.

¹³ EIU, *Botswana Country Profile*, p. 28. Data from the Central Statistics Office for 2003 indicate an even lower figure of less than 3 percent.

¹⁴ U.S. Department of State, Bureau of African Affairs, "Background Note: Botswana."

¹⁵ The Government of Botswana owns 7.5 percent of the company, the Lion Ore Mining International Limited Group owns 7.5 percent, and Botswana RST Limited owns the remaining 85 percent. Botswana RST is a holding company that is 40-percent owned by the public, 30-percent owned by the Government of Botswana, 25-percent owned by Lion Ore Mining International, and 5-percent owned by other interests.

¹⁶ EIU, *Botswana Country Profile*, p. 36.

¹⁷ FDI increased from net outflows in 1993, peaked in 1997 at \$100.1 million, and trended downward to \$36.8 million in 2002. World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

¹⁸ U.S. Department of State, "2005 Investment Climate Statement: Botswana," found at www.state.gov, retrieved Apr. 22, 2005; and U.S. Department of State telegram, "Botswana USITC Response," message reference No. 0261, prepared by U.S. Embassy, Gaborone, Feb. 2005.

¹⁹ Ibid.

is the main source of foreign investment, contributing 51.4 percent of FDI inflows into Botswana in 2002, followed closely by South Africa, which contributed 43.9 percent.²⁰

Export Profile

Total exports from Botswana increased by 197 percent from \$725 million in 2000²¹ to nearly \$2.2 billion in 2003, and trade represented 91.8 percent of GDP in 2003 (table BT-1). Botswana's dependence on diamonds is evident in the country's export profile. Exports of rough diamonds accounted for 87.6 percent of total exports in 2003 (tables BT-2 and BT-3), and grew by 278 percent during 2000-03.²² Such growth was driven by expansion of Debswana's Orapa mine, completed in 2000, which doubled the output capacity of the facility. The bulk of diamonds are shipped to DeBeers' London-based Diamond Trading Company and, as a result, the United Kingdom was Botswana's largest export market in 2003, accounting for 84.0 percent of total exports (table BT-4). Thailand, which has emerged as one of the larger diamond polishing centers in Asia, was the third-largest destination for Botswana's exports in 2003, primarily for rough diamonds.

Exports of nickel mattes, Botswana's second-largest export item, accounted for 7.7 percent of total exports and were shipped primarily to Norway, Botswana's second-largest market, for further processing. Exports of copper-nickel matte increased by 98 percent during 2000-03, reflecting an increase in domestic capacity and production in the last year of the period.²³

Agricultural products, namely meat and edible meat offal, round out Botswana's top three export categories. Such exports accounted for just 1.9 percent of total exports and consisted primarily of fresh, chilled, or frozen beef. Botswana is a net exporter of beef, with approximately 90 percent of production exported.²⁴ The majority of exports go to the EU market, where Botswana beef qualifies for preferential duty-free access under a quota of approximately 19,000 metric tons per year. Outbreaks of foot and mouth disease (FMD) in 2002 and 2003, and subsequent bans on deboned beef from Botswana by South Africa and the EU,²⁵ were the likely cause of a 6-percent contraction in beef exports during 2000-03.

²⁰ U.S. Department of State, "2005 Investment Climate Statement: Botswana."

²¹ World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

²² WITS data for exports from Botswana prior to 2000 are unavailable. However, data from Botswana's Central Statistics Office show that exports of diamonds have consistently been Botswana's top export commodity since 1980, followed by copper-nickel matte as the second-largest export, and meat as the third-largest export. In 1994, exports of diamonds accounted for nearly 75 percent of total exports, copper-nickel matte for just over 5 percent of exports, and meat for close to 4 percent of exports from Botswana. In 1999, these commodities accounted for 79 percent, nearly 5 percent, and just under 2 percent of total exports, respectively. Central Statistics Office, *Exports by Principal Commodities*, Ministry of Finance and Development Planning, found at www.cso.gov.bw, retrieved Apr. 19, 2005.

²³ U.S. Geological Survey (USGS), "The Mineral Industry in Botswana," *Minerals Yearbook 2002*, vol. III, p. 5.1.

²⁴ WTO, *Trade Policy Review: Botswana*, p. 54; and US&FCS, "2005 Country Commercial Guide: Botswana."

²⁵ Trade Law Centre for Southern Africa, "EU Bans Meat Imports from Botswana," Jan. 21, 2003, found at www.tralac.org, retrieved Mar. 1, 2005.

Table BT-2
Botswana: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1,000 dollars			2003 share	9-year
		1994	1999	2003	of total	CAGR
					Percent	
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	(¹)	(¹)	1,888,211.5	87.6	(²)
75	Nickel and articles thereof	(¹)	(¹)	166,627.8	7.7	(²)
02	Meat and edible meat offal	(¹)	(¹)	41,955.7	1.9	(²)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	(¹)	(¹)	25,110.5	1.2	(²)
61	Articles of apparel and clothing accessories, knitted or crocheted	(¹)	(¹)	10,429.7	0.5	(²)
41	Raw hides and skins (other than furskins) and leather	(¹)	(¹)	5,004.3	0.2	(²)
62	Articles of apparel and clothing accessories, not knitted or crocheted	(¹)	(¹)	3,761.5	0.2	(²)
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	(¹)	(¹)	3,076.3	0.1	(²)
74	Copper and articles thereof	(¹)	(¹)	1,506.3	0.1	(²)
88	Aircraft, spacecraft, and parts thereof	(¹)	(¹)	941.1	0.0	(²)
	Other	(¹)	(¹)	7,917.1	0.4	(²)
	Total	(¹)	(¹)	2,154,541.7	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Botswana prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table BT-3
Botswana: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
7102	Diamonds, whether or not worked, but not mounted or set	(¹)	(¹)	1,888,182.7	87.6	(²)
7501	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy	(¹)	(¹)	166,627.8	7.7	(²)
0201	Meat of bovine animals, fresh or chilled	(¹)	(¹)	29,381.9	1.4	(²)
8544	Insulated wire, cable and other insulated electrical conductors; optical fiber cables, of individually sheathed fibers, with conductors etc. or not	(¹)	(¹)	23,601.3	1.1	(²)
0202	Meat of bovine animals, frozen	(¹)	(¹)	12,566.8	0.6	(²)
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	(¹)	(¹)	6,146.7	0.3	(²)
4104	Tanned or crust bovine (including buffalo) and equine hides and skins, without hair on, whether or not split, but not further prepared	(¹)	(¹)	5,002.2	0.2	(²)
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	(¹)	(¹)	3,550.2	0.2	(²)
6204	Women's or girls' suits, ensembles,	(¹)	(¹)	2,038.7	0.1	(²)
2501	Salt (incl. table & denatured salt) & pure sodium chloride, whether or not in aqueous solution or contain added anticaking/free flowing agents; sea water	(¹)	(¹)	1,650.1	0.1	(²)
	Other	(¹)	(¹)	15,793.4	0.7	(²)
	Total	(¹)	(¹)	2,154,541.7	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Botswana prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table BT-4
Botswana: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United Kingdom	(¹)	(¹)	1,810,028.3	84.0	(²)
Norway	(¹)	(¹)	161,536.8	7.5	(²)
Thailand	(¹)	(¹)	77,493.2	3.6	(²)
Japan	(¹)	(¹)	20,058.0	0.9	(²)
Portugal	(¹)	(¹)	19,534.9	0.9	(²)
United States	(¹)	(¹)	14,221.0	0.7	(²)
Canada	(¹)	(¹)	12,393.6	0.6	(²)
Germany	(¹)	(¹)	7,995.0	0.4	(²)
Italy	(¹)	(¹)	5,019.2	0.2	(²)
Greece	(¹)	(¹)	4,232.6	0.2	(²)
Other	(¹)	(¹)	22,029.2	1.0	(²)
Total	(¹)	(¹)	2,154,541.7	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Botswana prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

In the short to medium term, Botswana is expected to rely heavily on its mining sector, particularly diamonds, for export earnings. Botswana scores especially high in terms of the revealed comparative advantage²⁶ (RCA) index in many of the commodities it currently exports, including diamonds, copper and nickel mattes, and salt (appendix E, table E-3). Botswana's ability to increase exports of these products is uncertain; however, there is potential to develop other mined products and downstream processing. There is reportedly potential for exploitation in numerous minerals and base metals. Botswana is considering expanding into new areas such as industrial minerals and dimension stone, and is building a database cataloging the country's resources.²⁷ In addition, Botswana's first gold mine opened this year, and output is forecast at 100,000 ounces per year over an expected life of not less than 5 years.²⁸ The government supports expansion, prospecting, and investment in new mine development,²⁹ in spite of its stated desire to curtail dependence on nonrenewable resources.³⁰ In 1999, the Mining and Minerals Act was revised to increase private-sector investment in mining exploration in remote areas. The government maintains and provides base geological data to encourage exploration and reduce investor risk in mining ventures.³¹

In addition to mineral diversification, there may be potential to increase exports in established commodities, and prospecting in such areas has increased. Although the Government of Botswana has noted that diamond production will decline in the future, Debswana reportedly has indicated that it may be possible for production to increase.³² Botswana's current diamond mines are expected to be able to produce significant output for the next 25-30 years.³³ The two copper-nickel mines are expected to remain viable until approximately 2011 and 2017,³⁴ and the introduction of advanced technologies in recovery and processing could enhance greatly the performance of this sector.

With its large supply of mineral resources, there is great potential and particular interest in the downstream processing of these resources, including diamond polishing and glass manufacturing. Botswana started cutting and polishing diamonds in the 1980s, and there are currently three foreign-invested diamond cutting and polishing facilities in operation. Botswana hopes to add one new facility per year through 2008.³⁵ The industry has heretofore focused on smaller stones of less than one-half carat, which reportedly has hindered growth

²⁶ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²⁷ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

²⁸ "Mogae Opens Botswana's First Gold Mine," *Business Report*, Feb. 14, 2005, found at www.businessreport.co.za, retrieved Apr. 4, 2005.

²⁹ EIU, *Botswana Country Profile*, p. 23; United Nations Conference on Trade and Development, *Growth and Diversification in Mineral Economies: Planning and Incentives for Diversification*, Nov. 2000, p. 17; and government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

³⁰ "Mogae Opens Botswana's First Gold Mine."

³¹ Government of Botswana, Minister of Finance and Development Planning, 2003 Budget Speech, delivered Feb. 2005, found at www.sarpn.org.za, retrieved Apr. 25, 2005.

³² EIU, *Botswana Country Profile*, p. 39.

³³ USGS, "The Mineral Industry in Botswana," p. 5.1.

³⁴ *Ibid.*

³⁵ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

and competitiveness; there is recognition that the industry must progress to the processing of larger stones in order for the sector to grow.³⁶

Additional processing sectors are also emerging. Although currently there is limited domestic production, jewelry making is recognized as a potential sector for development, albeit on a much smaller scale than downstream processing in the diamond sector. Likewise, while there are no current producers, the glass manufacturing sector also holds potential for industrial development and export diversification, as the basic chemical used in glass, soda ash, is readily available. Foreign and local investors have indicated interest in glass manufacturing joint ventures, and domestic demand exists that could provide a springboard to the international market. In particular, there is reportedly a regional market for glass fibers, sheet glass, and specialty glass, as well as potential international markets for exports of container glass.³⁷ As the domestic market is estimated to be small, manufacturers would likely target external markets for their product.³⁸

Similar to the mining sector, Botswana enjoys a high comparative advantage in fresh or frozen beef, another of its major exports. Although some of the land in Botswana is conducive to grazing, the large desert area, erratic rainfall, and poor soil conditions hinder cultivation of agricultural crops.³⁹ Prior to bouts of FMD in 2002 and 2003, the cattle population increased by 19 percent to 2.9 million head during 2001-02.⁴⁰ As a result of the disease and drought conditions, the Botswana Meat Commission (BMC), a parastatal solely responsible for the slaughter and marketing of beef exports, currently is operating at approximately 25 percent capacity;⁴¹ therefore, there is potential for increased exports if the industry successfully addresses the impediments to sector growth. Another possible growth industry is ostrich meat. While Botswana has the largest supply in Africa,⁴² it is currently a marginal international producer, with only 2 of 43 farmers processing through to the slaughter stage.⁴³ Since 2004, Botswana has exported small quantities of ostrich meat to the EU, where it is valued for its low cholesterol content. There is potential to increase market share, as Botswana's product is reportedly competitive with that of other regional producers.⁴⁴

There is also growth potential in downstream processing within the agricultural sector, specifically the processing of bovine hides and skins and the manufacturing of leather products. Botswana's large cattle industry represents a source of raw material input. However, because Botswana does not have the necessary processing facilities, hides and skins are exported to Italy and South Africa for processing into car seats, furniture, or other specialty leather products. After several years of attempting to establish a tanning industry, the Botswana Development Corporation announced that it found a technical partner to assist in the development of a leather-tanning project in Lobatse.⁴⁵ In addition, reportedly there are proposals for private-sector partnerships.⁴⁶

³⁶ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

³⁷ "Glass Manufacturing," draft industry sector analysis, U.S. Embassy in Botswana, received Mar. 10, 2005.

³⁸ Ibid.

³⁹ WTO, *Trade Policy Review: Botswana*, p. 48.

⁴⁰ US&FCS, "2005 Country Commercial Guide: Botswana."

⁴¹ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁴² Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁴³ Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁴⁴ Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁴⁵ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁴⁶ Industry and policy analysts, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

Botswana's vast wilderness and wildlife give it a natural competitive advantage in tourism, and the sector has significant growth potential. Botswana is home to large populations of diverse wildlife species and the country maintains one of the largest protected areas in Africa. Tourism is largely concentrated in the Okavango Delta and Chobe National Park. In 2004, Botswana was rated as one of the best vacation spots worldwide.⁴⁷ The Government of Botswana is actively promoting the sector via project development, marketing and promotion, infrastructure facilitation, support and funding for training, and the encouragement of private investment. There are plans to establish a National Tourism Board, which will assist the industry in marketing, regulating, and promotion. As the majority of tourists to Botswana are from South Africa and Zimbabwe,⁴⁸ there is potential to attract a greater volume of visitors from outside of the region.

The government is also targeting the financial services sector, specifically business process outsourcing (BPO). Aided by government-backed incentives and estimates for sustained growth in the market for BPO services over the next 5 years,⁴⁹ the government plans to increase exports of such services. A study commissioned by the IFSC identified short-term growth potential in call centers, data entry, and salary processing; mid-term potential in accounting, insurance processing, and desk support; and long-term growth in advanced accounting, data mining, and transaction processing.⁵⁰ Companies operating within the IFSC benefit from an "enabling environment,"⁵¹ including incentives such as a guaranteed corporate tax rate of 15 percent until 2020; exemption of withholding taxes on interest, commercial royalties, or dividends paid by an IFSC company to a nonresident; tax exemption for collective investment undertakings; and exemption from normal work permit regulations.⁵² Currently, the IFSC has 26 companies accredited to operate and 12 that are operational.⁵³ The English-speaking skills of the population, combined with rising costs and the inability of traditional competitor nations such as India to meet global demand could provide opportunities for the Botswana BPO sector, provided the industry can address the impediments to performance and expansion.

⁴⁷ Elissa Leibowitz, "Hot Spots 2004," *The Washington Post*, Jan. 4, 2004, as quoted in "Tourism and Investment," U.S. Embassy in Botswana, found at www.gaborone.usembassy.gov, retrieved Apr. 25, 2005.

⁴⁸ EIU, *Botswana Country Profile*, p. 48.

⁴⁹ U.S. Department of State telegram, "Botswana's Business Processing Outsourcing Strategy to Target U.S. Market Faces Impediments," message reference No. 1705, prepared by U.S. Embassy, Gaborone, Oct. 2004.

⁵⁰ *Ibid.*

⁵¹ Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁵² U.S. Department of State telegram, "Botswana USITC Response;" and EIU, *Botswana Country Profile*, p. 43.

⁵³ Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

Domestic and International Barriers

In general, the business environment in Botswana is relatively good. Botswana ranks better than its neighbors and many OECD countries on a number of the processes involved in operating a business (table BT-5). Botswana also compared favorably against regional and OECD countries on most broad factors of economic freedom (table BT-6), indicating a comparatively low level of government interference in the economy. Nonetheless, a number of impediments remain to growth in current exports and the development of new export industries.

Table BT-5
Botswana: Business environment

Business process	Botswana	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	18.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	50.9	17.1	72.1
Closing a business: Time (<i>years</i>)	2.2	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	2.0	41.8	5.2
Getting credit: Credit information Index	5.0	2.1	5.0
Getting credit: Legal rights index	9.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	309.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	24.8	43.0	10.8
Enforcing contracts: Number of procedures	26.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	154.0	434.0	229.0
Registering a property: Number of procedures	4.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	5.0	13.2	4.9
Registering a property: Time (<i>days</i>)	69.0	114.0	34.0
Starting a business: Number of procedures	11.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	11.3	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	108.0	63.0	25.0
Employment: Difficulty of firing index	40.0	50.6	26.8
Employment: Difficulty of hiring index	0.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	19.0	59.5	40.4
Employment: Rigidity of employment index	20.0	56.0	34.4
Employment: Rigidity of hours index	20.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Botswana, applied rate, 2002)		
All goods			5.8
Agricultural goods			9.1
Nonagricultural goods			5.3

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table BT-6
Botswana: Economic freedom

	Botswana	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	3.4	3.6	2.5
2000 Overall score	2.9	3.7	2.2
2005 Overall score	2.4	3.4	2.2
Trade policy score	1.0	3.9	2.2
Fiscal burden of government score	3.4	3.9	3.6
Government intervention in the economy score	4.5	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	2.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	2.0	3.7	1.6
Regulation score	2.0	3.7	2.7
Informal market activity score	2.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

A key issue facing all industries in Botswana is HIV/AIDS and its effect on the workforce. Botswana has one of the highest adult infection rates in Africa,⁵⁴ and while the government is proactive in its program to treat and prevent the disease, low labor productivity, the loss of workers, absenteeism, high turnover, and the diversion of resources toward HIV/AIDS treatment and prevention are a present reality affecting many businesses and further industrial development.⁵⁵ Such problems are also the result of a reported low work ethic among the general population.⁵⁶ Although education is largely free, the country lacks skilled labor necessary for diversification into more skill-intensive industries such as tourism and BPO. Difficulties in securing visas for foreign workers and specialists, together with strict labor laws that essentially render shift work or overtime unfeasible, limit labor market flexibility.⁵⁷

The distance and size of international markets is cited as a major constraint to Botswana’s exports, as the country does not have extensive experience in international marketing, nor the capacity to meet demand in many potential markets. Because of the large-volume orders required by some purchasers, companies in Botswana find it difficult to meet demand even if opportunities became available. Consequently, only large companies are taking advantage of export opportunities.⁵⁸ In addition, smaller producers find it difficult to join together to take advantage of the economies of scale necessary to produce sufficient quantities, while controlling production and quality.⁵⁹

High utility costs are another impediment to industry development and export growth. Generation costs for electricity are high, largely because of the small consumer base and lack

⁵⁴ Based on data published by the Joint United Nations Programme on HIV/AIDS, found at www.unaids.org, retrieved May 2, 2005.

⁵⁵ Botswana and U.S. government officials, interviews by USITC staff, Gaborone, Botswana, Mar. 10-11, 2005.

⁵⁶ Botswana and U.S. government officials, interviews by USITC staff, Gaborone, Botswana, Mar. 10-11, 2005.

⁵⁷ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁵⁸ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁵⁹ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

of industrial utility rates.⁶⁰ Moreover, Botswana sources 70 percent of its electricity from South Africa, which is expected to face its own shortages in the near future.⁶¹ The excess supply of electricity available from South Africa is expected to cease in 2007,⁶² and 2009 is the earliest that Botswana can bring on new capacity.⁶³

The country also faces water constraints. Botswana imports water, and as with electricity, water costs are high. The large quantity of water necessary for mineral projects is particularly problematic because of supply constraints, cost, and the competing need of the population for potable water.⁶⁴ Moreover, Botswana is limited in expanding its water resources. All potential dam sights in the country have been dammed or are being dammed.⁶⁵ Botswana is examining the possibility of importing surplus water from countries in the region and desalination of underground water, which is currently done in limited areas on a small scale.⁶⁶ However, desalination requires advanced technologies and is expensive.⁶⁷

The issue of Botswana's distance to potential or target markets is exacerbated by infrastructure constraints and high rates for the transportation of goods, which are cited as impediments to growth in exports. Although the road system is comparatively good, with 55.0 percent of roads paved (table BT-7) and good linkages between major cities and surrounding countries,⁶⁸ the cost to transport goods by land is higher than that for air or sea freight.⁶⁹ Botswana's goods primarily ship from Durban, with a smaller percentage going through Walvis Bay in Namibia. It reportedly costs the same to ship goods within the region as it does to ship products between Durban, South Africa, and Hong Kong.⁷⁰ As a land-locked country, goods shipped by sea must be dispatched from neighboring countries' ports, which adds time, cost, and the potential for delays. In one instance, Botswana studied the possible exportation of coal but ultimately abandoned the project because of the infrastructure costs and constraints.⁷¹ The lack of sufficient capacity at ports in South Africa is also cited as an impediment to increased exports.⁷²

The beef and leather industries are highly constrained by the current structure of the industry. The BMC holds a monopoly over beef exports, and farmers have no option but to sell beef for export to the BMC at prices that may be lower than prices in the international market. While this system ensures quality control and protects Botswana's reputation in end markets, it has slowed modernization and investment in the livestock and slaughter industry.⁷³

⁶⁰ Government and industry officials, interviews by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶¹ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶² Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶³ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶⁴ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶⁵ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶⁶ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶⁷ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁶⁸ EIU, *Botswana Country Profile*, p. 23.

⁶⁹ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁷⁰ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁷¹ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁷² Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁷³ US&FCS, "2005 Country Commercial Guide: Botswana."

Table BT-7
Botswana: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	10,217.0
Roads, paved (<i>percent of total roads, 1999</i>)	55.0
Transport services (<i>percent of service exports, BoP, 1999</i>)	27.7
Transport services (<i>percent of service imports, BoP, 1999</i>)	42.0
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	328.5
Internet users (<i>per 1,000 people, 2001</i>)	29.7
Mobile phones (<i>per 1,000 people, 2002</i>)	241.3
Telephone mainlines (<i>per 1,000 people, 2002</i>)	87.2
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Favorable prices in overseas markets for unprocessed hides and skins has limited the domestic supply of raw materials available for local downstream processing such as tanning and finishing.⁷⁴

Additional issues are the low cattle off-take rate⁷⁵ and the need for consistent and rigorous disease prevention and control. Botswana lost its status as an FMD-free country (granted in 2001) following two outbreaks in 2002 and 2003. Through fencing and vaccination, FMD was brought largely under control, and Botswana was designated in 2003 as an “FMD-free zone without vaccination.”⁷⁶ However, while the EU will accept beef originating in areas other than those with FMD, Japan, for example, will not allow beef imports from a country that has FMD anywhere.⁷⁷ Moreover, the outbreaks led to temporary closures, resulting in reduced output and the destruction of approximately 16,781 infected cattle. The government’s restocking programs replaced only about one-third of the depleted herds, largely because many farmers chose financial compensation instead.⁷⁸ Botswana currently does not have the capacity to fill its quota for beef to the EU, and reportedly the country has never tried to certify its beef for the U.S. market because it cannot begin to fill the size of potential orders.⁷⁹ Moreover, the country’s ability to meet the stringent quality requirements and standards of developed countries is limited because of inadequate testing infrastructure.⁸⁰ The cost of compliance with international standards is also a burden for Botswana producers.

Additional factors affecting the tanning and leather industries are the high cost of investment necessary to establish tanning facilities,⁸¹ a lack of technical skills, and limited awareness of,

⁷⁴ Government officials and industry and policy analysts, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁷⁵ Off-take rate is the ratio of the number of animals slaughtered over some time (generally a year) to the total size of the herd at some point in time (the number of head of livestock).

⁷⁶ This means that the country has not had an outbreak for the last 2 years, that vaccination has not been practiced for at least 12 months, that barriers exist to separate the free zone from the infected areas, and that since the time that vaccination ceased in the country, there have been no imports of vaccinated animals.

⁷⁷ Industry and policy analysts, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁷⁸ UN Integrated Regional Information Networks, “Botswana: Cattle Owners Still Recovering from FMD Outbreaks,” Jan. 14, 2005, found at www.IRINnews.org, retrieved Mar. 1, 2005.

⁷⁹ Industry and policy analysts, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁸⁰ U.S. Department of State telegram, “Botswana USITC Response.”

⁸¹ Industry and policy analysts, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

and experience with, changing styles in international markets for leather products.⁸² The ostrich products sector faces high costs and supply constraints for breeding stock, which is largely imported.⁸³ Also, there is currently an export duty in place of approximately \$6.50 per bird for ostriches. There have been recommendations from research groups to remove the duty to allow the industry and exports to expand.⁸⁴

As noted, an insufficient pool of skilled labor prevents Botswana from having a comparative advantage in service sector exports. With less than 88 telephone lines per 1,000 people, the telecommunications infrastructure in Botswana is insufficient, which potentially affects all industries, but is of particular significance with respect to BPO services. Telecommunications costs are high and the information technology infrastructure is lacking in terms of bandwidth and high-speed switching capability.⁸⁵ The telecommunications industry is considering tailor-made packages and pricing for companies with critical needs in the BPO sector.⁸⁶ In addition, delays in company certifications and work permit processing have deterred some service providers from locating in Botswana.⁸⁷ Wages in the financial services sector are also reportedly up to 267 percent higher than in competitor countries such as Mauritius, India, and South Africa, and the current regulatory environment is not sufficient to promote sustained growth.⁸⁸

The lack of a competitive air transport policy and land issues reportedly are constraints to tourism sector expansion. For example, with respect to land rights, investors in the tourism sector might only be able to get a 5-year lease, whereas investors in other sectors can get 20-year leases, and lease renewals in the sector are not automatic.⁸⁹ Fees may increase dramatically and unexpectedly,⁹⁰ as the lack of transparency is reportedly a concern in the tourism industry.⁹¹ Further, while the manufacturing and financial services sectors benefit from preferential corporate tax rates, operators in the tourism sector do not receive such incentives. Regionally, conflicts in Zimbabwe have hurt Botswana's tourism sector, as packages combining visits to Chobe (northern Botswana) and Victoria Falls (southern Zimbabwe) have been a key source of income.⁹² Also, neighboring countries' varying systems and procedures for immigration and customs result in delays and added costs, which discourage tourists from moving between countries in the region.⁹³

⁸² Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁸³ The ComMark Trust/BIDPA, *The Potential for Export Diversification in Botswana: Ostrich Products Case Study*, Dec. 2004, found at www.bidpa.bw/The%20ostrich%20sector.pdf, retrieved May 26, 2005.

⁸⁴ Industry officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁸⁵ U.S. Department of State telegram, "Botswana's Business Processing Outsourcing Strategy to Target U.S. Market Faces Impediments," message reference No. 1705, prepared by U.S. Embassy, Gaborone, Oct. 2004; and government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁸⁶ Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005.

⁸⁷ U.S. Department of State telegram, "Botswana's Business Processing Outsourcing Strategy."

⁸⁸ Ahmet Soylemezoglu, *Botswana's Financial Sector: Issues and Prospects* (2005), pp. 21 and 29, found at www.bidpa.bw/Financial%20sector.pdf, retrieved May 26, 2005.

⁸⁹ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁹⁰ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁹¹ U.S. government officials, interview by USITC staff, Gaborone, Botswana, Mar. 11, 2005.

⁹² Government officials, interview by USITC staff, Gaborone, Botswana, Mar. 10, 2005; and EIU, *Botswana Country Profile*, p. 48.

⁹³ The World Bank and the Botswana Institute for Development Policy Analysis, *Developing Tourism in Botswana: Progress and Challenges*, Dec. 2004, p. 80, found at www.bidpa.bw/The%20tourism%20sector.pdf, retrieved May 26, 2005.

While there are domestic constraints affecting the ability to meet sanitary and phytosanitary standards, administrative issues in markets such as the United States and the EU exacerbate the issue of getting products approved for export. In some cases, once documents are submitted, it reportedly takes years to get approval, particularly in the United States. Also, the technical specificity and detail required by U.S. and European agencies is difficult for producers from countries such as Botswana, which have limited standards compliance capacity.⁹⁴

⁹⁴ Botswana and U.S. government officials, interviews by USITC staff, Gaborone, Botswana, Mar. 10-11, 2005.

Democratic Republic of the Congo⁹⁵

Economic Overview

Democratic Republic of the Congo (formerly known as Zaire), although rich in natural resources, has experienced severe economic problems because of civil war, lack of good governance, and economic mismanagement. From the late 1990s, economic problems accelerated as the country experienced civil and regional unrest and economic instability. The conflict in Democratic Republic of the Congo stems from the influx of Rwandan refugees and regional conflict involving Angola, Uganda, and Zambia. Various rebel groups still control some areas, including areas rich in natural resources such as minerals and coffee. Foreign currency restrictions and government-created monopolies have adversely affected the economy. However, despite economic instability, there is still a large external trade sector driven primarily by diamond mining.

Real GDP declined by an average of 5.2 percent annually between 1996 and 2001 and is now lower in real terms than at independence from Belgium in 1960.⁹⁶ Although Democratic Republic of the Congo's GDP of \$5.6 billion (table DR-1) is higher than that of many other southern African countries, its per capita GDP (approximately \$105) is the lowest in sub-Saharan Africa (SSA). Inflation, which peaked at 10,000 percent in 1994,⁹⁷ was reduced to 31.5 percent in 2001 through monetary controls. Also in 2001, the government rescinded the 1999 restrictions on possession of foreign currency and conducting transactions in foreign currency.

The agriculture and forestry sector accounted for 57.2 percent of GDP in 2001 (figure DR-1). The main cash crops are coffee (15th-largest producer in the world), palm oil, cotton, cocoa, rubber, and tobacco. Cash crop production has declined substantially, while subsistence crop output (mostly cassava, rice, and plantains) has increased, a sign of political instability and deteriorating economic conditions.⁹⁸

Services accounted for 23.8 percent of GDP in 2001. An important component of the services sector is financial services, which has suffered from the political and economic instability. Many of the banks have accumulated unrecoverable loans, and loan credit has ceased except for short-term trade finance. Consequently, most businesses finance their operations from their own revenue or from the informal financial sector. Banks have maintained profitable operations through high transaction fees.⁹⁹

Mining contributed nearly 10 percent to GDP in 2001, although its contribution to GDP has shrunk in recent years. The main minerals are copper, cobalt, zinc, and diamonds. The copper industry was formerly the mainstay of the economy. However, there has been little

⁹⁵ Prepared by Karen Taylor, Office of Industries.

⁹⁶ Economist Intelligence Unit (EIU), *Democratic Republic of Congo Country Profile*, 2004, p. 27.

⁹⁷ Phillippe Beaugrand, "Zaire's Hyperinflation, 1990-1996," IMF Working Paper WP/97/50, Apr. 1997, pp. iii and 3.

⁹⁸ EIU, *Democratic Republic of Congo Country Profile*, pp. 29-35.

⁹⁹ *Ibid.*, p. 34.

Table DR-1
Democratic Republic of the Congo: Basic economic indicators

	MRV¹
GDP (current US\$, millions, 2003)	5,600.2
GDP growth (annual percent, based on local currency, 2003)	5.0
GDP per capita growth (annual percent, based on local currency, 2003)	1.9
Inflation, consumer prices (annual percent, 2002)	31.5
External debt, total (current US\$, millions, 2002)	8,726.4
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	18.9
Trade (percent of GDP, 2002)	40.9
Official exchange rate (local currency unit per US\$, period average, 2003)	405.3
Population, total (millions, 2003)	53.2
Population growth (annual percent, 2003)	3.0
Labor force, total (millions, 2003)	22.0
Labor force participation rate, total (percent, 2002)	41.8
Literacy rate, adult total (percent of people ages 15 and above)	(2)
Primary school enrollment ratio, total (percent)	(2)
Secondary school enrollment ratio, total (percent, 1999)	18.4
Land use, arable land (percent of total, 2001)	3.0
Gross capital formation (percent of GDP, 2003)	13.8
Gross fixed capital formation (percent of GDP, 2003)	13.8
Foreign direct investment, net inflows (percent of GDP, 2002)	0.6

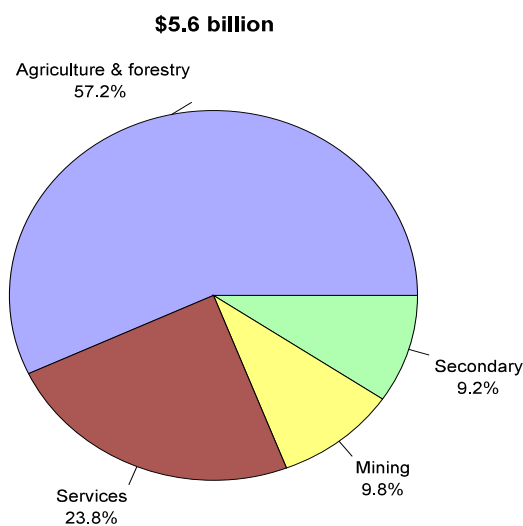
¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure DR-1
Democratic Republic of the Congo: Composition of GDP (2001)



Note.—Secondary is defined as manufacturing, construction, electricity, water, and other utilities.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

investment in Gecamines (the parastatal mining company)¹⁰⁰ since the country's independence. Production of copper decreased from an average of 500,000 metric tons per year during 1980-87 to only 9,900 metric tons in 2003.¹⁰¹

The diamond industry better withstood the problems in the mining sector during the 1990s, partly because two-thirds of production is privately owned, rather than controlled by Gecamines. Democratic Republic of the Congo is the world's third-largest diamond producer by volume, although it ranks lower by value because 90 percent of its output is of industrial, rather than gem-quality, stones. The diamond industry's decline resulted from the now-rescinded prohibition on foreign currency transactions, and the government's award of a diamond buying monopoly to the Israeli company IDI Diamonds in 2000.¹⁰²

Democratic Republic of the Congo was licensed to participate in the Kimberley Process¹⁰³ in 2003 and established its own certification center to monitor diamond exports. Official diamond exports grew in 2004 because Republic of the Congo, a country that does not produce diamonds but sells imported diamonds, lost its license to export diamonds under the Kimberley Process.¹⁰⁴ The amount of diamonds from Democratic Republic of the Congo smuggled to Republic of the Congo appears to have been substantially reduced.¹⁰⁵

Export Profile

Democratic Republic of the Congo's exports totaled \$1.0 billion in 2003, with a 9-year compound annual growth rate (CAGR) of 4.0 percent (table DR-2). According to official data, diamonds accounted for 67.8 percent of Democratic Republic of the Congo's exports in 2003, with a CAGR of 20.5 percent (table DR-3). Petroleum is the second-largest export. Exports of copper and coffee products have declined significantly during 1994-2003. Coffee production has suffered from coffee wilt disease. A small amount of petroleum and electricity is exported to the Republic of the Congo, South Africa, and Zambia.¹⁰⁶ Large amounts of trade, particularly in coffee, gold, diamonds, and columbo-tantalite, from areas under rebel

¹⁰⁰ Gecamines is the acronym for La Générale des Carrières et des Mines.

¹⁰¹ EIU, *Democratic Republic of Congo Country Profile*, p. 30.

¹⁰² Producers and buyers were required to sell to IDI, generally at prices far below the prevailing market rate. This change had the effect of driving the trade even further into the informal sector and encouraging smuggling to neighboring Angola and Republic of the Congo. The IDI monopoly was abrogated in April 2001. In April 2003, an export monopoly for diamonds produced by the state-owned diamond company, Miniers de Bakwanga (Miba), was granted to a private company, Emaxon. Because of concerns regarding the Emaxon management, in early 2004, Miba announced that it would abrogate the monopoly. For additional information, see Partnership Africa Canada, Ottawa, and Canada Centre National d'Appui au Développement et à la Participation Populaire (CENADEP), Kinshasa, *Democratic Republic of the Congo Diamond Industry Annual Review: Democratic Republic of the Congo 2004*, found at www.pacweb.org, retrieved Mar. 30, 2005.

¹⁰³ See app. C or "Kimberley Process," found at www.kimberleyprocess.com, for additional information on the Kimberley Process.

¹⁰⁴ "Kimberley Process Removes the Republic of Congo from the List of Participants," press release, July 9, 2004, found at www.kimberleyprocess.com, retrieved Mar.30, 2005.

¹⁰⁵ Partnership Africa Canada and CENADEP, *Democratic Republic of the Congo Diamond Industry Annual Review*.

¹⁰⁶ EIU, *Democratic Republic of Congo Country Profile*, p. 37.

control, are being diverted to Rwanda and Uganda. Therefore, official trade statistics may be inaccurate.

Exports are directed primarily to industrialized countries (table DR-4). Belgium, the former colonial power, is the largest export market, largely because of its international diamond market in Antwerp and its copper refining facilities. The United States is the second-largest market for Democratic Republic of the Congo's exports, most of which are crude petroleum. These two markets accounted for 84.8 percent of Democratic Republic of the Congo's exports in 2003. Finland, the third-largest export market, processes the output of the Lubumbashi base-metal tailings plant.¹⁰⁷

Table DR-2
Democratic Republic of the Congo: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	132,353.5	840,018.8	695,952.3	67.9	20.3
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	121,720.3	114,071.0	139,828.9	13.6	1.6
26	Ores, slag and ash.	16,330.4	52,055.4	62,876.6	6.1	16.2
44	Wood and articles of wood; wood charcoal	74,284.9	24,808.1	34,975.8	3.4	-8.0
81	Base metals nesoi; cermets; articles thereof	124,892.8	57,158.3	33,299.4	3.2	-13.7
97	Works of art, collectors' pieces and antiques	1,384.5	189.7	6,003.2	0.6	17.7
09	Coffee, tea, mate and spices.	107,123.4	41,614.6	5,479.1	0.5	-28.1
13	Lac; gums; resins and other vegetable saps and extracts	4,766.6	1,344.2	3,290.8	0.3	-4.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	472.1	984.0	3,096.4	0.3	23.2
74	Copper and articles thereof	59,447.0	16,294.4	2,795.9	0.3	-28.8
	Other	80,123.2	45,194.0	37,741.0	3.7	-8.0
	Total	722,898.8	1,193,732.5	1,025,339.4	100.0	4.0

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹⁰⁷ EIU, *Democratic Republic of Congo Country Profile*, p. 37.

Table DR-3
Democratic Republic of the Congo: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1,000 dollars			2003 share	9-year
		1994	1999	2003	of total	CAGR
					Percent	
7102	Diamonds, whether or not worked, but not mounted or set	130,040.4	837,592.3	695,562.1	67.8	20.5
2709	Petroleum oils and oils from bituminous minerals, crude	121,596.1	110,368.0	90,618.9	8.8	-3.2
2605	Cobalt ores and concentrates	9,797.5	50,649.7	54,339.7	5.3	21.0
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	124.0	3,678.2	45,302.2	4.4	92.6
8105	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap	124,873.3	57,158.3	33,016.0	3.2	-13.7
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	44,324.3	13,880.9	16,316.1	1.6	-10.5
4407	Wood sawn or chipped lengthwise, sliced or peeled, more than 6 mm (.236 in.) thick	20,554.1	6,036.8	13,502.0	1.3	-4.6
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	217.0	1.9	5,693.8	0.6	43.8
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	106,773.1	41,612.2	5,477.5	0.5	-28.1
4409	Wood, continuously shaped (tongued, grooved, molded, etc.) along any of its edges or faces	2,803.1	3,711.5	4,064.5	0.4	4.2
	Other	161,796.0	69,042.6	61,446.7	6.0	-10.2
	Total	722,898.8	1,193,732.5	1,025,339.4	100.0	4.0

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table DR-4
Democratic Republic of the Congo: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1,000 dollars			2003 share	9-year	
	1994	1999	2003	of total	CAGR	
					Percent	
Belgium	(¹)	796,560.0	686,019.4	66.9	(²)	
United States	197,900.0	237,679.1	183,332.6	17.9	-0.8	
Finland	1,243.3	50,258.5	57,606.5	5.6	53.1	
China	2,459.4	1,316.4	26,241.6	2.6	30.1	
Japan	81,796.8	15,709.7	13,779.0	1.3	-18.0	
Germany	36,226.0	5,859.9	12,586.0	1.2	-11.1	
Portugal	27,355.4	9,864.5	12,155.4	1.2	-8.6	
Italy	94,804.1	37,453.7	11,851.7	1.2	-20.6	
South Africa	99,484.3	2,540.4	4,020.8	0.4	-30.0	
Spain	19,192.7	3,457.1	2,681.7	0.3	-19.6	
Other	162,436.7	33,033.2	15,064.7	1.5	-23.2	
Total	722,898.8	1,193,732.5	1,025,339.4	100.0	4.0	

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Many exports with the greatest revealed comparative advantage¹⁰⁸ (RCA) indices are not Democratic Republic of the Congo's leading exports, indicating that there are products in addition to the leading exports that show significant export potential (appendix E, table E-8). Six of the top 10 products with the greatest increase in the average yearly RCA are in the minerals sector (asbestos, zinc, tantalum, and other base metals), indicating that the mining sector may have the most growth potential. For example, diamonds, the country's leading export product, have shown strong growth in the last 10 years, and improved export performance is expected to continue. The Kimberley Process has substantially reduced smuggling of diamonds out of the country, which could increase diamond exports by the formal sector. Mining and agriculture represent historical trade sectors that could re-emerge with stability, good governance, and improved infrastructure.

There are several mines with rich deposits of copper, cobalt, and zinc that are not now fully exploited. One of the most important is the Kolwezi tailings project, which has the potential to become the world's largest and lowest-cost producer of copper and cobalt. Production will begin in 2007 if financing is secured by Adastra Minerals. Another copper-rich deposit is the Lonshi deposit; First Quantum Minerals obtained 30-year mining rights in 2003 and planned to process over 900,000 metric tons of ore in 2004. The Tenke-Fungurme cobalt and copper mine is estimated to have total copper and cobalt reserves of 22 million metric tons. Development was halted in 1998, but the company and parastatal Gecamines are now discussing restarting development. Gecamines and the Zinc Corp. of South Africa plan to develop the Kipushi mine, which has estimated zinc and copper reserves of 26 million metric tons. World growth in cobalt trade, according to RCA analysis, grew by about 54 percent during 1993-2003, and cobalt ores and mattes rank first and second among products for which Democratic Republic of the Congo has a comparative advantage. Democratic Republic of the Congo also has comparative advantages in tin, tungsten, and niobium.

Coffee may also show potential export growth if political stability can be achieved and if the coffee wilt disease can be controlled. Average annual growth in coffee trade worldwide during 1993-2003 was 8.7 percent, but Democratic Republic of the Congo's comparative advantage declined by an annual average of almost 6 percent. Although once a significant coffee exporter, coffee exports have declined largely because rebels control coffee-producing areas in Equateur province.¹⁰⁹

Democratic Republic of the Congo is bordered by the Congo River, which provides it with a great potential for hydroelectric power. Electrical power is Democratic Republic of the Congo's fourth-largest export and its potential is largely untapped. Democratic Republic of the Congo exports hydroelectricity to Republic of the Congo and South Africa. The Inga Dam alone, near the mouth of the Congo River, has a potential capacity of 40,000-45,000 megawatts, sufficient to supply all of southern Africa's electricity needs. However, only a fraction of this amount has been developed. Total installed generating capacity at Inga was estimated at 3,197 megawatts in 1998, of which hydroelectricity accounts for 98 percent. Actual production is estimated to be no more than 650-750 megawatts, largely because two-

¹⁰⁸ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See chap. 1 and app. D for a discussion of RCA indices.

¹⁰⁹ EIU, *Democratic Republic of Congo Country Profile*, p. 29.

thirds of the turbines at Inga are not functioning.¹¹⁰ Five regional utilities in Angola, Botswana, Democratic Republic of the Congo, Namibia, and South Africa are planning to construct a third power-generation system at the Inga Dam with \$400 million in funding from the World Bank. The project will generate 3,500 megawatts of electricity targeted to the South African market.¹¹¹

Domestic and International Barriers

The greatest impediments to exports are political instability and lack of transparency and good governance in the country, which contribute to low levels of foreign investment and its inadequate state of infrastructure. Despite the rich supply of minerals and timber, foreign investors are reluctant to invest in Democratic Republic of the Congo because of the domestic conflict. During 1993-2002, Democratic Republic of the Congo experienced 4 years of negative foreign direct investment (FDI) flows and near zero FDI in 2001. Because of the ongoing conflict, the central government has limited control over several areas in the eastern part of the country where some potential exports (for example, coffee and minerals) are located. Although the Virunga National Park in North Kivu is best known as a home to mountain gorillas, its location in the middle of a conflict zone limits its development as a tourist site.

Most business environment indicators reflect poorer commercial conditions in Democratic Republic of the Congo than the regional average, particularly in the areas of getting credit, starting a business, enforcing contracts, and difficulties in hiring and firing workers (table DR-5). For example, the cost of starting a business is 603 percent of per capita income, significantly greater than the regional average of 225 percent. The time it takes to enforce a contract is 909 days while the regional average is 434 days. In Democratic Republic of the Congo, the difficulty of hiring index is substantially higher than in the region as a whole. Instability in the country limited the number of years the Heritage Foundation was able to rank Democratic Republic of the Congo in its index of economic freedom (table DR-6). However, the country's economic freedom ranking for 2000 is worse than the regional average and substantially worse than the OECD average.

The difficulty in shipping from the only major port, Matadi, is a substantial obstacle. The road between the capital Kinshasa and Matadi is in poor condition, despite funding from the EU and World Bank for its repair. Transport by ship is a relatively cheap method of transport. However, without a port to ship from, exporters are forced to use other, more expensive means of transport, frequently by airplane, which places weight limitations on what material can be exported.¹¹² The damaged infrastructure and low levels of information and communication technologies use reflect the large extent to which domestic factors represent the primary impediments to export (table DR-7).

¹¹⁰ Ibid., p. 22.

¹¹¹ U.S. Department of State telegram, "ESTH News Update from West and Central Africa Regional Infrastructure Projects," message reference No. 00752, prepared by U.S. Embassy, Libreville, Nov. 2004.

¹¹² EIU, *Democratic Republic of Congo Country Profile*, p. 21; and Embassy of Democratic Republic of the Congo official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

Table DR-5
Democratic Republic of the Congo: Business environment

	Democratic Republic of the Congo	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	1.9	17.1	72.1
Closing a business: Time (years)	5.2	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	130.0	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	256.8	43.0	10.8
Enforcing contracts: Number of procedures	51.0	35.0	19.0
Enforcing contracts: Time (days)	909.0	434.0	229.0
Registering a property: Number of procedures	8.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	10.1	13.2	4.9
Registering a property: Time (days)	106.0	114.0	34.0
Starting a business: Number of procedures	13.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	602.9	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	246.8	254.1	44.1
Starting a business: Time (days)	155.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	72.0	53.2	26.2
Employment: Firing costs (weeks)	62.0	59.5	40.4
Employment: Rigidity of employment index	77.0	56.0	34.4
Employment: Rigidity of hours index	100.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table DR-6
Democratic Republic of the Congo: Economic freedom

	Democratic Republic of the Congo	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(²)	3.6	2.5
2000 Overall score	4.6	3.7	2.2
2005 Overall score	(²)	3.4	2.2
Trade policy score	(²)	3.9	2.2
Fiscal burden of government score	(²)	3.9	3.6
Government intervention in the economy score	(²)	2.6	2.5
Monetary policy score	(²)	2.4	1.5
Capital flows and foreign investment score	(²)	3.2	2.0
Banking and finance score	(²)	3.2	1.9
Wages and prices score	(²)	2.8	2.1
Property rights score	(²)	3.7	1.6
Regulation score	(²)	3.7	2.7
Informal market activity score	(²)	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table DR-7
Democratic Republic of the Congo: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	157,000.0
Roads, paved (<i>percent of total roads</i>)	(2)
Transport services (<i>percent of service exports, BoP</i>)	(2)
Transport services (<i>percent of service imports, BoP</i>)	(2)
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	10.8
Internet users (<i>per 1,000 people, 2002</i>)	0.9
Mobile phones (<i>per 1,000 people, 2002</i>)	10.6
Telephone mainlines (<i>per 1,000 people, 2002</i>)	0.2
Electric power transmission and distribution losses (<i>percent of output, 2001</i>)	3.8
Energy imports, net (<i>percent of commercial energy use, 2001</i>)	-4.4

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Instability caused by civil war, hyperinflation in the 1990s, and foreign currency restrictions are some of the factors adversely affecting the banking industry, which make it difficult to conduct financial transactions in the country. Most transactions are said to take place on the black market. Additionally, property rights in the country are insecure. However, the government has approved new investment and mining codes, and has designed a new commercial court in the past year. The goal of these initiatives is to attract investment by providing fair and transparent treatment to private business.¹¹³

Although international barriers do not, in the short to medium term, represent the primary barriers to export, Democratic Republic of the Congo government representatives have cited foreign country sanitary and phytosanitary standards as a barrier to exports. Access to developed countries is problematic because of the regulations and standards placed on agricultural imports in these markets. Democratic Republic of the Congo reportedly has access to the EU market, but finds it difficult to export agricultural products to the U.S. market.¹¹⁴

¹¹³ Africa Development Bank/Organization for Economic Cooperation and Development, "Democratic Republic of Congo," *African Economic Outlook 2004/2005*, p. 186, found at www.oecd.org/dev/aeo, retrieved May 24, 2005.

¹¹⁴ Embassy of Democratic Republic of the Congo official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

Economic Overview

Guinea has a population of 7.9 million, with an annual GDP per capita of \$459 (table GU-1). Although its external debt (\$3.4 billion) is slightly less than its annual GDP (\$3.6 billion), total debt service is the equivalent of only 13.6 percent of Guinea's exports of goods and services.¹¹⁶ Exports in 2003 amounted to slightly less than one-quarter of GDP and were slightly smaller than total imports. Per capita GDP fell by 32 percent during 1996-2001, largely owing to an influx of refugees fleeing armed conflict in Sierra Leone and Liberia, a decline in world prices for Guinea's exports of bauxite and alumina, and increasing prices for imported petroleum.¹¹⁷

The tertiary sector, consisting primarily of service activities such as government services, accounted for 46.4 percent of GDP in 2002 (figure GU-1). The secondary sector, represented by manufacturing, construction, and utilities, accounted for 31.1 percent of GDP; and the primary sector, a component of which is mining, accounted for 18.3 percent of GDP. Manufacturing accounts for only 4 percent of GDP. All manufactured goods (processed foods, apparel, and furniture) reportedly are sold in local markets.¹¹⁸

Guinea has 30 percent of the world's known reserves of bauxite,¹¹⁹ and is a major producer of bauxite and alumina. Alumina is formed by refining impure hydrated alumina found in bauxite ore. The refining of alumina is a step in the production of aluminum metal, which is formed by "reducing" the oxygen from alumina. There are no reduction facilities in Guinea, so the bauxite and alumina must be exported for further processing into aluminum. Guinea is also endowed with petroleum, copper, diamonds, gold, iron ore, and graphite resources.

Guinea has a natural comparative advantage in diverse agricultural activities because of the country's significant variation in climates associated with changes in elevation, high soil fertility, and plentiful water resources.¹²⁰ Commercial crops include coffee, cocoa, and rubber. Fishing and shellfish resources have led to the development of fish and crustacean processing industries.

¹¹⁵ Prepared by Ralph Watkins, Office of Industries.

¹¹⁶ However, Guinea's Minister of Economy and Finance, Mady Kaba Camara, indicated to a delegation of G-7 representatives that 70-80 percent of the Guinean government's expenditures is used to service the country's external debt. U.S. Department of State telegram, "COG Paints Bleak Fiscal Situation," message reference No. 01246, prepared by U.S. Embassy, Conakry, Sept. 30, 2004.

¹¹⁷ Integrated Framework (IF), *Guinea: Diagnostic Trade Integration Study*, Aug. 2003, p. 2.

¹¹⁸ Economist Intelligence Unit (EIU), *Guinea Country Profile*, 2004, p. 39.

¹¹⁹ IF, *Guinea: Diagnostic Trade Integration Study*, p. 4.

¹²⁰ *Ibid.*, p. viii.

Table GU-1
Guinea: Basic economic indicators

	MRV¹
GDP (current US\$, millions, 2003)	3,625.7
GDP growth (annual percent, based on local currency, 2003)	2.1
GDP per capita growth (annual percent, based on local currency, 2003)	-0.0
Inflation, consumer prices (annual percent)	(2)
External debt, total (current US\$, millions, 2002)	3,400.9
Total debt service (percent of exports of goods and services, 2002)	13.6
Exports of goods and services (percent of GDP, 1999)	23.7
Trade (percent of GDP, 2003)	51.1
Official exchange rate (local currency unit per US\$, period average, 2002)	1,975.8
Population, total (millions, 2003)	7.9
Population growth (annual percent, 2003)	2.1
Labor force, total (millions, 2003)	3.7
Labor force participation rate, total (percent, 2002)	49.4
Literacy rate, adult total (percent of people ages 15 and above, 1999)	(2)
Primary school enrollment ratio, total (percent, 2000)	67.0
Secondary school enrollment ratio, total (percent, 1999)	13.8
Land use, arable land (percent of total, 2001)	3.6
Gross capital formation (percent of GDP, 2003)	14.4
Gross fixed capital formation (percent of GDP, 2003)	14.4
Foreign direct investment, net inflows (percent of GDP, 2002)	0.1

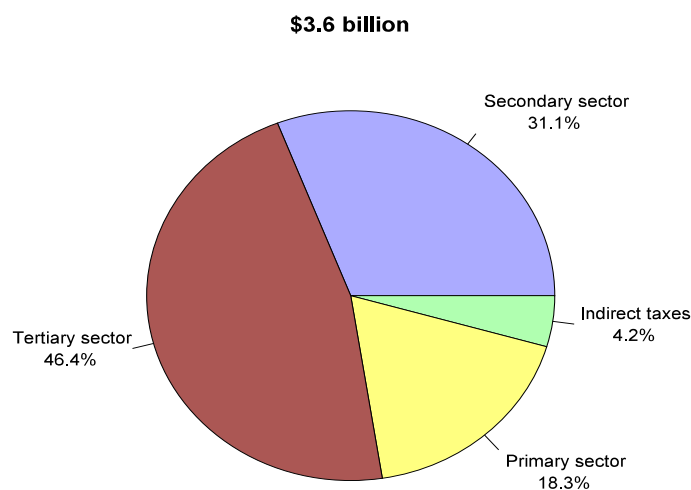
¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure GU-1
Guinea: Composition of GDP (2002)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying, secondary as defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Export Profile

Guinea's exports increased by 62 percent during 1994-99, but declined by 4 percent during 1999-2003 (table GU-2). Much of the increase during 1994-99 represented increased diamond exports, principally to diamond processing operations in Antwerp. Variation in export values often reflects changes in commodity prices rather than the quantity of exports. Products from the mining industry (including alumina) accounted for 73.8 percent of Guinea's exports in 2003; crude petroleum, 10.5 percent; products from the fishing industry, 7.5 percent; and agricultural products, 5.8 percent. Articles with the most processing prior to export, alumina and frozen fish, accounted for 22.2 percent of Guinea's exports (table GU-3).

Guinea supplied nearly one-third of the world's total exports of bauxite during 2000-03. Bauxite accounted for 42.9 percent of Guinea's exports in 2003, with alumina accounting for another 17.2 percent. Diamonds and copper concentrates accounted for another 7.6 percent and 5.8 percent, respectively, of Guinea's exports in 2003. Because of reportedly high levels of smuggling, possibly to avoid paying taxes, the value of Guinea's diamond exports may be significantly underreported.¹²¹

Table GU-2
Guinea: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
26	Ores, slag and ash	376,590.3	413,751.1	393,726.3	48.9	0.5
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	60,183.8	115,343.0	138,123.8	17.2	9.7
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,736.0	55,516.4	84,274.6	10.5	53.9
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2,171.0	144,291.9	62,348.3	7.7	45.2
3	Fish and crustaceans, molluscs and other aquatic invertebrates	22,613.4	29,569.4	60,013.3	7.5	11.5
18	Cocoa and cocoa preparations	4,663.1	5,293.3	23,128.3	2.9	19.5
9	Coffee, tea, mate and spices	24,643.0	28,592.6	19,297.4	2.4	-2.7
40	Rubber and articles thereof	112.8	596.1	10,026.2	1.2	64.6
44	Wood and articles of wood; wood charcoal	6,837.9	18,998.3	4,696.5	0.6	-4.1
52	Cotton, including yarns and woven fabrics thereof	8,315.3	13,247.9	3,732.5	0.5	-8.5
	Other	12,235.7	16,644.5	5,424.5	0.7	-8.6
Total		520,102.4	841,844.4	804,791.7	100.0	5.0

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹²¹ Ibid., p. 5.

Table GU-3
Guinea: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2606	Aluminum ores and concentrates	367,189.2	406,337.9	344,987.8	42.9	-0.7
2818	Artificial corundum, whether or not chemically defined; aluminum oxide; aluminum hydroxide	60,181.3	115,309.8	138,064.1	17.2	9.7
2709	Petroleum oils and oils from bituminous minerals, crude	0.0	53,840.9	81,515.8	10.1	(¹)
7102	Diamonds, whether or not worked, but not mounted or set	2,016.5	144,120.0	61,434.0	7.6	46.2
2603	Copper ores and concentrates	9,401.1	7,412.2	46,445.1	5.8	19.4
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	7,712.6	12,084.5	40,357.1	5.0	20.2
1801	Cocoa beans, whole or broken, raw or roasted	4,663.1	5,120.9	20,621.0	2.6	18.0
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee . . .	24,591.5	28,566.3	17,417.5	2.2	-3.8
0306	Crustaceans, live, fresh, chilled, frozen etc.; crustaceans, in shell, cooked by steam or boiling water; flours, meals, & pellets of crustaceans, fit for human consumption	2,811.4	4,101.3	12,142.1	1.5	17.7
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip	87.7	569.6	9,986.3	1.2	69.2
	Other	41,448.0	64,381.0	31,820.8	4.0	-2.9
	Total	520,102.4	841,844.4	804,791.7	100.0	5.0

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Leading exports from the fisheries sector were frozen fish (5.0 percent of total exports) and crustaceans (1.5 percent). As with diamonds, Guinea's exports of fish may be significantly underreported because the number of foreign trawlers working Guinean waters far exceeds the number of Guinean trawlers, and catches from these foreign trawlers are not unloaded in Guinea, nor are they reported or taxed.¹²² Other important agricultural exports include cocoa beans (2.6 percent), coffee (2.2 percent), and natural rubber (1.2 percent).

The EU is the leading market for exports from Guinea; however, the largest single-country markets in 2003 were Korea (15.9 percent), Spain (12.2 percent), the United States (10.8 percent), France (9.8 percent), and Russia (9.7 percent) (table GU-4). Guinea's merchandise exports are concentrated to certain markets. Bauxite accounted for nearly two-thirds of Guinea's exports to the United States in 2003 and the bulk of Guinea's exports to Russia. Russia also purchased over two-thirds of Guinea's exports of alumina in 2003, reflecting a Russian company's joint-venture ownership of an alumina production facility in Guinea. Korea imported all of Guinea's exports of crude petroleum and copper

¹²² Ibid., p. 35.

Table GU-4
Guinea: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Korea, Rep.	3,092.1	41,025.7	127,941.8	15.9	51.2
Spain	75,502.4	79,708.6	98,207.3	12.2	3.0
United States	119,115.3	144,228.1	87,247.9	10.8	-3.4
France	35,931.2	51,346.1	78,732.9	9.8	9.1
Russian Federation	0.0	65,704.8	77,684.6	9.7	(¹)
Ireland	74,462.7	87,163.1	67,938.1	8.4	-1.0
Belgium	(²)	124,739.1	57,459.4	7.1	(¹)
Germany	45,381.0	42,661.8	49,288.0	6.1	0.9
Cameroon	0.0	43,451.7	34,855.7	4.3	(¹)
Canada	14,643.2	5,873.6	26,987.3	3.4	7.0
Other	151,974.6	155,941.8	98,448.7	12.2	-4.7
Total	520,102.4	841,844.4	804,791.7	100.0	5.0

¹ Undefined.

² Not available.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

concentrates in 2003, and over one-half of its exports of frozen whole fish. Spain imported nearly all of Guinea's exports of fish fillets, crustaceans, oilseeds, and cocoa waste. France imported most of Guinea's exports of fresh whole fish, pineapples, and natural rubber. Morocco and France were the leading markets for Guinea's exports of coffee, cotton, and lumber. Canada was the top market for vanilla and cocoa beans. Belgium bought 84 percent of Guinea's diamond exports.

Although the value of Guinea's exports of bauxite was slightly less in 2003 than in 1994, the 9-year compound annual growth rate (CAGR) for exports of alumina was 9.7 percent. The CAGR for exports of frozen fish, another processed product, was 20.2 percent. That growth was nearly matched by the 19.4 percent CAGR for copper concentrates and 17.7 percent and 18.0 percent CAGRs for crustaceans and cocoa beans, respectively. Although total exports from Guinea fell by \$37 million during 1999-2003, exports to Korea nearly tripled, rising by \$87 million. Large decreases in exports to the United States and Belgium were offset by significant increases to other countries. Exports to France increased by \$27 million (53 percent); to Canada (mostly bauxite), by \$21 million (359 percent); to Spain, by \$18 million (23 percent); and to Russia, by \$12 million (18 percent).

Sectors with the Greatest Export Growth Potential

The Government of Guinea has identified the development and promotion of exports as its priority strategy for the reduction of poverty. Given the country's natural resources and labor, the government has identified agriculture, mining, fishing and shellfish, and tourism as the sectors for which the country has a comparative advantage.¹²³

Despite slow growth in the world market for bauxite during 1994-2003, the industry is expected to remain important for Guinea's export earnings because it has the highest

¹²³ Ibid., p. iv.

revealed comparative advantage¹²⁴ (RCA) index among Guinea's leading exports (appendix E, table E-14). Moreover, growing demand in China will likely keep world prices for bauxite elevated. Guinea's export potential could benefit from increased investment in alumina and aluminum smelting facilities. World demand for these downstream products is growing faster than demand for bauxite.

Joint ventures in the aluminum industry include Compagnie des Bauxites de Guinée (CBG), the country's largest bauxite mining operation, which is a joint venture between the government, Alcoa (U.S.), and Alcan (Canada); Dian Dian, a new joint venture between the government and Ukraine that is expected to ship 1 million metric tons of bauxite annually;¹²⁵ and Alumina Compagnie de Guinée, led by Reynolds Aluminum with investments from Russki Alumina, which is the only company currently processing bauxite into alumina.¹²⁶ In addition, Global Alumina (also known as GAPCO Corp., a consortium led by Marubeni and Mitsubishi of Japan, as well as investors from Canada) began the first phase of a \$2-billion alumina refinery in December 2004.¹²⁷ Halco, a Pittsburgh-based company owned by Alcan and Alcoa, owns 51 percent of CBG, Guinea's largest producer and exporter of bauxite. Halco signed an agreement with the Government of Guinea to build and operate a \$1.5-billion alumina refinery. The facility will transform Guinea's lower-grade, nonexportable bauxite into higher-value, exportable alumina.¹²⁸

Guinea's top gold exporter is a joint venture between the Government of Guinea and Ashanti Gold Fields of Ghana. Two gold mining companies, Société de Minière de Dinguiraye (SMD) and Société Aurifère de Guinée made major investments in 2004, and SMD announced plans for a \$50-million expansion in 2005.¹²⁹ A Canadian company, Semafo, has been expanding production rapidly since its initial investment in 2002. Another Canadian company, Cassidy Gold Corporation, is in the exploration phase.¹³⁰ Recent foreign investors in diamond mining operations include Trivalence Mining of Canada, Rio Tinto of the United Kingdom, Dia Bras of Canada, and SearchGold of Canada. Copper ore is another sector for which Guinea has a high RCA index and in which world demand is strong.¹³¹ Moreover, the substantial iron ore and graphite resources located in Guinea have yet to be developed.¹³²

¹²⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹²⁵ U.S. Department of State, Bureau of African Affairs, "Background Notes: Guinea," Jan. 2005, p. 6, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

¹²⁶ EIU, *Guinea Country Profile*, p. 35.

¹²⁷ U.S. Department of State telegram, "2005 Investment Climate Statement – Guinea," message reference No. 00047, prepared by U.S. Embassy, Conakry, Jan. 11, 2005.

¹²⁸ U.S. Department of State telegram, "Two U.S.-Affiliated Alumina Refineries in Guinea - Is there Room for Both?" message reference No. 01644, prepared by U.S. Embassy, Conakry, Dec. 21, 2004.

¹²⁹ U.S. Department of State telegram, "Guinea Markets in Hold Pattern," message reference No. 001461, prepared by U.S. Embassy, Conakry, Nov. 12, 2004.

¹³⁰ EIU, *Guinea Country Profile*, p. 37.

¹³¹ IF, *Guinea: Diagnostic Trade Integration Study*, p. 45.

¹³² U.S. & Foreign Commercial Service (US&FCS), "Guinea Country Commercial Guide, FY 2004," found at www.stat-usa.gov, retrieved Feb. 4, 2005. Although Mt. Nimba in eastern Guinea has the world's largest known unexploited reserves of high-grade iron ore, the Government of Guinea is reluctant to authorize mining there or construction of a rail link from Mt. Nimba to Port Buchanan in Liberia because of concerns about tribal religious sensitivities, environmental impacts, and potential conflicts with Liberia and Côte d'Ivoire over rights to profits from mining operations. U.S. Department of State telegram, "Guinean Government Does Not Support

Guinea's exports of cotton fibers and cashews are emerging.¹³³ Prior to independence, Guinea was an exporter of pineapples and bananas. Domestic policies and low commodity prices have discouraged re-investment in these products.¹³⁴ Rice and sugar are grown for domestic consumption and have potential for export to regional markets. Guinea recently began exporting Malacca beans and cashews to India, Guinea-Bissau, and Côte d'Ivoire. Guinea is expected to encounter increasing international competition from cashew producers in other African countries and India.¹³⁵ Enterprise Works, a U.S. nongovernmental organization, is establishing a cashew-processing industry with assistance in funding from U.S. Agency for International Development. It is anticipated that the project will also train Guinean cashew growers, introduce them to new technologies, and increase cashew yields.¹³⁶ Natural rubber is also an emerging industry in Guinea. Guinea's rubber is recognized internationally for its high quality. Potatoes have recently been introduced to Guinea, and growers have had significant success in the domestic market. During periods of surplus supply, growers have had limited success exporting potatoes to Senegal.¹³⁷ The Government of Guinea has also introduced programs to increase production of coffee and shea butter.¹³⁸

Twenty percent of Guinea's workforce (1.4 million jobs) is engaged in the production of crafts such as sculptures, weaving, traditional textiles, and leather goods. These products have the potential to be sold to regional markets as well as to tourists.¹³⁹ A Chinese company, Linmian Shandong Chine, completed renovation of an abandoned textile factory in September 2004 with the goal of exporting fabrics and apparel to regional markets.¹⁴⁰

Domestic and International Barriers

In assessing the business environment, many of the indices for Guinea are better than for sub-Saharan Africa as a whole (table GU-5). However, Guinea scored worse than the regional average on a dozen indicators, notably access to credit, number of procedures required to enforce contracts, minimum capital required to start a business, and number of weeks required to fire an employee. Recent government actions to comply with West African Economic and Monetary Union¹⁴¹ obligations have led to greater transparency in the government's operations and regional harmonization of regulations.¹⁴² By the Heritage Foundation's measures of economic freedom, Guinea performs better than the regional averages in terms of government intervention in the economy, banking and finance, and wages and prices (table GU-6). The leading obstacles to attracting foreign investment are

Extension of Liberian Railroad from Buchanan to Mount Nimba," message reference No. 00269, prepared by U.S. Embassy, Conakry, Feb. 5, 2005.

¹³³ IF, *Guinea: Diagnostic Trade Integration Study*, p. 28.

¹³⁴ Ibid.

¹³⁵ Ibid., p. 31.

¹³⁶ U.S. Department of State telegram, "Host Country's Trade and Investment Picture," message reference No. 00355, prepared by U.S. Embassy, Conakry, Mar. 14, 2005.

¹³⁷ IF, *Guinea: Diagnostic Trade Integration Study*, p. 32.

¹³⁸ U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹³⁹ IF, *Guinea: Diagnostic Trade Integration Study*, p. 42.

¹⁴⁰ U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹⁴¹ For additional information on regional organizations, see app. C.

¹⁴² IF, *Guinea: Diagnostic Trade Integration Study*, p. vi.

Table GU-5
Guinea: Business environment

	Guinea	Regional average	OECD average
Closing a business: Cost (percent of estate)	8.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	22.2	17.1	72.1
Closing a business: Time (years)	3.8	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	31.7	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	2.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	27.6	43.0	10.8
Enforcing contracts: Number of procedures	44.0	35.0	19.0
Enforcing contracts: Time (days)	306.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	15.7	13.2	4.9
Registering a property: Time (days)	104.0	114.0	34.0
Starting a business: Number of procedures	13.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	208.2	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	475.4	254.1	44.1
Starting a business: Time (days)	49.0	63.0	25.0
Employment: Difficulty of firing index	30.0	50.6	26.8
Employment: Difficulty of hiring index	67.0	53.2	26.2
Employment: Firing costs (weeks)	133.0	59.5	40.4
Employment: Rigidity of employment index	59.0	56.0	34.4
Employment: Rigidity of hours index	8.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Guinea, applied rate, 1998)		
All goods			6.5
Agricultural goods			6.6
Nonagricultural goods			6.4

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table GU-6
Guinea: Economic freedom

	Guinea	Regional average ¹	OECD average
	——— Heritage Foundation indicators ———		
1995 Overall score	3.3	3.6	2.5
2000 Overall score	3.3	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	4.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	1.5	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.— Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

lack of government transparency; insufficient regulation, especially judicial; infrastructure; lack of skilled labor necessary for diversification into more skill-intensive industries; and government laxity in payment for supplies and services.¹⁴³

Protracted regional instability and the associated increases in government expenditures on defense have reduced spending on infrastructure, hampering the competitiveness of Guinean industry and dampening prospects for foreign investment.¹⁴⁴ Insufficient development of transportation and communications infrastructure also discourages foreign investment.¹⁴⁵ For example, only 16.5 percent of the country's roads are paved, just 1.2 percent of the population has a cell phone, and there are fewer than 5 telephone mainlines and Internet users per 1,000 people (table GU-7). The Government of Guinea is seeking a buyer for the national telecommunications company, Sotelgui, which was formerly operated by a Malaysian telecommunications consortium. High licensing fees make Internet services very expensive,¹⁴⁶ limiting use for commercial purchases and adding to the cost of doing business in Guinea.

Table GU-7
Guinea: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	30,500.0
Roads, paved (<i>percent of total roads, 1999</i>)	16.5
Transport services (<i>percent of service exports, BoP, 2002</i>)	9.8
Transport services (<i>percent of service imports, BoP, 2002</i>)	14.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	15.2
Internet users (<i>per 1,000 people, 2002</i>)	4.6
Mobile phones (<i>per 1,000 people, 2002</i>)	11.8
Telephone mainlines (<i>per 1,000 people, 2002</i>)	3.4
Electric power transmission and distribution losses (<i>percent of output</i>)	(?)
Energy imports, net (<i>percent of commercial energy use</i>)	(?)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Guinea's fishing industry has also been hampered by the government's revenue constraints, which have led to inadequate patrolling of coastal waters. Unlicensed fishing boats frequently enter Guinean waters, fill their holds, and depart without paying duties and fees. The Guinean fishing fleet has also been victimized by pirates who steal their catch and sometimes murder the boat owners.¹⁴⁷

Private companies that managed the production, distribution, and collection of fees for water and electricity services left Guinea in June 2001, reportedly out of frustration with inefficiency and lack of national and local government transparency.¹⁴⁸ The national electricity company, Sogel, has failed to keep the dam's turbines in peak working order. A

¹⁴³ U.S. Department of State telegram, "2005 Investment Climate Statement – Guinea."

¹⁴⁴ US&FCS, "Guinea Country Commercial Guide, FY 2004."

¹⁴⁵ U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹⁴⁶ U.S. Department of State telegram, "2005 Investment Climate Statement – Guinea."

¹⁴⁷ U.S. Department of State telegram, "International Coordination and Outreach on Maritime Security - Guinea," message reference No. 00389, prepared by U.S. Embassy, Conakry, Mar. 22, 2005.

¹⁴⁸ U.S. Department of State telegram, "2005 Investment Climate Statement – Guinea."

drought in 2003 and subsequent low water levels in the reservoir contributed to power outages that year. The country has significant hydroelectric potential, but Guinea's poor record of fulfilling its contract obligations in the utilities sector has discouraged investment.¹⁴⁹ Chronic electricity shortages have forced many businesses to purchase power generators and use relatively expensive diesel fuel. High-priced electricity increases the cost of production, reducing the competitiveness of exports.¹⁵⁰ A WTO report estimates that demand for electricity exceeds supply by a factor of six, driving up costs for Guinean companies producing for both the domestic and foreign markets. Small- and medium-scale businesses reportedly have been substantially affected by power outages and increasing electricity prices. Their higher costs have resulted in a loss of competitiveness with imports and with other suppliers in foreign markets.¹⁵¹ Importantly, "Guinea's failure to upgrade its electric and water utilities has discouraged the development of several plants to process alumina – refined bauxite which commands a higher price on the world market."¹⁵² A representative of Guinea Electricity indicated that the country has sufficient generating capacity but lacks funds to purchase sufficient fuel to keep the generators operating, especially during the dry season when the country depends on imported petroleum to supplement the country's hydroelectric plants.¹⁵³

Guinea has two deep-sea ports, Conakry and Kamsar, with the latter used exclusively for the export of bauxite.¹⁵⁴ Most trade goes through Conakry, which suffers from poor management and congestion that impairs Guinea's export competitiveness.¹⁵⁵ The port's overcrowding particularly discourages the expansion of frozen fish exports. Given the costly and inefficient port services, some producers have switched to other products that can absorb the cost of air transport. For example, the country has had recent success in the export of high-value fresh fish by air to Europe.¹⁵⁶ The poor condition of roads in Guinea makes it necessary to export rubber through Liberia or Côte d'Ivoire.¹⁵⁷ The price of locally-produced goods has also been driven up by roadblocks that levy unofficial "taxes" that are estimated to exceed all other domestic transportation costs combined.¹⁵⁸

With respect to the agricultural sector, the deterioration of rural roads inhibits expansion of exports and shipments of perishable products from rural areas to urban markets.¹⁵⁹ To export potatoes to neighboring markets, growers in Guinea reportedly need to invest in packaging,

¹⁴⁹ EIU, *Guinea Country Profile*, p. 21.

¹⁵⁰ US&FCS, "Guinea Country Commercial Guide, FY 2004;" and U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹⁵¹ IF, *Guinea: Diagnostic Trade Integration Study*, p. v.

¹⁵² US&FCS, "Guinea Country Commercial Guide, FY 2004."

¹⁵³ According to M. Mouctar Barry, Director General of Guinea Electricity, most revenues to operate the electrical grid come from foreign embassies, nongovernmental organizations, and mining companies. Ordinary citizens reportedly do not pay their electric bill. Currently, the electric company receives only 35 percent of the revenue it needs to supply the country with electricity 24 hours per day. U.S. Department of State telegram, "Resources and Culture Dim Conakry's Lights," message reference No. 001505, prepared by U.S. Embassy, Conakry, Nov. 20, 2004.

¹⁵⁴ IF, *Guinea: Diagnostic Trade Integration Study*, p. 23.

¹⁵⁵ *Ibid.*

¹⁵⁶ *Ibid.*, p. 37.

¹⁵⁷ *Ibid.*, p. 30.

¹⁵⁸ *Ibid.*, p. 11.

¹⁵⁹ *Ibid.*, p. 25; and U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

storage, and transportation infrastructure.¹⁶⁰ Pineapple producers are faced with high costs for air shipments to Europe or for refrigerated containers if shipping by sea. Pineapple producers are also challenged by the high cost of imported equipment and inputs, high domestic trucking expenses, and difficulty in gaining access to loading facilities at the port of Conakry.¹⁶¹ Mangoes also must be shipped by air or refrigerated containers. High shipping costs relative to shipping costs for comparable mangoes from Mali and Côte d'Ivoire have slowed the growth in exports by Guinea's only company that uses sea transport to Europe. The two companies that ship organically grown mangoes by air have had greater success, because the higher price for organic products is better able to absorb the transport costs.¹⁶² Export potential for the shipment of perishable agricultural products by air is inhibited by the lack of adequate storage facilities at the airport. The lack of direct flights to the United States eliminates the United States as a potential market for perishable agricultural products.¹⁶³

Although EU tariffs on Guinea's 15 leading exports in 2001 were eliminated by the EU's Everything But Arms agreement,¹⁶⁴ some products with export potential for Guinea (rice, sugar, and bananas) are still subject to duties, which are expected to be phased out by 2009.¹⁶⁵ Relatively high tariffs on EU imports of processed cocoa discourages the development of a cocoa processing industry in Guinea. Although Guinea's current export portfolio is not limited by phytosanitary rules in the EU and United States, the growth of future exports may be jeopardized because potential investors may avoid crops that may face the associated high costs of compliance.

Other obstacles to trade include an inefficient and arbitrary legal and regulatory framework.¹⁶⁶ Although producers are eligible for a value-added tax refund on exports, the tax reportedly is seldom reimbursed.¹⁶⁷ For example, there has been a recent surge in cotton production, reflecting increased activity by one company, CGC, which has a legal monopoly to gather seed cotton and distribute seeds. Delays by the government in repaying the value-added tax credits to CGC for its exports of cotton fiber have threatened the company's ability to live up to its commitments to the cotton growers, and have discouraged farmers from continuing to participate in cotton production, despite strong foreign demand for their high-quality product.¹⁶⁸

Regional conflict has severely hampered the development of regional trade.¹⁶⁹ For example, lack of security for the transport of rubber from harvesting areas in far eastern Guinea to ports in Liberia or processing plants in Côte d'Ivoire has inhibited the development of the emerging rubber industry in Guinea.¹⁷⁰

¹⁶⁰ IF, *Guinea: Diagnostic Trade Integration Study*, p. 32.

¹⁶¹ *Ibid.*, p. 31.

¹⁶² *Ibid.*

¹⁶³ U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹⁶⁴ For additional information, see app. C.

¹⁶⁵ IF, *Guinea: Diagnostic Trade Integration Study*, p. 15.

¹⁶⁶ *Ibid.*, p. v; and U.S. Department of State telegram, "Host Country's Trade and Investment Picture."

¹⁶⁷ IF, *Guinea: Diagnostic Trade Integration Study*, p. 12.

¹⁶⁸ *Ibid.*, p. 30.

¹⁶⁹ *Ibid.*, p. v.

¹⁷⁰ *Ibid.*, p. 30.

Economic Overview

Zambia is a land-locked country in southern Africa bordered by Angola, Botswana, Democratic Republic of the Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. It has extensive natural resources, including minerals (e.g., copper, other metals, and gemstones) and arable land. Zambia's economic base is currently structured around agriculture, manufacturing, mining, and tourism. Zambia's GDP reached \$4.3 billion in 2003, growing by between 2.2 percent and 5.1 percent each year during 1999-2003 (table ZM-1). This growth was driven by ongoing government reforms, continued privatization (particularly in the copper industry), higher export earnings from an increasingly diverse mix of nontraditional exports,¹⁷² and higher levels of investment.

The services sector accounted for 56.9 percent of GDP in 2003; agriculture, forestry, and fishing, 15.3 percent; manufacturing, 10.9 percent; and mining and quarrying, 7.8 percent (figure ZM-1). Representing 36 percent of the services sector, wholesale and retail trade was the largest component.¹⁷³ As a result of increasing tourism, hotel- and restaurant-related services was the fastest-growing component in 2003. The recent opening of two luxury hotels in Zambia is expected to support further expansion of the sector.¹⁷⁴

In the agricultural sector, subsistence crops include maize (corn), millet, sorghum, cassava, and groundnuts (peanuts); cash crops include cotton, tobacco, sugar, vegetables, flowers, and paprika.¹⁷⁵ Tobacco output increased substantially during 1998-2003, from 3,706 metric tons to 589,309 metric tons.

Coffee production increased more than fivefold during 1995-2004 to 6,500 metric tons.¹⁷⁶ In 2003, 500 of the 570 coffee producers in Zambia were small-scale growers.¹⁷⁷ Zambia is

¹⁷¹ Prepared by Elizabeth Nesbitt, Office of Industries.

¹⁷² Zambia's economy was traditionally based on copper mining and related exports. During the past decade, however, in an effort to offset copper's dominance of export earnings and fluctuations in the world price of copper, the Zambian government has emphasized the development of a diverse mix of nontraditional exports such as agricultural and horticultural products (including tobacco and roses), gemstones, timber, cement, electricity, chemicals, pharmaceuticals, processed food (including sugar), and textiles. "Overview of Zambian Economy," The Embassy of the Republic of Zambia, found at www.zambiaembassy.org/business.html, retrieved Feb. 6, 2005; and "Non-Traditional Exports Earned the Country US\$292.8 million between January and August 2004," Business CustomWire, Nov. 15, 2005, found at <http://web32.epnet.com/>, retrieved Feb. 3, 2005.

¹⁷³ Economist Intelligence Unit (EIU), *Zambia Country Profile*, 2004, p. 31.

¹⁷⁴ *Ibid.*, p. 51.

¹⁷⁵ *Ibid.*, p. 43.

¹⁷⁶ "Coffee Production Increases by Over 500 percent," Southern Africa Documentation and Cooperation Centre, Mar. 9, 2005, found at www.sadocc.at/news/2005/2005-062.shtml, retrieved Apr. 25, 2005.

¹⁷⁷ "Coffee on the Boil," News From Zambia, The Zambia Society Trust, July 17-Aug. 23, 2004, found at www.zambiasocietytrust.org.uk/newsfromzambia/newsfromzambia778.htm, retrieved Apr. 23, 2005.

Table ZM-1
Zambia: Basic economic indicators

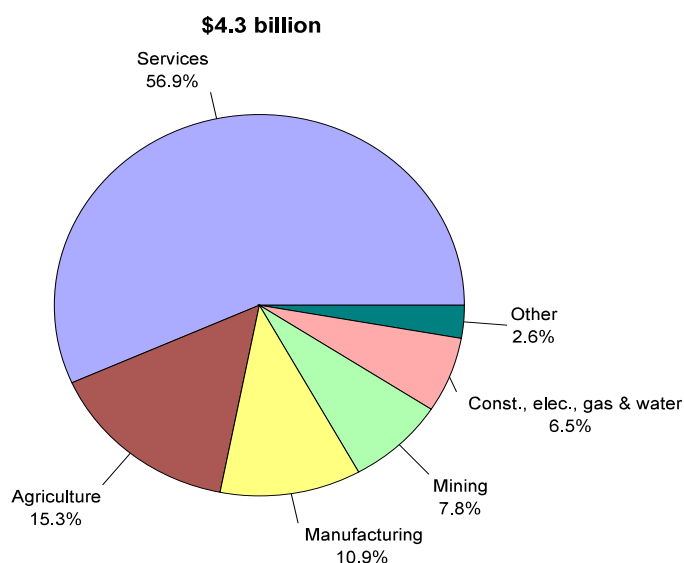
	MRZ¹
GDP (current US\$, millions, 2003)	4,298.9
GDP growth (annual percent, based on local currency, 2003)	5.1
GDP per capita growth (annual percent, based on local currency, 2003)	3.5
Inflation, consumer prices (annual percent, 2002)	22.2
External debt, total (current US\$, millions, 2002)	5,969.0
Total debt service (percent of exports of goods and services, 2002)	27.1
Exports of goods and services (percent of GDP, 2003)	11.1
Trade (percent of GDP, 2003)	72.4
Official exchange rate (local currency unit per US\$, period average, 2003)	4,733.3
Population, total (millions, 2003)	10.4
Population growth (annual percent, 2003)	1.5
Labor force, total (millions, 2003)	4.5
Labor force participation rate, total (percent, 2002)	42.2
Literacy rate, adult total (percent of people ages 15 and above, 2002)	79.9
Primary school enrollment ratio, total (percent, 2000)	78.0
Secondary school enrollment ratio, total (percent, 2000)	24.0
Land use, arable land (percent of total, 2001)	7.1
Gross capital formation (percent of GDP, 2003)	16.0
Gross fixed capital formation (percent of GDP, 2003)	14.7
Foreign direct investment, net inflows (percent of GDP, 2002)	5.3

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure ZM-1
Zambia: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

also one of the more efficient sugar producers in the region.¹⁷⁸ The substantial rise in agricultural sector productivity results from the emigration of many Zimbabwean farmers to Zambia in recent years; effective government policies, including financial assistance programs; good weather conditions; better access to agricultural inputs; increased private investment; new agricultural technologies; and reinstatement of agricultural subsidies in 2001.¹⁷⁹

Zambia has reserves of copper, cobalt, gemstones, aluminum, barium, calcium, chromium, gold, iron ore, lead, manganese, nickel, tantalum, tin, uranium, and zinc. Annual growth rates in the mining and quarrying sector in 2001 and 2002 reached 14 and 16 percent, respectively, before slowing to 3 percent in 2003, reportedly because of lower production levels of copper, cobalt, and coal. In 2004, the sector grew by 13 percent, reportedly as a result of higher output of copper and coal combined with higher world prices for copper. Copper production increased by nearly 40 percent during 1999-2003, largely as a result of the privatization of the parastatal ZCCM, technological advancements, and increased sector investment.¹⁸⁰

Major products produced by the Zambian manufacturing sector include processed food, beverages, tobacco, fabricated metal products, and textiles (primarily yarn and unfinished fabrics). Growth in the sector in 2003 was driven by growth in numerous subsectors, including basic metals, nonmetallic products, wood and wood products, and food, beverages, and tobacco. Zambia also has several hydroelectric facilities, producing sufficient hydroelectric power to supply its domestic needs and to export electricity to several regional markets.¹⁸¹

¹⁷⁸ “Central Bank of Kenya Publishes on the Sugar Sector,” Business CustomWire, Dec. 29, 2004, found at <http://web32.epnet.com/>, retrieved Feb. 3, 2005; and Illovo Sugar, “About Us,” found at www.illovo.co.za/about/groupprofile.htm, retrieved Apr. 19, 2005.

¹⁷⁹ Blackwell Publishing, “Zambia: Famine to Feast?” *Africa Research Bulletin*, Sept. 16-Oct. 15, 2004, p. 2; U.S. Agency for International Development (USAID), *USAID/Zambia Annual Report FY 2004*, June 1, 2004, p. 7; “Nigeria Welcomes White Farmers,” Finance CustomWire, Feb. 23, 2005, found at <http://web26.epnet.com>, retrieved Feb. 28, 2005; International Monetary Fund (IMF), *Zambia: Selected Issues and Statistical Appendix*, July 2004, p. 7; “Budget Address by the Hon. Ng’Andu P. Magande, MP, Minister of Finance and National Planning, Delivered to the National Assembly on Friday, 28th January, 2005,” p. 10; “The Monthly,” the Zambian Central Statistical Office, Apr. 2004, p. 2, found at www.zamstats.gov.zm/monthly/apr04.pdf, retrieved Mar. 26, 2005; EIU, *Zambia: Country Profile*, p. 41; and Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

¹⁸⁰ EIU, *Zambia Country Profile*, p. 22; “Zambia: Investment Opportunities in the Mining Industry: Metals, Gemstones, Industrial Minerals, and Energy Resources,” found at www.zambia-mining.com/economicright.html, retrieved Mar. 29, 2005; Bank of Zambia, *Bank of Zambia Statistics Fortnightly*, Fortnight Ending Feb. 11, 2005 (2004 data), found at www.boz.zm/Economics/Fortnightly/2005/number%201203/fortnight_ending_11_February_2005.htm, retrieved Mar. 1, 2005; IMF, *Zambia: Selected Issues and Statistical Appendix*, pp. 24 and 28 (1999-2003; cites Bank of Zambia’s statistics); “Budget Address by the Hon. Ng’Andu P. Magande, MP,” p. 3; “Investment Policy in Zambia: Performance and Perceptions,” CUTS Centre for Competition, Investment & Economic Regulation Discussion Paper, 2003, found at www.cuts-international.org/CR_zamAB.pdf, retrieved Apr. 23, 2005; “The Monthly,” the Zambian Central Statistical Office, Apr. 2004, p. 2, found at www.zamstats.gov.zm/monthly/apr04.pdf, retrieved Mar. 26, 2005; and “The Monthly,” the Zambian Central Statistical Office, Feb. 2005, p. 3, found at www.zamstats.gov.zm/monthly/feb05.pdf, retrieved Mar. 26, 2005.

¹⁸¹ “Zesco Reaps K30 billion from Power Export,” *Zambia Daily Mail*, found at www.zamnet.zm, retrieved Feb. 16, 2005.

Export Profile

Zambia's exports totaled \$700.0 million in 2003 (table ZM-2). Exports of copper and related products—refined copper, copper alloys, copper mill products, and copper wire—accounted for just over one-half of the total, or \$367.2 million. Most of the remaining exports were cobalt mattes and intermediate products, cotton and cotton yarn, tobacco, cane or beet sugar, cut flowers, natural/cultured pearls and precious gemstones, edible vegetables and certain roots, copper ores and concentrates, and coffee. Whereas the 9-year compound annual growth rates (CAGR) for traditional metal exports such as copper declined significantly, the CAGRs for many of the individual nontraditional exports increased by almost 15 percent or more (table ZM-3).

The value of copper exports grew significantly during 2004 as a result of increased domestic production and high international copper prices.¹⁸² Together, the value of nontraditional exports in 2003, including electricity, surpassed that of copper exports, reaching \$415 million versus \$368 million in 2002, an increase of 13 percent.¹⁸³ The rising value of nontraditional exports was attributed to an increase in Zambia's EU sugar quota, enhanced market access under the Common Market for Eastern and Southern Africa (COMESA),¹⁸⁴ the discovery of new deposits of gemstones, and increased tobacco planting.¹⁸⁵ Nontraditional exports accounted for almost 40 percent of total exports in 2003.¹⁸⁶ The share of nontraditional exports accounted for by agricultural products increased to almost 30 percent in 2002 from almost 20 percent in 1995.

Data from the IMF and World Bank differ on which countries are Zambia's most important export markets. World Bank data (table ZM-4) report that Zambia's major export markets in 2003 were Saudi Arabia (19.3 percent of total Zambian exports), South Africa (10.8 percent), Japan (9.8 percent), Thailand (7.5 percent), China (6.8 percent), and Korea (6.6 percent). Copper products accounted for almost all of the Saudi imports. As cited by the IMF, however, the country's major export markets were the United Kingdom (27 percent), South Africa (22 percent), Tanzania (14 percent), Switzerland (8 percent), and Democratic Republic of Congo (4 percent).¹⁸⁷ Whereas the largest markets for Zambia's nontraditional exports during the past few years were South Africa, Democratic Republic of the Congo, and the United Kingdom,¹⁸⁸ the value of Zambian nontraditional exports to markets such

¹⁸² "Zambian Economy Grows by 4.6 Percent in 2004," Xinhua, Jan. 14, 2005, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005; "Rising Metal Prices Good for Zambia," *The Times of Zambia*, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005; and U.S. & Foreign Commercial Service (US&FCS), "Zambia Country Commercial Guide, Fiscal Year 2004," found at <http://zambia.usembassy.gov/zambia/eguide.html>, retrieved Feb. 9, 2005.

¹⁸³ The Export Board of Zambia, *2003 Exporter Audit Report*, Executive Summary, p. 1. However, according to U.S. Department of State telegram, "Zambia Information for USITC Study on Export Opportunities and Barriers," attachment entitled "Overview of Zambia's Foreign Trade Performance," prepared by the Export Board of Zambia, the value of total nontraditional exports was \$432.2 million, an increase of 17 percent from 2002.

¹⁸⁴ For additional information on regional organizations, see app. C.

¹⁸⁵ EIU, *Zambia Country Profile*, p. 53.

¹⁸⁶ U.S. Department of State telegram, "Zambia Information for USITC Study," attachments entitled "Investment Trends in the Export-Oriented, Traditional and Non-Traditional, Export Sector for the Past 5 Years," p. 8, and "Overview of Zambia's Foreign Trade Performance," p. 1.

¹⁸⁷ IMF, *Direction of Trade Statistics Quarterly*, Mar. 2005, pp. 389-390.

¹⁸⁸ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Investment Trends," p. 4.

Table ZM-2

Zambia: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
74	Copper and articles thereof	704,633.4	281,597.4	367,192.8	52.5	-7.0
81	Other base metals nesoi; cermets; articles thereof	171,809.9	106,360.2	68,193.4	9.7	-9.8
52	Cotton, including yarns and woven fabrics thereof	22,308.9	54,127.5	60,343.0	8.6	11.7
24	Tobacco and manufactured tobacco substitutes	7,749.8	14,987.6	37,501.9	5.4	19.1
17	Sugars and sugar confectionery.	6,124.4	5,279.8	26,459.3	3.8	17.7
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	4,186.0	18,395.7	19,538.1	2.8	18.7
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	20,321.4	13,226.4	17,797.3	2.5	-1.5
07	Edible vegetables and certain roots and tubers	2,154.3	9,379.6	15,576.9	2.2	24.6
26	Ores, slag and ash.	285.4	59,199.2	9,054.1	1.3	46.8
09	Coffee, tea, mate and spices.	3,652.9	9,225.4	8,928.9	1.3	10.4
	Other	38,089.8	89,002.7	69,419.9	9.9	6.9
Total		981,316.2	660,781.4	700,005.7	100.0	-3.7

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for South Africa and Saudi Arabia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ZM-3

Zambia: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
7403	Refined copper and copper alloys (other than master alloys of heading 7405), unwrought	647,717.9	235,786.1	257,988.5	36.9	-9.7
7409	Copper plates, sheets and strip, over 0.15 mm (0.006 in.) thick	24,906.0	19,066.8	75,719.2	10.8	13.2
8105	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap	171,628.5	106,360.2	68,193.4	9.7	-9.8
2401	Tobacco, unmanufactured (whether or not threshed or similarly processed); tobacco refuse	7,749.8	14,987.6	37,347.5	5.3	19.1
5201	Cotton, not carded or combed	4,781.7	23,147.8	34,922.2	5.0	24.7
1701	Cane or beet sugar and chemically pure sucrose, in solid form	5,885.8	5,246.1	25,725.9	3.7	17.8
5205	Cotton yarn (other than sewing thread), containing 85% (by wt.) or more cotton, not put up for retail sale	15,245.4	29,332.3	23,162.1	3.3	4.8
0603	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	4,088.9	18,353.5	19,526.2	2.8	19.0
7408	Copper wire	14,773.8	13,942.4	19,195.0	2.7	3.0
7103	Precious and semiprecious stones (no diamonds), not strung, mounted etc.; ungraded precious and semiprecious stones (no diamonds) strung for transport	16,618.8	12,166.6	17,693.6	2.5	0.7
	Other	67,919.7	182,392.0	120,532.0	17.2	6.6
Total		981,316.2	660,781.4	700,005.7	100.0	-3.7

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for South Africa and Saudi Arabia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ZM-4

Zambia: Leading exports markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Saudi Arabia	116,804.8	41,791.6	134,855.6	19.3	1.6
South Africa	28,882.0	35,528.8	75,512.7	10.8	11.3
Japan	174,944.0	93,946.6	68,423.5	9.8	-9.9
Thailand	158,740.3	55,483.0	52,766.1	7.5	-11.5
China	2,110.6	17,623.2	47,881.5	6.8	41.5
Korea, Rep.	11,814.8	2,311.1	46,130.7	6.6	16.3
Egypt, Arab Rep.	40.1	227.9	34,796.0	5.0	112.1
Belgium	(¹)	40,725.1	34,676.2	5.0	(²)
United Kingdom	19,982.7	24,569.8	26,137.1	3.7	3.0
Netherlands	9,170.7	21,602.5	21,518.7	3.1	9.9
Other	458,826.2	326,971.9	157,307.5	22.5	-11.2
Total	981,316.2	660,781.4	700,005.7	100.0	-3.7

¹ Not available.² Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for South Africa and Saudi Arabia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

as China is increasing. On a product basis, flower exports were exclusively marketed in the Netherlands, the United Kingdom, and South Africa, and vegetable exports were primarily shipped to the United Kingdom and South Africa.¹⁸⁹

Zambia has increasingly focused on regional exports during recent years, particularly COMESA and Southern African Development Community (SADC) countries.¹⁹⁰ During 2001-03, the value of Zambia's exports to COMESA and SADC countries combined was higher than the value of its exports to the EU or Asia. In 2003, Zambia's exports to its major COMESA markets—Angola, Malawi, Namibia, Uganda, and Zimbabwe—increased largely because of increased exports of energy products, sugar and related products, milled products, cotton, and tobacco and related products. Exports to its major SADC markets—South Africa and Zimbabwe—also increased in 2003, largely as a result of increased shipments of copper and copper products, other metals, wood and wood products, and cotton.¹⁹¹

Sectors with the Greatest Export Growth Potential

Potential export sectors/products identified by the Zambian government as having growth potential include floriculture, horticulture, cotton, cotton yarn, tobacco, honey, leather

¹⁸⁹ Industry association official, interview by USITC staff, Mar. 14, 2005.

¹⁹⁰ For additional information on regional organizations, see app. C.

¹⁹¹ "Trade Within the Region—Zambia," Business CustomWire, Oct. 11, 2004, found at <http://web32epnet.com>, retrieved Feb. 3, 2004; U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Investment Trends," p. 4; and "The Monthly," the Zambian Central Statistical Office, Jan. 2004, p. 5, found at www.zamstats.gov.zm/monthly/jan04.pdf, retrieved Mar. 26, 2005.

products, gemstones, and high-value crops such as paprika.¹⁹² In addition, downstream products of existing nontraditional exports offer export growth potential.¹⁹³ Revealed comparative advantage¹⁹⁴ (RCA) analysis shows that Zambia has a high RCA index in each of its top 10 export product groupings (appendix E, table E-37). Of these, copper wire; cotton yarn; copper plates, sheet, and strip; and cobalt mattes registered the highest average annual growth rates in world markets.

Cereal flours are a downstream product that offers potential. Zambia not only has a large RCA index in cereal flours, but average annual growth in the world market for such products during 2000-03 was almost 11 percent. Zambia also has high RCA indices in both cotton and cotton yarn, and Zambia currently exports ginned cotton and cotton yarn to South Africa, Mauritius, and Madagascar, which are major exporters of textiles and apparel to the United States under AGOA.¹⁹⁵ The South African and Chinese markets have potential to purchase more Zambian cotton given AGOA-driven demand for South African apparel and China's growing consumption of cotton.¹⁹⁶ The Chinese market for cotton has been expanding in line with China's increased exports of textiles and apparel to major world markets such as the United States and Europe following the end of quotas in 2005.¹⁹⁷

Certain agricultural and animal products have been identified as having export growth potential. In the floricultural sector, although export earnings decreased during 2002-03, investments made in 2003 are expected to increase export earnings.¹⁹⁸ For example, exports of cut roses and beans to the United States under AGOA are expected to increase once phytosanitary standards are met.¹⁹⁹ Increased maize exports to the region have also been identified as an export growth opportunity.²⁰⁰

¹⁹² Industry association officials, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005; and U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 7.

¹⁹³ *Ibid.*, p. 1.

¹⁹⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁹⁵ Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

¹⁹⁶ Government official, interview by USITC staff, Lusaka, Zambia, Mar. 18, 2005.

¹⁹⁷ Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005; "While Probably Surging in Volume Terms, China's Textile and Apparel Exports up 14% in January," *EmergingTextiles.com*, Feb. 17, 2005, found at www.emergingtextiles.com/?q=art&s=050217-mark&r=free, retrieved Apr. 19, 2005; and "Textile Trade Faces Restrictions," *China Apparel*, Apr. 7, 2005, found at www.efu.com.cn/eng/onlinesales/promotion/allround/2005-4-7/8143.htm, retrieved Apr. 19, 2005. For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹⁹⁸ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 8.

¹⁹⁹ Michael L. Humphrey and Didier de Senneville, Cargill Technical Services for USAID, "Constraints and Opportunities for Improved Trade and Investment between African and U.S. Companies in Selected Countries (Ghana, Lesotho, Senegal, South Africa, Uganda, Zambia)," African Trade and Investment Policy Project, Sept. 2002, p. 16; and Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

²⁰⁰ Blackwell Publishing, "Zambia: Famine to Feast?" p. 2.

Leather and leather products are potential exports for Zambia, particularly downstream products.²⁰¹ The Zambian government has banned the export of raw hides in an effort to increase domestic processing of the hides into downstream leather products. The government also identified export potential for honey, a traditional product of Zambia. Export-oriented production of honey is projected to increase almost sevenfold to about 2,000 metric tons annually. The EU is considered an expanding market for Zambian honey exports, given increasing EU demand for natural sweeteners and the fact that Zambian honey already meets EU standards. Other markets for expanded honey exports include Australia, Canada, the Far East, and the Middle East.²⁰² Coffee, particularly specialty coffee, also has export potential. The government recently enacted legislation restricting the types of coffee that can be grown in Zambia to encourage the development of specialty coffees intended for export.²⁰³

Based on the impact of increased copper prices in 2004, continued high international metal prices through 2008 would be expected to support the growing upward trend in copper exports. Increased copper and cobalt production expected during the next few years as the result of technological advances and the start up of two new mines will likely result in increased exports.²⁰⁴ Additional sector development may also be possible for minerals such as niobium, tantalum, vanadium, and zirconium. For example, Pinnacle Resources, Inc. identified Zambia as a possible source of tantalite ore feedstock for its tantalum pentoxide production in South Africa.²⁰⁵ Export growth in tantalite and niobium ores is anticipated as a result of rising international prices for these products.²⁰⁶

Zambia's exports of electricity were estimated at approximately \$6 million during August 2003-August 2004.²⁰⁷ Once the country's electricity grid is connected to electricity grids in Tanzania and Kenya in 2006, Zambia is expected to begin exporting electricity to those countries with plans to increase the level exported when the transmission project is completed in 2012.²⁰⁸ Additional hydroelectricity exports are expected with the completion

²⁰¹ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 10.

²⁰² U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 14; and industry official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

²⁰³ Industry official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; and industry association officials, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005.

²⁰⁴ Industry association officials and government officials, interviews by USITC staff, Lusaka, Zambia, Mar. 14, 2005; "Rising Metal Prices Good for Zambia," *The Times of Zambia*, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005; and IMF, *Zambia: Selected Issues and Statistical Appendix*, p. 7.

²⁰⁵ Pinnacle Resources, Inc., "Tantalum Project," found at www.pnrr.net/tant_proj.html, retrieved Mar. 25, 2005.

²⁰⁶ Mr. Philip Mobbs, Country Specialist, U.S. Geological Survey, telephone interview by USITC staff, Mar. 25, 2005.

²⁰⁷ "Zesco Reaps K30 billion from Power Export."

²⁰⁸ Funding for the \$300-million initiative will be provided by several organizations including a strategic alliance formed by two Zambian companies (private-sector Copperbelt Energy Company and the Zambian national power company Zesco), the World Bank, the Tanzanian government, and the Kenyan government. Copperbelt Energy Company, considered an example of a "major investment in Zambia," is an electricity distribution company owned by Cinergy of Ohio, National Grid of the UK, and the Government of Zambia. U.S. Department of State telegram, "2005 Investment Climate Statement-Zambia," message reference No. 250356, prepared by U.S. Embassy, Lusaka, Jan. 11, 2005.

of a transmission line in 2005 connecting the Zambian and Namibian electricity grids²⁰⁹ and pending the successful conclusion of ongoing discussions regarding potential exports of power to Rwanda.²¹⁰ Increased exports are also possible once new power generating capacity is brought onstream as a result of China's \$600-million power generation project with Zambia at the Kafue Gorge,²¹¹ and the recent memorandum of understanding between Zambia and Farab International of Iran to build a new hydropower facility on the Kafue River.²¹²

The government also identified numerous countries as possible or expanded export markets,²¹³ including the United States, for agricultural products, handicrafts, semiprecious stones, and timber/logs. Consistent with this expectation, pest-risk assessments have been conducted on agricultural products intended for export to the United States to meet sanitary and phytosanitary (SPS) regulations. Australia and New Zealand were also identified as markets for Zambian exports, particularly vegetables.²¹⁴ The EU and Russia are also potential markets for increased exports given the EU's Export Development Program,²¹⁵ which offers technical and financial assistance to promising export sectors,²¹⁶ and Russia's recent implementation of a "preferential trade regime" for imports from developing countries.²¹⁷ Asia, a relatively new market for Zambian exports, also holds potential.²¹⁸ Japan

²⁰⁹ EIU, *Zambia Country Profile*, p. 71; and "Zambia, Namibia Power Project to Start Soon," *The Times of Zambia*, Sept. 9, 2004, found at www.queensu.ca/msp/pages/In_The_News/2004/September/Zam-Zim.htm, retrieved May 3, 2005.

²¹⁰ Regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

²¹¹ "Zesco Reaps K30 billion from Power Export;" and "Zesco Signs \$600m Deal with Chinese Firm," *The Times of Zambia*, Dec. 16, 2003-Dec. 26, 2003, found at www.zamnet.zm/newsys/news/viewnews.cgi?category=3&id=1070868663, retrieved Feb. 16, 2005.

²¹² "Power Point," World Report International Ltd., found at www.worldreport-ind.com/zambia/energy.htm, retrieved Mar. 27, 2005; and "Zambia, Iran Sign Accord on Power Plant," *China View*, Sept. 14, 2004, found at http://news.xinhuanet.com/english/2004-09/14/content_1980996.htm, retrieved Mar. 17, 2005.

²¹³ Regional markets assessed by the Zambian government in regard to potential exports include Democratic Republic of Congo, Angola, Malawi, Uganda, and Kenya. Zambian officials, interested in expanding their gemstones markets, also recently attended trade fairs in the United States, India, China, and Hong Kong. Zambia currently markets gemstones in India, Mauritius, and South Africa. Government official, interview by USITC staff, Lusaka, Zambia, Mar. 18, 2005; and regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

²¹⁴ Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005; regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; USAID, *USAID/Zambia Annual Report FY 2004*, June 1, 2004, p. 7; and U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 8.

²¹⁵ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Investment Trends," p. 10; Nathan Associates, Inc., supported by USAID, "Zambia Export Opportunities and Barriers African Growth and Opportunity Act," Zambia Trade and Investment Enhancement Project, Feb. 2005, p. 8; and "Euro 4.7 million Set Aside for Export Push," *The Times of Zambia*, undated, found at www.zamnet.zm, retrieved Feb. 16, 2005. The EDP provides assistance to the coffee, tobacco, textiles, horticultural, floricultural, leather, wood, and organic products sectors.

²¹⁶ Government official, interview by USITC staff, Mar. 18, 2005.

²¹⁷ "Russian Federation Sets Up Duty Free Mechanism for Imports From Africa," Finance CustomWire, Dec. 1, 2004, found at <http://web32.epnet.com/>, retrieved Feb. 3, 2005. The article states that Russia's embassy press attache, Igor Limanskiy, "reiterated" that Russia is interested in enhancing its business relations with Zambia. According to a representative of the Embassy of Zambia in Washington, DC, the idea of a Russian debt-for-equity swap has been considered for many years and has been encouraged under both the Paris Club and economic reforms of the World Bank and the IMF. It was stated, however, that such investment swaps have not proliferated

is an expanding market for numerous exports, including agricultural products (assuming phytosanitary standards are met), largely as a result of its reduction and elimination of duties in 2003 on numerous products imported from Zambia.²¹⁹ Zambia's exports to China are likely to increase because of diversified Chinese investment in Zambia, China's recent elimination of duty rates on imports of nontraditional products from Zambia, and China's development of stronger ties with African countries to expand its resource base.²²⁰ For example, China Non-Ferrous Metals Industries Foreign Engineering and Construction Group bought Zambia's Chambishi copper mine in 1998 and is adding additional processing capability at the facility.²²¹ The company shipped its first exports of copper concentrate to a company in South Africa in March 2003.²²² Moreover, China is said to be increasing its consumption and imports of copper and cobalt and will likely be an expanding market for Zambia's exports of these products.

Domestic and International Barriers

Domestic export impediments include a high inflation rate, high production and transport costs, the high cost of capital, insufficient technical knowledge, high energy costs, and low production capacity.²²³ Additional technical training and assistance, as well as increased private-sector participation, were also cited as necessary in order to expand Zambia's export sector.²²⁴ Overall, Zambia's business environment indicators are better than regional averages (table ZM-5). However, the average tariff rate of 14 percent on all goods, while lower than some other sub-Saharan African countries, increases the cost of production and decreases the competitiveness of potential exports. Zambia's economic freedom score is on par with the regional average (table ZM-6).

among other countries owed money by Zambia. Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005

²¹⁸ Regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

²¹⁹ "Export Board Challenges Industries," *The Times of Zambia*, June 19, 2003-June 27, 2003, found at www.times.co.zm/news/viewnews.cgi?category=12&id=1056048664, retrieved Mar. 27, 2005.

²²⁰ Karby Leggett, "China Flexes Economic Muscle Throughout Burgeoning Africa," *The Wall Street Journal*, Mar. 29, 2005, p. 1.

²²¹ Ibid.; and "Zambia's Chambishi Copper Output Seen Rising," *Creamer Media's Engineering News Online*, Mar. 11, 2005, found at www.engineeringnews.co.za/eng/utilities/search/?show=64224, retrieved Mar. 30, 2005.

²²² "Chinese Copper Company in Zambia Starts Operation," *People's Daily Online*, Mar. 13, 2003, found at http://english.people.com.cn/200303/13/eng20030313_113217.shtml, retrieved Mar. 30, 2005.

²²³ Sources of the cited constraints include U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 15; Nathan Associates, "Zambia Export Opportunities," p. 14; international financial assistance organization officials, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005; industry official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; industry association official, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005; industry association officials, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005; regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; and "SMEs Hailed for GDP Attainment," *Business CustomWire*, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005.

²²⁴ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 18.

Table ZM-5
Zambia: Business environment

	Zambia	Regional average	OECD average
Closing a business: Cost (percent of estate)	8.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	19.4	17.1	72.1
Closing a business: Time (years)	2.7	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	19.2	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	6.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	28.7	43.0	10.8
Enforcing contracts: Number of procedures	16.0	35.0	19.0
Enforcing contracts: Time (days)	274.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	9.2	13.2	4.9
Registering a property: Time (days)	70.0	114.0	34.0
Starting a business: Number of procedures	6.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	22.8	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	2.7	254.1	44.1
Starting a business: Time (days)	35.0	63.0	25.0
Employment: Difficulty of firing index	40.0	50.6	26.8
Employment: Difficulty of hiring index	0.0	53.2	26.2
Employment: Firing costs (weeks)	47.0	59.5	40.4
Employment: Rigidity of employment index	27.0	56.0	34.4
Employment: Rigidity of hours index	40.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Zambia, applied rate, 2003)		
All goods			14.0
Agricultural goods			18.8
Nonagricultural goods			13.2

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table ZM-6
Zambia: Economic freedom

	Zambia	Regional average ¹	OECD average
— Heritage Foundation indicators —			
1995 Overall score	3.2	3.6	2.5
2000 Overall score	2.9	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	5.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Zambia's competitiveness in international markets is reduced by transport costs, which often equal as much as 60-70 percent of production costs.²²⁵ Higher domestic and international transport costs are attributed not only to the country being land locked but also to "inefficiencies and structural weaknesses in the transport network."²²⁶ The main modes of transport in Zambia are road, railroad, and air transport,²²⁷ with most products transported via road.²²⁸ Just under one-quarter of roads were paved in 2001 (table ZM-7); an expanded and improved network of highways would allow better and less expensive market access for farmers in times of large harvests,²²⁹ and could also link newer areas of development.²³⁰

Table ZM-7
Zambia: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 2001</i>)	91,440.0
Roads, paved (<i>percent of total roads, 2001</i>)	22.0
Transport services (<i>percent of service exports, BoP, 2000</i>)	37.2
Transport services (<i>percent of service imports, BoP, 2000</i>)	65.3
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	21.2
Internet users (<i>per 1,000 people, 2002</i>)	4.9
Mobile phones (<i>per 1,000 people, 2002</i>)	13.0
Telephone mainlines (<i>per 1,000 people, 2002</i>)	8.2
Electric power transmission and distribution losses (<i>percent of output, 2001</i>)	2.9
Energy imports, net (<i>percent of commercial energy use, 2001</i>)	5.8

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Zambia exports through ports in South Africa, Tanzania, Mozambique, and Angola.²³¹ The need to utilize other countries' ports can result in higher transport costs. Moreover, regional conflicts in several neighboring countries have had a negative effect on Zambia's trade flows.²³² Zambia recently joined with Malawi, Mozambique, and Tanzania to launch the Mtwara Development Corridor, a \$2.6-billion project to generate production and trade levels valued at approximately \$2.4 billion annually, and to develop the transportation structure in the four countries.²³³ Zambia also recently announced plans to upgrade the infrastructure in

²²⁵ Regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; and "Investment Policy in Zambia: Performance and Perceptions."

²²⁶ EIU, *Zambia Country Profile*, p. 23.

²²⁷ "The Monthly," the Zambian Central Statistical Office, Mar. 2004, found at www.zamstats.gov.zm/monthly/mar04.pdf, retrieved Mar. 26, 2005.

²²⁸ Zambia-European Community, *Country Strategy Paper and Indicative Programme for the Period 2001-2007*, 2001, annex, p. 20.

²²⁹ Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005; Charles Krakoff, The Services Group (TSG) for USAID, "Key Potential Export Markets and the Market Access Barriers Facing Southern African Exporters," Nov. 2003, p. 69; and Nathan Associates, "Zambia Export Opportunities," p. 15.

²³⁰ Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005.

²³¹ *Ibid.*; and EIU, *Zambia Country Profile*, p. 23.

²³² IMF, *Zambia: Selected Issues and Statistical Appendix*, p. 20. In addition to shipping constraints through countries undergoing regional conflicts, the report also cites several related economic factors accruing from such conflicts that affected Zambia.

²³³ S. African Countries to Launch Ambitious Development Corridor," Xinhua, Dec. 14, 2005, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005.

the Lobito Corridor (Angola), an important channel for Zambia's exports.²³⁴ High production costs related to infrastructure also include costs for telecommunications and utilities.²³⁵ In 2002, for every 1,000 people, there were only 8.2 telephone mainlines, 13 mobile phones, and 4.9 Internet users.

Constraints to agricultural export growth include the country's limited irrigation infrastructure, deteriorating storage facilities,²³⁶ and lack of technical capacity to comply with SPS and pest-risk assessment regulations in the United States.²³⁷ Constraints affecting the floricultural market include issues related to air freight, including inadequate service and high costs; high cost of capital; and the introduction of tighter phytosanitary standards in the EU.²³⁸

Impediments to export development and diversification in the manufacturing sector include insufficient development/investment capital, a lack of training in new technologies and specialized skills, and inadequate equipment and personnel.²³⁹ The tax burden, particularly on small firms, is reportedly significant.²⁴⁰ The textile and apparel industry in Zambia²⁴¹ is likely to face increased competition in the U.S. market from other world textile producers as a result of the end of quotas in 2005.²⁴² Constraints affecting manufacturing include high transportation costs, high equipment and operating costs, and outdated equipment.²⁴³

Constraints related to potential expansion of the mining sector, particularly tantalite deposits, include the ability of miners to market their product given the artisanal nature of much of the mining and concerns by some transporters and importing countries about radioactivity in exported tantalite.²⁴⁴

²³⁴ "Lobito Corridor Key to Zambia's Exports," *The Times of Zambia*, Oct. 7, 2004, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005.

²³⁵ U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Investment Trends," p. 6.

²³⁶ Blackwell Publishing, "Zambia: Famine to Feast?" p. 2.

²³⁷ African Coalition for Trade, Inc., official, interview by USITC staff, Washington, DC, Feb. 15, 2005; Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005; and Humphrey and de Senneville, "Constraints and Opportunities," p. 13.

²³⁸ Nathan Associates, "Zambia Export Opportunities," pp. 14-15; and U.S. Department of State telegram, "Zambia Information for USITC Study," attachment entitled "Overview of Zambia's Foreign Trade Performance," p. 8.

²³⁹ Nathan Associates, "Zambia Export Opportunities," p. 16.

²⁴⁰ "Quality Products Key to AGOA Market, SMEs Told," *Business CustomWire*, Jan. 10, 2005, found at <http://web32.epnet.com>, retrieved Feb. 3, 2005.

²⁴¹ The Zambian textile industry reportedly declined as a result of privatization in the sector. The import of second-hand clothes also reportedly had a negative effect on the industry in that it reportedly limited investment in the sector. Industry association officials, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005; and regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

²⁴² Nathan Associates, "Zambia Export Opportunities," p. 14.

²⁴³ Humphrey and de Senneville, "Constraints and Opportunities," pp. 9-11; and Nathan Associates, "Zambia Export Opportunities," p. 14.

²⁴⁴ "Developments In the Tantalum Market," presented by Judy Wickens, Secretary General of the Tantalum-Niobium International Study Center, at Minor Metals 2004, found at www.tanb.org/publications/minor_metals_2004.ppt, retrieved Mar. 28, 2005; Mr. R. A. Hildebrand, Chief Financial Officer and Chief Mining Engineer, Pinnacle Resources Inc., telephone interview by USITC staff, Mar. 28, 2005; and Pinnacle Resources Inc., "Pinnacle Negotiates Tantalite Supply," press release, found at www.pnrr.net/feb14.html, retrieved

Tariff barriers were also identified as impediments to Zambia's exports. Such barriers include duties assessed by regional markets and tariffs in potential markets. Nontariff trade barriers include rules of origin, quotas and safeguards, production subsidies in developed countries, product certification requirements, and standards related to packaging and labeling.²⁴⁵

Mar. 25, 2005.

²⁴⁵ The information presented regarding tariff and nontariff barriers was drawn from numerous sources including U.S. Department of State telegram, "Zambia Information for USITC Study," attachments entitled "Investment Trends," p. 6, and "Overview of Zambia's Foreign Trade Performance," p. 19; Embassy of the Republic of Zambia official, interview by USITC staff, Washington, DC, Feb. 14, 2005; Humphrey and de Senneville, "Constraints and Opportunities," p. 16; Krakoff, "Key Potential Export Markets," p. 2; government official, interview by USITC staff, Lusaka, Zambia, Mar. 18, 2005; and industry association official, interview by USITC staff, Lusaka, Zambia, Mar. 14, 2005. The Krakoff report also cites bilateral agreements entered into by the United States and the EU with various partner countries as a potential constraint to exports from nonpartner countries such as Zambia.

CHAPTER 4

Moderately Mineral-Exporting Countries: Mozambique, Niger, Rwanda, Sierra Leone, and South Africa

The countries included in this chapter have exhibited a significant share of mineral and metal products in their exports, but their exports are more diversified than the countries described in chapter 3 (table 4-1). Characteristic mining products include aluminum (Mozambique); uranium (Niger); tin and other nonferrous metals (Rwanda); diamonds (Sierra Leone); and platinum-group metals, coal, diamonds, gold, ferroalloys, and aluminum (South Africa). Mozambique and South Africa also export electricity. A summary of findings for each of the five countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 4-1
Mozambique, Niger, Rwanda, Sierra Leone, and South Africa, 1999-2003 average share of total exports, by sector

Sectors	Mozambique	Niger	Rwanda	Sierra Leone	South Africa
	Shares of total exports, 1999-2003 (percent)				
Fish and related products	15.8	0.2	(¹)	1.9	1.6
Coffee, tea, and spices	0.2	0.2	31.4	1.8	0.3
Cocoa	(¹)	0.2	(¹)	2.5	0.1
Other agriculture	13.7	5.8	3.0	10.3	31.2
Forest-based products	4.4	1.0	0.5	2.7	4.7
Minerals, metals, and metal products	51.4	37.1	29.4	34.0	47.7
Fuels and electrical energy	6.4	45.7	32.5	0.6	9.5
Textiles and fibers	4.2	2.8	0.5	0.6	1.4
Apparel and related articles	0.6	0.3	0.2	2.7	1.3
Other manufactures	3.3	6.6	2.4	47.4	23.2

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Mozambique

In the near term, Mozambique's primary exports will likely continue to be concentrated in the mining and minerals sectors, including aluminum and related downstream metal products. Export potential exists for coal, natural gas, and other related energy and electricity exports, and there is also potential for growth in Mozambique's more traditional export products, including prawns, cashew nuts, copra, sugar, a range of horticultural and floricultural products, and wood products. Domestic barriers to increased exports include complex regulatory and bureaucratic barriers; restrictive labor policies; lack of standards, quality, accreditation, and metrology capacity; and supply-side factors such as inadequate infrastructure and the need for extensive capital upgrades at existing facilities. International barriers to increased exports mostly involve high quality and standards requirements in developed countries. Mozambique's agricultural sector exports will also be affected by ongoing reforms in developed-country agricultural markets.

Niger

Although uranium accounts for two-thirds of Niger's exports, more than 80 percent of the workforce is employed in the agricultural sector. A number of products such as gold, phosphate, and petroleum have export potential. However, Niger's poor transportation and communications infrastructure, its land-locked position, and its relatively unskilled workforce severely restrict this potential. In addition, the inability to meet sanitary and phytosanitary standards has been cited as an international impediment to export growth.

Rwanda

Rwanda has a comparative advantage in coffee, tin, and coltan, and export growth will likely continue to center on these products. In addition, textiles and apparel, downstream chemical products, dried fruit, frozen fish, and tourism may offer additional export potential. To dramatically improve export performance by raising productivity and lowering costs, Rwanda needs to overcome inefficiencies in transportation and utilities, particularly in electricity and water. Overcoming these constraints is necessary before the agricultural and mining export sectors can begin to adopt new technology and increase productivity. Access to financial credit is a requisite to increasing large-scale agricultural production and expanding into downstream products. Other barriers and impediments to export growth include regional instability, lack of technical capacity to meet foreign market standards, and a generally nonconductive business environment.

Sierra Leone

Products of Sierra Leone with the greatest export potential include diamonds, rutile, iron ore, jewelry, and a variety of cash crops including cocoa beans and other crops not currently grown. Goods that will be assembled in the future export processing zone, and tourism services that will be offered at an associated hotel, also have potential to generate export revenues. With much of the country destroyed by civil war, the leading barriers to export development are inadequate infrastructure (roads, electricity, and communications), inadequate schools and government institutions, and concerns regarding the rule of law. Regional instability continues to be an international impediment to export growth.

South Africa

The economic sectors with the greatest potential for growth in export sales are agriculture and agroprocessing, manufacturing (particularly motor vehicles, engines, and parts), minerals and metals, and services (particularly information and communication technologies, business process outsourcing, tourism, and feature and commercial film production). Domestic impediments to increased exports in these sectors include the small scale of production capacity; labor and immigration policies; inadequate transportation infrastructure; exchange rate volatility; lack of standards, quality assurance, and metrology capacity; and export control and licensing requirements. International impediments to increased exports include standards, tariffs, customs procedures, agricultural support programs in developed and middle-income countries, and bans on the importation of certain products in certain markets.

Mozambique¹

Economic Overview

Mozambique's GDP was \$4.3 billion in 2003. It is one of the fastest-growing economies in sub-Saharan Africa (SSA). In 2003, the annual GDP growth rate was 7.0 percent and GDP per capita grew by 5.0 percent (table MZ-1). Mozambique's government has initiated many far-reaching structural reforms since the 1990s in an attempt to encourage private-sector activity and investment. These reforms have contributed to relatively stable exchange rates and low inflation rates, increased foreign direct investment (FDI) and exports, and GDP growth. Mozambique has also initiated steps to create industrial free trade zones to encourage private-sector investment in areas with development potential.

In 2003, 42.8 percent of GDP was accounted for by services (figure MZ-1), composed of retail, transportation and communications, construction, and tourism. Manufacturing and other industry accounted for 31.1 percent of GDP, and agriculture, fishing, and forestry accounted for the remaining 26.1 percent. Trade represents over 60 percent of Mozambique's annual GDP.

Mozambique has abundant mineral and energy resources, but these sectors are not well developed. The country's leading large-scale projects are in aluminum smelting, heavy sands mining, and natural gas development. Mozal,² an aluminum smelter, and Sasol,³ a natural-gas pipeline, are estimated to contribute 1 to 2 percent of Mozambique's annual economic growth and are credited with a reduction in Mozambique's trade deficit.⁴ Energy and electricity production is another important sector, given Mozambique's abundant reserves of coal and natural gas.

Mozambique remains a mostly agriculture-based economy; more than 80 percent of Mozambique's population is employed primarily in subsistence agriculture.⁵ Principal agricultural products include cashew nuts (both processed kernels and unprocessed nuts), coconut and copra, sugar, cotton, citrus fruits, teas, beans, rice, spices and seasonings

¹ Prepared by Renee Johnson, Office of Industries.

² Mozal (Mozambique Aluminum Smelter) is financed by a four-country consortium (Australia, Japan, Mozambique, and South Africa) and has made Mozambique one of the world's top aluminum producers, significantly altering its export profile. The smelter plant imports bauxite from Australia, smelts it, and exports aluminum ingots. Economist Intelligence Unit (EIU), *Mozambique Country Profile*, 2004, p. 45.

³ The Sasol pipeline is being developed (\$600 million investment) by Sasol, a South African energy company, and the Governments of Mozambique and South Africa, to transport natural gas within the region. Construction was completed in early 2004, but production is not expected to reach full capacity until 2008. *Ibid.*, p. 35.

⁴ U.S. Department of State telegram, "July Monthly Economic Wrap-up: Mozambique," message reference No. 01091, prepared by U.S. Embassy, Maputo, Aug. 13, 2004.

⁵ World Resources Institute, "Food and Agriculture—Mozambique," found at <http://earthtrends.wri.org>, retrieved Feb. 8, 2005.

Table MZ-1
Mozambique: Basic economic indicators

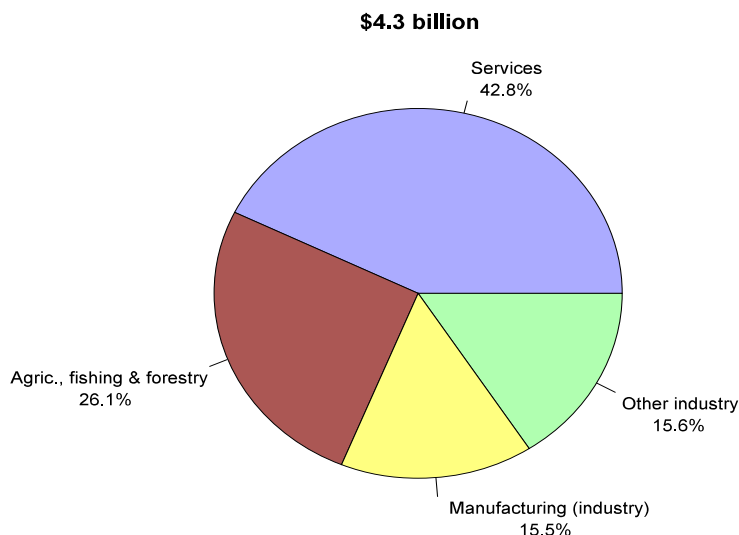
	MRZ¹
GDP (current US\$, millions, 2003)	4,320.4
GDP growth (annual percent, based on local currency, 2003)	7.0
GDP per capita growth (annual percent, based on local currency, 2003)	5.0
Inflation, consumer prices (annual percent, 2003)	13.4
External debt, total (current US\$, millions, 2002)	4,609.3
Total debt service (percent of exports of goods and services, 2002)	6.1
Exports of goods and services (percent of GDP, 2003)	23.5
Trade (percent of GDP, 2002)	61.7
Official exchange rate (local currency unit per US\$, period average, 2003)	23,782.3
Population, total (millions, 2003)	18.8
Population growth (annual percent, 2003)	1.9
Labor force, total (millions, 2003)	9.8
Labor force participation rate, total (percent, 2002)	52.3
Literacy rate, adult total (percent of people ages 15 and above, 2002)	46.5
Primary school enrollment ratio, total (percent, 2000)	92.0
Secondary school enrollment ratio, total (percent, 2000)	12.0
Land use, arable land (percent of total, 2001)	5.1
Gross capital formation (percent of GDP, 2003)	45.1
Gross fixed capital formation (percent of GDP, 2002)	44.7
Foreign direct investment, net inflows (percent of GDP, 2002)	11.3

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure MZ-1
Mozambique: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

(safflower and paprika), peanuts, wheat, and edible oils (sunflower, sesame, and soybean).⁶ Its agricultural base also includes a wide range of horticulture products, including baby vegetables (carrots and corn), melons, specialty and tropical fruits (banana, citrus, pineapple, mango, other tropical fruits), and cut flowers.

Mozambique also has significant marine resources, and seafood was its main export prior to the development of its aluminum sector. Prawns account for between 20 and 40 percent of the country's total catch of fish and seafood.⁷ Industrial fishing is conducted under direct licensing schemes owned by joint ventures between Mozambican companies and foreign fishing companies from Japan, Spain, Portugal, China, and South Africa.⁸ Economic performance in this sector has been negatively affected by declining world prices and a small fishing fleet.

In 2003, Mozambique received \$337 million in FDI and was one of the largest recipients of foreign assistance in SSA.⁹ During 1999-2002, FDI ranged from \$140 million to more than \$400 million annually,¹⁰ accounting for 4 percent to 11 percent of GDP. Most FDI has helped fund capital-intensive, large-scale projects in the mining, energy, and transportation sectors.¹¹ This investment is contributing to the rapid diversification of Mozambique's production and export base, and its transition from an agriculture-based economy. Industry officials cited the low cost of production, particularly labor costs, as a primary impetus behind investment interest in the country.¹²

Export Profile

Mozambique's exports totaled \$978.7 million in 2003, reflecting a more than threefold increase compared with 1999 (tables MZ-2 and MZ-3). Exports of aluminum, which primarily consisted of unwrought aluminum, registered one of the largest 9-year compound annual growth rates (CAGRs) at 170.6 percent, and accounted for 65 percent of total exports in 2003. Aluminum exports grew from less than 10 percent of all exports in 2000 to more

⁶ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005; Chemonics International Inc., "Roadmap for Improved Horticulture Export Competitiveness in Malawi, Mozambique, Tanzania, and Zambia," prepared for U.S. Agency for International Development, Apr. 2004, various pages; and South African Marketing Company, "Mozambique," *SADC Trade, Industry, Finance and Investment Review*, found at www.sadcreview.com/country_profiles, retrieved Feb. 15, 2005.

⁷ Gabriela Rebello da Silva and Lara da Silva Carrilho, "Bridging the Standards Divide: A Case Study and Action Plan for Mozambique," ch. 2 in the International Bank for Reconstruction and Development/World Bank, *Standards and Global Trade: A Voice for Africa* (Washington, DC: The World Bank, 2003), p. 116.

⁸ U.S. & Foreign Commercial Service (US&FCS), "Mozambique Country Commercial Guide, FY 2004," Sept. 2003, found at www.stat-usa.gov, retrieved Apr. 18, 2005; and EIU, *Mozambique Country Profile*, p. 54.

⁹ United Nations Conference on Trade and Development (UNCTAD), *World Investment Report*, 2004, annex B, p. 377.

¹⁰ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

¹¹ EIU Viewswire, "Mozambique economy, region is a high FDI performer," Jan. 10, 2005, found at www.viewswire.com, retrieved Jan. 15, 2005.

¹² Mauritius industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005; and government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

Table MZ-2
Mozambique: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
					of total	CAGR
			1,000 dollars		Percent	
76	Aluminum and articles thereof	81.1	216.3	631,050.9	64.5	170.6
03	Fish and crustaceans, molluscs and other aquatic invertebrates	75,003.1	85,452.6	95,655.1	9.8	2.7
24	Tobacco and manufactured tobacco substitutes	11,260.1	5,457.1	66,550.4	6.8	21.8
44	Wood and articles of wood; wood charcoal	3,364.8	14,679.3	36,737.4	3.8	30.4
52	Cotton, including yarns and woven fabrics thereof.	27,660.3	38,569.9	29,443.6	3.0	0.7
08	Edible fruit and nuts; peel of citrus fruit or melons	13,032.9	38,941.7	21,560.9	2.2	5.8
17	Sugars and sugar confectionery.	15,502.4	167.0	19,215.5	2.0	2.4
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,761.4	7,797.9	10,682.4	1.1	22.2
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	7,695.2	10,614.7	7,978.8	0.8	0.4
74	Copper and articles thereof.	2,704.5	2,599.1	7,789.8	0.8	12.5
	Other	46,780.8	79,790.7	52,024.6	5.3	1.2
Total		204,846.6	284,286.3	978,689.5	100.0	19.0

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table MZ-3
Mozambique: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
					of total	CAGR
			1,000 dollars		Percent	
7601	Aluminum, unwrought	0.0	0.0	629,870.0	64.4	(¹)
0306	Crustaceans, live, fresh, chilled, frozen etc.; crustaceans, in shell, cooked by steam or boiling water; flours, meals, & pellets of crustaceans, fit for human consumption	72,292.6	82,806.4	81,926.9	8.4	1.4
2401	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	11,131.8	5,457.1	66,548.9	6.8	22.0
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	1,035.8	10,613.1	30,804.6	3.1	45.8
5201	Cotton, not carded or combed	24,763.1	35,623.8	29,490.8	3.0	2.0
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	11,075.9	36,737.1	21,338.6	2.2	7.6
1701	Cane or beet sugar and chemically pure sucrose, in solid form	12,734.4	0.6	18,069.5	1.8	4.0
0307	Molluscs & other aquatic invertebrates nesoi, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals & pellets of aqua invertebrates fit for human consumption	307.1	913.5	11,811.0	1.2	50.0
2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	326.1	5,426.8	8,950.0	0.9	44.5
2516	Granite, porphyry, basalt, sandstone and other building etc. stone, whether or not roughly trimmed or merely cut by sawing etc.	5,365.5	6,764.0	7,732.7	0.8	4.1
	Other	65,814.3	99,943.9	72,146.5	7.4	1.0
Total		204,846.6	284,286.3	978,689.5	100.0	19.0

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

than one-half of exports in 2001.¹³ This growth is attributable to further expansion of Mozambique's aluminum industry resulting from the development of the Mozal smelter. The European Union is the largest overall market for Mozambican exports, with six EU countries accounting for 74 percent of total exports (table MZ-4).

Table MZ-4
Mozambique: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars		Percent	
Belgium	(¹)	2,463.8	310,023.7	31.7	(²)
Spain	37,092.6	42,749.8	120,555.7	12.3	14.0
Italy	14,667.2	10,029.9	111,947.8	11.4	25.3
Germany	7,868.0	11,197.8	96,358.0	9.8	32.1
Portugal	25,040.5	41,729.8	43,444.3	4.4	6.3
Netherlands	2,232.6	7,381.7	41,304.3	4.2	38.3
Malawi	4,435.9	5,403.8	39,053.8	4.0	27.3
South Africa	25,815.2	52,631.2	36,868.0	3.8	4.0
China	5,576.1	3,299.8	26,591.8	2.7	19.0
India	7,189.2	33,689.6	23,332.7	2.4	14.0
Other	74,929.4	73,709.2	129,209.4	13.2	6.2
Total	204,846.6	284,286.3	978,689.5	100.0	19.0

¹ Not available.

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Other leading export products in 2003 were fresh and frozen prawns/crustaceans, primary agriculture products (unmanufactured tobacco, cotton, cashew nuts, sugar cane), wood, and coal. Prior to 2001, prawns were Mozambique's main export, accounting for about 30 percent of the value of exports.¹⁴ Within the crustacean and mollusc category, prawns account for 20 percent of exports. Such exports grew at a 9-year CAGR of 1.4 percent, but accounted for only 8.4 percent of total exports in 2003. The European Union and Japan are primary markets for prawns.¹⁵ CAGRs for other agricultural exports were sugar and sugar products (2.4 percent), fruits and nuts (5.8 percent), and cotton (0.7 percent). Mozambique is also a major exporter of fruits and nuts, accounting for about 10 percent of all fruit and nut exports from SSA in 2003.¹⁶

¹³ Commission estimate based on World Bank, World Integrated Trade Solution database.

¹⁴ UNCTAD, *Commodity Yearbook* (2000 data).

¹⁵ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

¹⁶ UNCTAD, *Commodity Yearbook* (2000 data).

Sectors with the Greatest Export Growth Potential

Mozambique's exports will likely continue to be concentrated in the minerals and metals sectors in the near term. Revealed comparative advantage¹⁷ (RCA) analysis supports this qualitative assessment of merchandise export potential, as 4 of the top 10 products ranked by RCA index are in the minerals and metals sector (appendix E, table E-23). Primary unwrought aluminum will likely continue to dominate exports, as the sector is expected to expand following the initiation of the second phase of the Mozal project (Mozal II) in 2003. Construction of another aluminum smelter is also being considered. According to industry representatives, the success of the Mozal and Sasol projects is attracting additional investment in the mining and energy sectors.¹⁸ Mozambique has reserves including coal, natural gas, titanium, bauxite, gold, marble, bentonite, granite, iron ore, cobalt, chromium, nickel, copper, and precious and semiprecious stones.¹⁹ The development of two large mineral processing plants is underway, including the Corridor Heavy Sands and the Moma Heavy Sands projects. The Corridor Heavy Sands project will develop Mozambique's sizeable deposits of titanium dioxide minerals and will include a mine and a two-stage mineral processing plant.²⁰ Construction is expected to begin in 2006. There is also potential for mining of semiprecious stones,²¹ and diamond exploration by the Portuguese firm Tamega is underway.²² Export potential also exists for coal and natural gas, as Mozambique's energy and electricity industries continue to develop. RCA analysis also identified coal gas as having a strong RCA index in recent years, suggesting the potential for export growth. Given its long coastline, Mozambique also has the capacity to produce salt for export. Potential salt markets include Malawi, Swaziland, South Africa, and Zimbabwe. In addition, Mozambique is promoting additional development of its metallurgy sectors, including downstream production of aluminum products at the Mozal project, and expansion of its manufacturing sector in areas such as construction materials, heavy equipment, furniture structures, and tools and parts.²³

Mozambique has the potential to become an important energy and electricity producer and exporter given its coal and natural gas reserves and significant hydroelectric capacity.²⁴ The Sasol pipeline will result in gasfield development in Mozambique and the construction of a 865-kilometer pipeline for transporting natural gas from Mozambique to Sasol's current distribution network in South Africa, where the gas is converted into a synthetic fuel.²⁵ New coal mines are also being developed, including the Moatize coal deposit. The Moatize mine project was awarded to the Brazilian mining company CVRD in late 2004, and includes

¹⁷ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁸ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

¹⁹ EIU, *Mozambique Country Profile*, p. 50; and World Trade Organization (WTO), *Trade Policy Review: Mozambique*, Report 00-5619, Dec. 21, 2000, p. 46.

²⁰ U.S. Department of State telegram, "July Monthly Economic Wrap-up: Mozambique."

²¹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

²² South African Marketing Company, "Mozambique."

²³ WTO, *Trade Policy Review: Mozambique*, p. 7.

²⁴ EIU, *Mozambique Country Profile*, various pages; and United Nations (UN)/International Chamber of Commerce (ICC), "An Investment Guide to Mozambique," June 2001, p. 21.

²⁵ Trade Law Center Centre for Southern Africa, "Sasol invests big in Moz," May 7, 2002, found at www.tralac.org, retrieved Jan. 31, 2005.

plans to build a coal-fired power station close to the mine.²⁶ Power lines are planned to export electricity from Mozambique's Cahora Bassa hydroelectric dam to South Africa and Zimbabwe.²⁷ Negotiations between Mozambique and Portugal have been re-opened regarding ownership of Hidroelectrica Cahora Bassa, the firm operating the Cahora Bassa dam.²⁸

Other top 10 products ranked by RCA index are some of Mozambique's more traditional export commodities in the agriculture and fisheries sector, including prawns, nuts, copra, and tobacco. Mozambique's water resources give it the potential to expand production and exports of seafood and fish,²⁹ including prawns and shrimp, lobster, crab, shellfish, ocean fish, and fresh-water fish.

Mozambique's main agricultural export crops are cashew nuts, cotton, copra, tea, and sugar.³⁰ There is potential to expand its exports of a wide range of horticulture products, including baby vegetables (carrots and corn, for export to the European Union), melons, passion fruit, bananas, and paprika, among other speciality fruits, vegetables, and spices. Additional investment is needed to improve the quality and quantity of production in these areas. Several high-value horticultural investments and joint ventures have been initiated (Mozambican, Dutch, South African, and Zimbabwe investors), producing vegetables (carrots and potatoes), melons, paprika, peppers, and tropical fruit (mangoes, passionfruit, and bananas).³¹ Mozambique has also had success developing its cut flower industry and began exporting cut flowers to the European Union in December 2002.³²

Ongoing efforts to rehabilitate Mozambique's cashew, citrus, sugar, tea and tobacco industries are likely to increase exports from these sectors. Since being privatized in 1995, the cashew nut sector has experienced major losses and production is limited because of aging trees, few new plantings, disease, low yields, and ineffective use of pesticides and pruning. The removal of the export duty on raw cashews resulted in increased exports of raw cashews, rather than providing inputs to cashew processing,³³ suggesting that either Mozambique does not have a comparative advantage in processed cashews or impediments exist in the processing industries. The government is promoting downstream processing, rather than the export, of raw nuts. To address production constraints, investment in new technologies and mechanized processes has reduced breakage rates and raised producer prices. Some existing facilities have been upgraded and there are plans to build seven medium-scale cashew processing plants.³⁴ There are now eight small locally-owned

²⁶ U.S. Department of State telegram, "November Economic Wrap-up: Mozambique," message reference No. 894, prepared by the U.S. Embassy, Maputo, Dec. 2004.

²⁷ EIU, *Mozambique Country Profile*, p. 50.

²⁸ U.S. Department of State telegram, "August Economic Wrap-up: Mozambique," message reference No. 1091, prepared by the U.S. Embassy, Maputo, Sept. 2004.

²⁹ Trade Law Center Centre for Southern Africa, "Sub-Saharan Africa to become a major seafood producer," Oct. 8, 2003, found at www.tralac.org, retrieved Jan. 31, 2005.

³⁰ South African Marketing Company, "Mozambique."

³¹ Technoserv, "TechnoServe in Mozambique," found at www.technoserve.org, retrieved Feb. 8, 2005.

³² Ibid.

³³ Trade Law Center Centre for Southern Africa, "World Bank still mum on Moz cashews," July 24, 2003, found at www.tralac.org, retrieved Jan. 31, 2005; and Trade Law Center Centre for Southern Africa, "Moz cashew industry in collapse," Jan. 22, 2003, found at www.tralac.org, retrieved Jan. 31, 2005.

³⁴ Technoserv, "TechnoServe in Mozambique."

processing facilities producing nuts mostly for export to the European Union, the United States, and South Africa.³⁵

Production from established citrus orchards has been decreasing because of outdated cultivars, a breakdown in irrigation facilities, shortages in intermediate inputs, and management problems.³⁶ Recent efforts include rehabilitation of two large, abandoned, state-controlled citrus plantations, new plantings of grapefruit and orange trees, private or joint-venture investments, and development of the necessary port and other transport infrastructure.³⁷ These changes are expected to stimulate Mozambique's citrus export sales.³⁸ One citrus farm, Citrum, is exporting Ruby Red grapefruit to Europe with assistance from U.S.-based Technoserve, which has rehabilitated 30,000 trees and refurbished its packing houses. Export levels have increased to account for more than 70 percent of production.³⁹

Sugar cane ranks as one of Mozambique's leading agriculture commodities in terms of its market potential,⁴⁰ and there are ongoing efforts to upgrade the country's sugar industry.⁴¹ South African and Mauritanian companies have invested heavily in sugar refineries.⁴² One company also has plans to start production of alcohol.⁴³ Investment is needed to develop downstream sugar industries such as alcohol and food processing (beverages and condensed milk).⁴⁴ As a further incentive to the local industry, and to stop smuggling of sugar from Zimbabwe, sugar was exempted from the value-added tax in 2002.⁴⁵ Mozambique is also actively trying to revive its exports of tobacco,⁴⁶ and is interested in exporting processed tobacco products to the United States.⁴⁷ It recently constructed its first tobacco processing plant, Mozambique Leaf Tobacco, which is expected to employ 2,000 workers.⁴⁸

Wood products have also been identified as a potential export sector.⁴⁹ Industry participants estimated that there are 500,000 cubic meters of sustainable supply per year, including African mahogany and panga-panga.⁵⁰ Currently, Mozambique is exporting wood to China, with little investment in the downstream manufacturing sectors. Trade groups in Mozambique are trying to discourage the export of solid wood and bamboo timber in order to develop downstream industries such as furniture manufacturing, picture frames, and other

³⁵ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

³⁶ World Bank, "Southern African Agribusiness: Gaining through regional Collaboration," Technical Paper No. 424, Feb. 1999, p. 98.

³⁷ Ibid.

³⁸ Ibid., p. 124. Export sales were projected to increase 50 percent between 2000 and 2005.

³⁹ U.S. Department of State telegram, "U.S. Deputy Secretary of Agriculture Visits Mozambique," message reference No. 173, prepared by the U.S. Embassy, Maputo, Mar. 2005.

⁴⁰ WTO, *Trade Policy Review: Mozambique*, p. 42.

⁴¹ UN/ICC, "An Investment Guide to Mozambique," p. 33.

⁴² EIU, *Mozambique Country Profile*, p. 49.

⁴³ U.S. Department of State telegram, "Mozambique: Request for Tariff Rate Quota for Tobacco," action request letter for USTR, prepared by the U.S. Embassy, Maputo, Nov. 2004.

⁴⁴ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁴⁵ African Development Bank/Organization for Economic Cooperation and Development, "Mozambique," *African Economic Outlook*, 2004, p. 236.

⁴⁶ EIU, *Mozambique Country Profile*, p. 47.

⁴⁷ U.S. Department of State telegram, "Mozambique: Request for Tariff rate Quota for Tobacco."

⁴⁸ U.S. Department of State telegram, "July Economic Wrap-up: Mozambique."

⁴⁹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁵⁰ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

handicraft industries.⁵¹ Although timber availability could increase, export revenues would be reduced at the expense of encouraging an industry in which the country may not have a comparative advantage. Industry officials have cited the European Union as the best market opportunity for Mozambican wood products,⁵² although there are hopes to manufacture furniture for the U.S. market.⁵³

Mozambique's government has identified textiles and apparel as a priority sector,⁵⁴ with hopes for growth in exports, particularly to the United States under AGOA.⁵⁵ It has also identified potential for small businesses to export a wide range of handmade products, including clothing and woven rugs, furniture, and jewelry.⁵⁶ The export potential for this sector is, however, dampened by the increasing international competition stemming from the end of textile and apparel quotas in 2005.⁵⁷ Many textile and garment plants remain idle, and the remaining facilities and technologies are outdated and require extensive capital investment.⁵⁸ Current production capacity in the sector is low and further expansion is limited by a lack of business initiatives and Mozambique's strict labor laws. Only one facility, Belita (a Mauritanian garment manufacturer) is currently exporting to the United States under the AGOA program, but according to an industry official it has reportedly been losing customers because of production delays.⁵⁹ Cotton production is also being promoted as having potential both as an input to the textile industry, as well as for import substitution of edible oils.⁶⁰ Raw cotton production has been increasing, but has been primarily exported rather than processed in Mozambique.⁶¹

In services, tourism has the potential to become a significant source of foreign exchange for Mozambique.⁶² An industry representative estimated that there are about 1 million arrivals each year, up from about 400,000 arrivals in 2001.⁶³ In 2004, the government developed a new strategic plan for tourism. Among the identified opportunities are development of its hunting and game reserves, safari operations, and ecotourism sectors, as well as rehabilitation of the Gorgongosa National Park and development on the islands off the coast of Pebane.⁶⁴

⁵¹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁵² Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁵³ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁵⁴ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁵⁵ Trade Law Center Centre for Southern Africa, "AGOA no help for Moz clothing industry," May 12, 2003, found at www.tralac.org; retrieved Jan. 31, 2005.

⁵⁶ Trade Law Center Centre for Southern Africa, "Southern African businesses test U.S. market," Oct. 15, 2003, found at www.tralac.org; retrieved Jan. 31, 2005.

⁵⁷ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

⁵⁸ US&FCS, "Mozambique Country Commercial Guide, FY 2004."

⁵⁹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 15, 2005.

⁶⁰ WTO, *Trade Policy Review: Mozambique*, p. 43.

⁶¹ U.S. Department of State telegram, "November Economic Wrap-up: Mozambique," message reference No. 894, prepared by the U.S. Embassy, Maputo, Dec. 2004.

⁶² UN/ICC, "An Investment Guide to Mozambique," p. 37.

⁶³ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁶⁴ EIU, *Mozambique Country Profile*, p. 77; and US&FCS, "Mozambique Country Commercial Guide, FY 2004."

Domestic and International Barriers

In general, domestic impediments to increased exports include complex regulatory and bureaucratic impediments; restrictive labor policies; lack of standards, quality, accreditation, and metrology capacity; and supply factors including inadequate infrastructure and the need for extensive capital upgrades at most existing facilities.

Mozambique is perceived as one of the world's most difficult places to do business. The World Bank notes that Mozambique has "heavy regulation in all aspects of business activity," and is in need of "comprehensive" reforms.⁶⁵ Costly and complex regulatory and bureaucratic impediments are also blamed for Mozambique's poor economic performance across many of its industries. Regulatory burdens are also cited as contributing to Mozambique's underperformance in attracting foreign investors to its export processing zones.⁶⁶ Among the reported impediments are complex labor laws, restrictive land procedures, ineffective law enforcement and judicial systems, burdensome corporate laws and regulations, an inadequate financial sector, a burdensome tax system, an underskilled labor market that is inadequate for diversification into more skill-intensive industries, inadequate transport and telecommunications capacity, and a lack of government transparency.⁶⁷

These impediments are reflected in Mozambique's ranking for many of the World Bank's business environment indicators, compared with the regional average. For example, the average time to start a business is 153 days, more than twice the regional average (table MZ-5). Continued effort is needed to streamline company registration processes and to share information about regulations and procedures between the private sector and government agencies.⁶⁸ In general, larger businesses receive more support than small- and medium-sized business investors. It also takes longer to close a business, compared to the regional average, and the private-sector credit coverage is negligible. Labor law requirements are also more restrictive compared with the regional average.⁶⁹ The Heritage Foundation's Index of Economic Freedom reports that Mozambique ranks better than the regional average overall, but worse than the regional average in terms of trade and monetary policy, wages and prices, property rights, and regulation (table MZ-6).

Mozambique's major challenge is its inadequate energy, water, transport, and telecommunications infrastructure, which contributes to high capital, transportation, and utilities costs. Its national electricity grid is small and poorly integrated. Many areas do not have access to electricity, and many areas rely on diesel-powered generators.⁷⁰ Less than 20 percent of all roads are paved (table MZ-7). The telecommunications sector in Mozambique is underdeveloped, with only 4.6 telephone mainlines per 1,000 inhabitants, one of the lowest of all the Southern African Development Community⁷¹ members.⁷²

⁶⁵ World Bank, *Doing Business in 2004: Understanding Regulation* (2004), p. 90.

⁶⁶ The Services Group, "Trade Policy Strategies for Mozambique," Dec. 2002, p. 6, found at www.satradehub.org, retrieved Mar. 6, 2005.

⁶⁷ *Ibid.*; and EIU, *Mozambique Country Profile*, various pages.

⁶⁸ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, Nov. 2004, found at www.tcb-project.com, retrieved Mar. 11, 2005, p. 13.

⁶⁹ *Ibid.*

⁷⁰ EIU, *Mozambique Country Profile*, p. 37.

⁷¹ For additional information on regional organizations, see app. C.

⁷² EIU, *Mozambique Country Profile*, p. 29. The telecommunication sector is controlled by the state monopoly, Telecomunicações de Moçambique (TDM).

Table MZ-5
Mozambique: Business environment

	Mozambique	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	8.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	12.3	17.1	72.1
Closing a business: Time (<i>years</i>)	5.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	5.0	41.8	5.2
Getting credit: Credit information Index	4.0	2.1	5.0
Getting credit: Legal rights index	4.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	5.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	16.0	43.0	10.8
Enforcing contracts: Number of procedures	38.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	580.0	434.0	229.0
Registering a property: Number of procedures	7.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	11.9	13.2	4.9
Registering a property: Time (<i>days</i>)	33.0	114.0	34.0
Starting a business: Number of procedures	14.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	95.8	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	14.5	254.1	44.1
Starting a business: Time (<i>days</i>)	153.0	63.0	25.0
Employment: Difficulty of firing index	40.0	50.6	26.8
Employment: Difficulty of hiring index	72.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	141.0	59.5	40.4
Employment: Rigidity of employment index	64.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table MZ-6
Mozambique: Economic freedom

	Mozambique	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	4.4	3.6	2.5
2000 Overall score	3.9	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	4.0	3.9	2.2
Fiscal burden of government score	3.4	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	4.0	2.4	1.5
Capital flows and foreign investment score	2.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table MZ-7
Mozambique: Infrastructure-related indicators

	MR¹
Roads, total network (km, 1999)	30,400.0
Roads, paved (percent of total roads, 1999)	18.7
Transport services (percent of service exports, BoP, 2001)	22.3
Transport services (percent of service imports, BoP, 2001)	25.5
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	18.6
Internet users (per 1,000 people, 2001)	1.7
Mobile phones (per 1,000 people, 2002)	14.0
Telephone mainlines (per 1,000 people, 2002)	4.6
Electric power transmission and distribution losses (percent of output, 2001)	3.0
Energy imports, net (percent of commercial energy use, 2001)	1.7

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Mozambique also lacks a fair and transparent land policy.⁷³ Land is officially state owned and must be leased, but there are human and technical resource constraints in the land registry service.⁷⁴ As noted by an industry participant, the application process may take as long as 2 years.⁷⁵ The constraints on privately-held land limits the use of land as collateral to obtain financing for investment. Other challenges include shortage of domestic capital and an inadequate local financing system, resulting in high borrowing costs and conservative banking practices.⁷⁶

Mozambique’s customs and excise service was privatized in 1997, but problems with lack of government transparency and bureaucratic procedures remain.⁷⁷ Among cited problems are administrative burdens, customs clearance problems, long delays in clearing imports, and export procedures. Customs reform has been underway for the past 3-4 years, and includes improvements to customs procedures, removal of export licensing requirements, and the adoption of a single document system, allowing all requirements to be contained in one document.⁷⁸ Delays in value-added tax reimbursement and inefficiencies in Mozambique’s duty drawback scheme also restrict funding for inputs and working capital. Industry representatives assert that reimbursement of value-added tax can take up to 2 years.⁷⁹

Identified impediments to Mozambique’s agricultural sector exports include low productivity and production capacity, high input costs, high transport costs, limited access to cold storage facilities, customs delays, ineffective producer organizations, limited agroprocessing capabilities, limited market and export development services such as post-harvest management, finance constraints, and difficulty obtaining import exemptions.⁸⁰ Additional investment is needed for fishing vessels, marine engines, vacuum packaging, and cold storage/refrigeration.

⁷³ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 10.

⁷⁴ UN/ICC, “An Investment Guide to Mozambique,” p. 55.

⁷⁵ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁷⁶ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 13.

⁷⁷ EIU, *Mozambique Country Profile*, p. 42.

⁷⁸ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁷⁹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 15, 2005.

⁸⁰ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 32; and Chemonics, “Roadmap for Improved Horticulture Export Competitiveness,” p. xiii.

Other impediments to Mozambique's agricultural exports include the inability to meet foreign quality standards and labeling requirements.⁸¹ Currently, Mozambique has only a rudimentary system of standardization, quality assurance, accreditation, and metrology. Also, there are few laws relating to hygiene, sanitary and phytosanitary (SPS) standards, importation, production, commercial exploitation, and export of foodstuffs and agricultural, livestock, forestry, and fishery byproducts.⁸² SPS requirements in foreign markets involving pest eradication are particularly difficult to satisfy.⁸³ In the fisheries sector, Mozambique is working to ensure that onshore processors meet U.S. Hazard Analysis and Critical Control Point Standards, along with other types of SPS requirements that may require facility upgrades and technical expertise.⁸⁴ Mozambique is receiving assistance from the European Union and Japan in meeting these fisheries-related requirements.⁸⁵ Government representatives also noted that labeling and certification requirements also limit Mozambique's timber processing potential, because requirements in some markets regarding timber originating from sustainable forests limit the country's ability to export processed wood products.⁸⁶

Impediments in the manufacturing sector include poor price competitiveness and the low quality of local production; outdated technologies and need to upgrade facilities; poor linkages to suppliers of inputs; and limited available industrial land.⁸⁷ The manufacturing sector has, nevertheless, benefitted from lower import tariffs on intermediate and capital goods and more efficient customs procedures. Impediments in the mining sector include inadequate geological information; an inadequate legal and regulatory framework issues, including land tenure; lack of institutional capacity; and poor infrastructure and transportation links.⁸⁸

International barriers to increased exports mostly involve high quality and standards requirements in developed countries. Mozambique's agricultural sectors also have the potential to be affected by ongoing reforms in developed country agriculture markets. For example, Mozambique's sugar export growth potential is said to be hampered by developed-country agricultural sector support programs.⁸⁹ Complex rules of origin requirements under various regional and preferential trade agreements were also cited as limiting Mozambique's potential exports.⁹⁰

⁸¹ Industry official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁸² Rebello da Silva and da Silva Carrilho, "Bridging the Standards Divide," p. 108.

⁸³ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 31.

⁸⁴ US&FCS, "Mozambique Country Commercial Guide, FY 2004."

⁸⁵ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁸⁶ Government official, interview by USITC staff, Maputo, Mozambique, Mar. 14, 2005.

⁸⁷ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 35; WTO, *Trade Policy Review: Mozambique*, p. 7; and EIU, *Mozambique Country Profile*, p. 52.

⁸⁸ EIU, *Mozambique Country Profile*, p. 55.

⁸⁹ Trade Law Center Centre for Southern Africa, "The cost of European sugar," Sept. 3, 2002, found at www.tralac.org; retrieved Jan. 31, 2005.

⁹⁰ Nathan Associates, *Mozambique: Diagnostic Trade Integration Study*, p. 23.

Niger⁹¹

Economic Overview

Niger is land locked, has a semiarid climate, and is largely desert. Less than 4 percent of its land base is arable (table NI-1). Its GDP totaled \$2.7 billion and expanded by 4.0 percent in 2003. The economy is dominated by subsistence agriculture and animal husbandry, as well as re-export trade and uranium exports.⁹² Economic activity, with the exception of mining, is primarily located near the Niger River and the southern border with Nigeria and Benin. Since the end of the uranium boom in the 1980s, Niger has faced macroeconomic imbalances from weakening terms of trade, droughts, and poor money management. Trade represents 42.4 percent of GDP, and exports represent 16.1 percent of GDP.

In 2003, Niger's services sector employed a little more than 10 percent of the population, but accounted for 42.5 percent of Niger's GDP in 2003 (figure NI-1).⁹³ This sector consists largely of retail and wholesale trading, re-exports, and basic public services.

Table NI-1
Niger: Basic economic indicators

	MRV¹
GDP (current US\$, millions, 2003)	2,729.7
GDP growth (annual percent, based on local currency, 2003)	4.0
GDP per capita growth (annual percent, based on local currency, 2003)	1.0
Inflation, consumer prices (annual percent, 2003)	-1.6
External debt, total (current US\$, millions, 2002)	1,797.1
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	16.1
Trade (percent of GDP, 2003)	42.4
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	11.8
Population growth (annual percent, 2003)	2.9
Labor force, total (millions, 2003)	5.6
Labor force participation rate, total (percent, 2002)	45.9
Literacy rate, adult total (percent of people ages 15 and above, 2002)	17.1
Primary school enrollment ratio, total (percent)	(2)
Secondary school enrollment ratio, total (percent, 2000)	(2)
Land use, arable land (percent of total, 2001)	3.5
Gross capital formation (percent of GDP, 2003)	16.5
Gross fixed capital formation (percent of GDP, 2003)	16.3
Foreign direct investment, net inflows (percent of GDP, 2002)	0.4

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

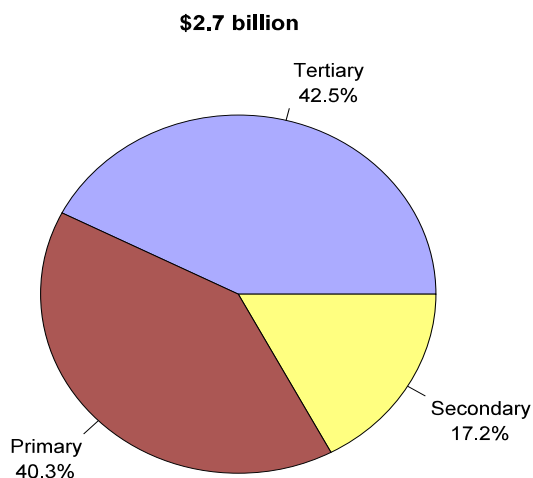
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

⁹¹ Prepared by Seamus O'Connor, Office of Industries.

⁹² Central Intelligence Agency (CIA), "Niger," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook/geos/ng.html, retrieved Mar. 22, 2005.

⁹³ Economist Intelligence Unit (EIU), *Niger Country Profile*, 2004, p. 22; and EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Figure NI-1
Niger: Composition of GDP (2003)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying, secondary is defined as manufacturing, construction, electricity, water and other utilities; and tertiary is defined as primarily services activities such as retail, financial, and real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

In 2003, agriculture accounted for approximately 40 percent of Niger's GDP and employed more than 80 percent of the population.⁹⁴ Agricultural output is affected by drought and insect swarms that can devastate harvests and displace large numbers of people in search of food for themselves and grazing land for cattle. The rearing of livestock is the main activity in the less fertile regions of Niger, and the national herd is still recovering from a steep decline in numbers resulting from droughts in the 1970s and 1980s. Most of the food produced is consumed locally and sector development is hampered by a lack of modern technology and reliance on rudimentary tools.

The industrial (secondary) sector, which consists mainly of mining,⁹⁵ small-scale local manufacturing, and brewing, accounts for about 17 percent of GDP and employs less than 5 percent of the population. Mining accounts for approximately one-third of the sector's output and is dominated by uranium extraction, although the recent upturn in gold prices has revived interest in gold mining. Similarly, higher petroleum prices spurred exploration that led to the discovery of petroleum reserves in January 2005, although it has yet to be established if quantities are sufficient to warrant additional investment.⁹⁶ Within the industrial sector, manufacturing accounts for 6.7 percent of GDP, and is concentrated in the production of soap, detergents, and bottled drinks, as well as the processing of oilseeds, rice,

⁹⁴ EIU, *Niger Country Profile*, p. 21.

⁹⁵ Despite the general categorization noted in figure NI-1, Niger's mining activity is included within the secondary sector.

⁹⁶ Rigzone, "Petronas Strikes Oil in Niger," found at www.rigzone.com/news/article.asp?a_id=19345, retrieved Apr. 27, 2005; and EIU, *Niger Country Profile*, p. 29.

industrial sector, manufacturing accounts for 6.7 percent of GDP, and is concentrated in the production of soap, detergents, and bottled drinks, as well as the processing of oilseeds, rice, cotton, and livestock products. Most factories are operating well below capacity. However, because of an upturn in construction, Niger's cement producing plant is experiencing an increase in demand.

Export Profile

Uranium is Niger's leading export, accounting for two-thirds of the \$110.8 million total in 2003 (tables NI-2 and NI-3). Livestock is the country's second-largest export, excluding re-exports.⁹⁷ Other agricultural exports include cowpeas and onions. Actual livestock exports far exceed official statistics because large herds of animals informally cross the border into Nigeria.⁹⁸ Informal trade with Nigeria, particularly in cattle and agricultural products, likely amounts to as much as 50 percent of formal trade.⁹⁹ When considering informal trade, Niger's second-leading trading partner is Nigeria. Nigeria is Niger's leading market for fresh vegetable and livestock exports.¹⁰⁰ With respect to re-exports to Nigeria, the value and composition fluctuates greatly on an annual basis depending on price changes. For example, the leading product for re-export in 1995 and 1998 was cigarettes, whereas in 2000 it was textiles.¹⁰¹

As a whole, the structure of Niger's exports has remained largely unchanged since 1995. The European Union, more specifically France, is Niger's largest trading partner, accounting for more than two-thirds of the total value of exports in 2003 (table NI-4). Other markets for Nigerien exports include Japan (5.7 percent of exports), the United Kingdom (4.2 percent), and the United States (3.7 percent). Although Niger's trade regime is considered one of the most open within the region, it is still not well integrated in the global economy.¹⁰² As a result of its membership in the Economic Community Of West African States and the West African Economic and Monetary Union,¹⁰³ most of Niger's formal and informal exports, with the exclusion of uranium, are to Niger's neighbors. However, exports to Italy, Japan, and the Netherlands are growing, with 9-year compound annual growth rates of 23.2 percent, 37.1 percent, and 53.8 percent, respectively.

⁹⁷ Official trade statistics, including those presented in tables NI-2 and NI-3, do not provide an accurate reflection of exports that have been produced in Niger because of the large share of re-exports and the number of informal trade channels. World Trade Organization (WTO), *Trade Policy Review: Niger*, Reports by the Secretariat, WT/TPR/S/118, June 30, 2003, p. 8.

⁹⁸ U.S. Department of State, "Background Notes: Niger," Apr. 2005, found at www.state.gov/r/pa/ei/bgn/5474.htm, retrieved Apr. 7, 2005.

⁹⁹ EIU, *Niger Country Profile*, p. 31.

¹⁰⁰ WTO, *Trade Policy Review: Niger*, p. 8.

¹⁰¹ *Ibid.*, p. 7.

¹⁰² EIU, *Niger Country Profile*, p. 27.

¹⁰³ For additional information on regional organizations, see app. C.

Table NI-2
Niger: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	85,712.6	117,492.7	73,776.5	66.6	-1.7
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	909.8	1,794.7	2,744.7	2.5	13.1
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	21.7	159,860.2	2,426.7	2.2	68.9
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.1	19.1	1,946.7	1.8	104.4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	145.1	888.2	1,771.3	1.6	32.1
31	Fertilizers	10.5	43.2	1,708.4	1.5	76.2
52	Cotton, including yarns and woven fabrics thereof	1,958.7	3,414.1	1,565.6	1.4	-2.5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	386.9	2,020.1	1,325.6	1.2	14.7
18	Cocoa and cocoa preparations	296.5	441.2	1,307.9	1.2	17.9
44	Wood and articles of wood; wood charcoal	284.8	158.3	1,284.9	1.2	18.2
	Other	17,991.9	17,128.2	20,943.6	18.9	1.7
	Total	107,721.5	303,260.0	110,801.8	100.0	0.3

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table NI-3
Niger: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2844	Radioactive chemical elements and isotopes and their compounds; mixtures and residues containing these products	85,669.2	117,167.7	73,763.6	66.6	-1.6
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	17.7	7,966.7	2,332.5	2.1	72.0
1515	Fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	0.0	0.0	1,946.0	1.8	(¹)
3105	Mineral or chemical fertilizers with two of the three fertilizer elements; fertilizers nesoi; fertilizers in packs etc. not over 10 kg gross weight	0.0	0.0	1,667.3	1.5	(¹)
5201	Cotton, not carded or combed	1,501.3	3,229.6	1,444.1	1.3	-0.4
1801	Cocoa beans, whole or broken, raw or roasted	130.6	441.2	1,301.7	1.2	29.1
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	0.0	91.5	1,198.5	1.1	(¹)
8474	Machinery for sorting, grinding etc. minerals; machinery for agglomerating etc. mineral products and for forming foundry molds of sand; parts thereof	0.0	0.0	860.5	0.8	(¹)
0714	Cassava (manioc), arrowroot, salep, jerusalem artichokes, sweet potatoes and similar roots etc. (high starch etc. content), fresh or dried; sago	0.2	264.6	759.9	0.7	144.2
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel	110.2	0.0	676.1	0.6	22.3
	Other	20,292.3	174,098.9	24,851.6	22.4	2.3
	Total	107,721.5	303,260.0	110,801.8	100.0	0.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table NI-4

Niger: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
France	83,157.2	116,647.0	75,221.3	67.9	-1.1
Japan	368.5	310.3	6,299.0	5.7	37.1
United Kingdom	6,609.5	3,673.0	4,651.4	4.2	-3.8
United States	2,543.7	12,797.8	4,090.3	3.7	5.4
Netherlands	45.5	5,329.6	2,185.6	2.0	53.8
India	0.0	84.4	2,178.7	2.0	(¹)
Namibia	(²)	(²)	1,549.1	1.4	(¹)
Italy	201.6	149.9	1,321.4	1.2	23.2
Nigeria	0.0	903.6	1,309.7	1.2	(¹)
Togo	78.1	66.6	1,194.6	1.1	35.4
Other	14,717.4	163,297.9	10,800.7	9.7	-3.4
Total	107,721.5	303,260.0	110,801.8	100.0	0.3

¹ Undefined.² Not available.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

The revealed comparative advantage¹⁰⁴ (RCA) analysis shows that Niger has a positive RCA index in 9 of its top 10 exports (appendix E, table E-25). Most of these leading products have exhibited relative stability in their RCA indices and therefore represent attractive export potential. Of the leading 10 products in which Niger has a comparative advantage, the world market is growing most significantly for certain ceramicwares; cyclic alcohols and derivatives; and chlorites, hypochlorites, and hypobromites.

The mining and energy sectors have been identified as having export growth potential. For example, gold and crude petroleum have been cited as sources of export growth.¹⁰⁵ In addition, although not viable at the present time, considerable phosphate deposits could be exploited as the regional demand for fertilizers increases.¹⁰⁶ Likewise, an expansion of the power grid and improved transportation would increase the potential for additional coal mining and power generation station construction. Growth in the energy sector could result in energy exports to the regional market.¹⁰⁷

Improved farming and irrigation techniques could result in increased production of gum arabic, meat, and sesame for export to the region.¹⁰⁸ Should agricultural production increase, downstream food processing or packaging industries could follow.

¹⁰⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁰⁵ UN Integrated Regional Information Networks, "Niger: First gold bar produced from new mine," found at www.irinnews.org, retrieved Mar. 17, 2005.

¹⁰⁶ U.S. Department of State telegram, "Niger: Request for Information for USITC Study on Export Opportunities and Barriers in AGOA Eligible Countries," message reference No. 08545, prepared by U.S. Embassy, Niamey, Feb. 18, 2005.

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

Domestic and International Barriers

Niger ranks below the regional average in many business environment indicators, most notably with respect to labor market rigidities (table NI-5). However, Niger ranks better than the regional average on contract enforcement and property registration. Niger also excels in the amount of days needed to start a business, taking less than one-half the time of other countries in the sub-Saharan region. Niger's score for economic freedom is very close to the regional average, but ranked worse than the regional average in 70 percent of the factors contributing to the overall score (table NI-6). Impediments to investment and business development in Niger include the small domestic economy, limited buying power, and lack of capital accumulation; a slow and cumbersome bureaucracy; high transportation costs; and the lack of a trained labor force and service providers resulting from low literacy and adult education rates.¹⁰⁹

Table NI-5
Niger: Business environment

	Niger	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	18.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	2.6	17.1	72.1
Closing a business: Time (<i>years</i>)	5.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	74.6	41.8	5.2
Getting credit: Credit information Index	3.0	2.1	5.0
Getting credit: Legal rights index	4.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	1.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	42.0	43.0	10.8
Enforcing contracts: Number of procedures	33.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	330.0	434.0	229.0
Registering a property: Number of procedures	5.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	12.5	13.2	4.9
Registering a property: Time (<i>days</i>)	49.0	114.0	34.0
Starting a business: Number of procedures	11.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	396.4	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	744.7	254.1	44.1
Starting a business: Time (<i>days</i>)	27.0	63.0	25.0
Employment: Difficulty of firing index	70.0	50.6	26.8
Employment: Difficulty of hiring index	100.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	76.0	59.5	40.4
Employment: Rigidity of employment index	90.0	56.0	34.4
Employment: Rigidity of hours index	100.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	<i>(Niger, applied rate, 2002)</i>		
All goods			12.1
Agricultural goods			14.0
Nonagricultural goods			11.9

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

¹⁰⁹ U.S. Department of State telegram, "Niger: Investment Climate Statement," message reference No. 250356, prepared by U.S. Embassy, Niamey, Jan. 14, 2005.

Table NI-6
Niger: Economic freedom

	Niger	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(²)	3.6	2.5
2000 Overall score	4.1	3.7	2.2
2005 Overall score	3.5	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	3.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	5.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

The biggest impediment that Niger faces is an underdeveloped infrastructure. There are insufficient roadways in Niger, and those roads that exist are generally of poor quality. Of the 10,100 kilometers of roads, only 7.9 percent are paved (table NI-7). Similarly, Niger’s information infrastructure is undeveloped. Less than 2 percent of the population has access to the Internet, mobile phones, and telephone land lines.

Table NI-7
Niger: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 1999</i>)	10,100.0
Roads, paved (<i>percent of total roads, 1999</i>)	7.9
Transport services (<i>percent of service exports, BoP</i>)	(²)
Transport services (<i>percent of service imports, BoP</i>)	(²)
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	3.3
Internet users (<i>per 1,000 people, 2002</i>)	1.3
Mobile phones (<i>per 1,000 people, 2002</i>)	1.4
Telephone mainlines (<i>per 1,000 people, 2002</i>)	1.9
Electric power transmission and distribution losses (<i>percent of output</i>)	(²)
Energy imports, net (<i>percent of commercial energy use</i>)	(²)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

With regard to the agricultural sector, the export of downstream livestock products such as milk, meat, hides, and skins is constrained by limited transportation infrastructure and slaughterhouses.¹¹⁰ Niger is also at a disadvantage because it does not have direct access to a major seaport. Although Niger's products have benefitted from tariff preferences in its major export markets, nontariff barriers represent a major impediment for Nigerien exports in markets such as Canada, the United States, the European Union, and Japan. Requirements set by those countries for sanitary and phytosanitary standards for many products are costly to meet.

¹¹⁰ EIU, *Niger Country Profile*, p. 27.

Economic Overview

Rwanda is a small, land-locked country in east-central Africa with a GDP of \$1.6 billion and a population of 8.3 million in 2003 (table RW-1). Ninety percent of the population lives in rural areas with the majority of the population existing on subsistence farming.¹¹² The country has a sunny, tropical climate and two rainy seasons, giving it an agricultural advantage. Protracted civil wars, culminating in the genocide of 1994, have resulted in the death and displacement of many Rwandans. Prolonged turmoil has also destroyed much of the nation's limited infrastructure and production resources.¹¹³ The Rwandan government has initiated several broad economic and financial reforms, including improving government institutions and privatizing state-owned enterprises.¹¹⁴ Rwandan international trade is small, representing approximately 36.2 percent of GDP in 2003, but higher than the 1992-2002 average of 17 percent.¹¹⁵

Agriculture accounted for 41.4 percent of Rwanda's GDP in 2002 (figure RW-1). Economic activity is dominated by many large coffee and tea plantations; various fruit products and, more recently, horticultural products are also traded. Almost all agricultural activity relies exclusively on rainfall, as irrigation is limited. The Rwandan government owns all land. Agricultural cooperatives and other private entities must obtain leasing rights and privileges on a simple fee basis to hold the land rights for 50 to 99 years.¹¹⁶ Services accounted for 37.3 percent of GDP, and is composed primarily of wholesale and resale trade, transportation, and public administration.

Industry accounted for 21.3 percent of GDP in 2002. Within the industry sector, manufacturing, which accounted for 10 percent of GDP in 2002,¹¹⁷ is dominated by food, beverages, and tobacco production, which together account for 80 percent of manufacturing output. Manufacturing also includes small chemical and textile and apparel segments, a

¹¹¹ Prepared by Christopher B. Mapes, Office of Industries.

¹¹² Integrated Framework (IF) "Rwanda Diagnostic Trade Integration Study Concept Note," Nov. 12, 2004, found at www.integratedframework.org/countries/rwanda.htm, retrieved Feb. 18, 2005.

¹¹³ Reportedly 1 million people were killed, 2 million people were driven into exile, over a 100,000 people were put in prison, and thousands of people were handicapped, both physically and mentally. UK Embassy of Rwanda, found at www.ambarwanda.org.uk/genocide/index.htm, retrieved Apr. 5, 2005.

¹¹⁴ IF, "Rwanda Diagnostic Trade Integration Study Concept Note."

¹¹⁵ Trade and GDP generally increased during the period; a drought in 2002-03 caused the 2003 GDP growth to stall, which increased the export-to-GDP ratio. East and Central Africa Trade Hub (ECAHUB), "Development of National AGOA Export Strategies for Rwanda (2004 - 2008)," Oct. 2004, found at www.ecatradehub.com/reports/rp.downloads/2005.AGOA.Strategy.Rwanda.pdf, retrieved Mar. 21, 2005.

¹¹⁶ U.S. Department of State, "Rwanda Country Commercial Guide - 2004," prepared by U.S. Embassy, Kigali, Oct. 2004.

¹¹⁷ Banque Nationale du Rwanda, "Structure des exportations annuelles de 1995 à 2003," 2004, p. 110; and International Monetary Fund (IMF), "The Global Demographic Transition," *World Economic Outlook*, Sept. 2004, p. 206.

Table RW-1
Rwanda: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	1,637.3
GDP growth (annual percent, based on local currency, 2003)	3.2
GDP per capita growth (annual percent, based on local currency, 2003)	2.1
Inflation, consumer prices (annual percent, 2003)	6.9
External debt, total (current US\$, millions, 2002)	1,435.0
Total debt service (percent of exports of goods and services, 2002)	14.9
Exports of goods and services (percent of GDP, 2003)	8.6
Trade (percent of GDP, 2003)	36.2
Official exchange rate (local currency unit per US\$, period average, 2003)	537.7
Population, total (millions, 2003)	8.3
Population growth (annual percent, 2003)	1.1
Labor force, total (millions, 2003)	4.5
Labor force participation rate, total (percent, 2002)	53.2
Literacy rate, adult total (percent of people ages 15 and above, 2002)	69.2
Primary school enrollment ratio, total (percent, 2000) ²	119.0
Secondary school enrollment ratio, total (percent, 2000)	14.0
Land use, arable land (percent of total, 2001)	40.5
Gross capital formation (percent of GDP, 2003)	20.2
Gross fixed capital formation (percent of GDP, 2003)	20.2
Foreign direct investment, net inflows (percent of GDP, 2002)	0.2

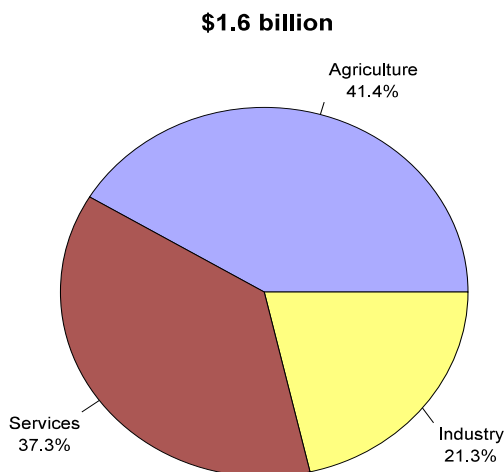
¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure RW-1
Rwanda: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

small amount of mineral and metal processing (metal products include gold and tin), and multiple handicrafts.¹¹⁸ The construction sector share of GDP has increased from 5 percent to 8 percent during 1995-2002,¹¹⁹ because of infrastructure rebuilding and refugee housing projects.¹²⁰ Despite accounting for less than 1 percent of GDP in 2002,¹²¹ Rwanda's mining products became the largest export value category in 2001.¹²² Domestically consumed quarrying products include construction-related raw materials such as cement, sand, gravel, and aggregate. Exported mineral products include concentrates of coltan,¹²³ cassiterite (a tin mineral), wolframite (a tungsten mineral), and sapphires.

FDI in Rwanda was estimated at \$2.6 million in 2002, and has been negligible since the 1994 genocide, ranging between \$1 million and \$8 million per year. South African sources, including mobile phone service and fuel distribution providers, are the largest foreign investors. The government has expressed its intention to privatize all 74 parastatals, but only 30, almost all small, with a total value of \$7 million, were privatized through 2003.¹²⁴ The large telecommunications, energy, banking, and tea plantation parastatals have not yet been privatized.

Export Profile

Rwandan exports totaled \$107.7 million in 2003 (table RW-2). Rwanda's export composition is heavily weighted toward minerals and metals, which accounted for 5 of the top 10 export categories (table RW-3), and coffee and tea, which were the third- and fifth-largest export products in 2003. Rwanda's largest export market is Indonesia, which accounted for more than 61 percent of total exports in 2003 (table RW-4).¹²⁵ Exports to Hong Kong and Thailand also increased substantially during 1994-2003, accounting for less than 6 percent of the total. Many exports such as tea, leather products, and some mineral products have yet to recover completely from the extensive disruption caused by the 1994 genocide and civil unrest. Some mining facilities resumed operations only recently.¹²⁶

¹¹⁸ Economist Intelligence Unit (EIU), *Rwanda Country Profile*, 2004, p. 32.

¹¹⁹ Banque Nationale du Rwanda, "Structure des exportations annuelles," p. 110; and IMF, "The Global Demographic Transition," p. 206.

¹²⁰ Banque Nationale du Rwanda, *Annual Report 2002*, pp. 19-21. Cement production, mostly for domestic construction, increased by 66 percent during 1997-2002.

¹²¹ Banque Nationale du Rwanda, "Structure des exportations annuelles," p. 110; and IMF, "The Global Demographic Transition," p. 206.

¹²² EIU, *Rwanda Country Profile*, p. 32.

¹²³ Coltan is a common term in sub-Saharan Africa for the mineral columbo-tantalite, from which niobium (columbium) and tantalum can be obtained. Niobium and tantalum are critical metals for electronic components of cell phones, computer chips, and numerous high-tech electronics.

¹²⁴ EIU, *Rwanda Country Profile*, p. 27.

¹²⁵ Discounting the unsubstantiated export value to Indonesia for HS 2709.

¹²⁶ "Rwanda," Infomine-Africa, found at www.infomine-africa.com/Rwanda.asp, retrieved Mar. 29, 2005.

Table RW-2
Rwanda: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	32.9	71.0	65,786.1	61.1	132.7
26	Ores, slag and ash.	3,287.9	5,318.9	18,758.6	17.4	21.3
09	Coffee, tea, mate and spices.	30,198.7	31,372.1	16,223.3	15.1	-6.7
41	Raw hides and skins (other than furskins) and leather	3,067.0	660.7	909.3	0.8	-12.6
72	Iron and steel.	38.1	7.4	737.3	0.7	39.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	413.8	77.7	623.3	0.6	4.7
80	Tin and articles thereof.	30.0	0.0	622.5	0.6	40.1
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	96.4	210.3	590.6	0.5	22.3
47	Pulp of wood/of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	0.0	0.0	446.7	0.4	(¹)
62	Articles of apparel and clothing accessories, not knitted or crocheted	51.8	5.1	314.7	0.3	22.2
	Other	1,676.1	7,554.0	2,700.0	2.5	5.4
	Total	38,892.7	45,277.3	107,712.5	100.0	12.0

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table RW-3
Rwanda: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, percent or 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2709	Petroleum oils and oils from bituminous minerals, crude . .	0.0	0.0	65,659.2	61.0	(¹)
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	1,410.1	3,910.5	15,890.5	14.8	30.9
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee . .	27,446.2	30,463.8	15,106.1	14.0	-6.4
2609	Tin ores and concentrates	1,877.8	1,222.9	1,839.2	1.7	-0.2
0902	Tea, whether or not flavoured	2,751.3	908.2	1,117.2	1.0	-9.5
2611	Tungsten ores and concentrates	0.0	185.4	893.6	0.8	(¹)
7206	Iron and nonalloy steel in ingots or other primary forms (excluding iron of heading 7203)	0.0	0.0	723.8	0.7	(¹)
8001	Tin, unwrought	30.0	0.0	622.5	0.6	40.1
4702	Chemical wood pulp, dissolving grades	0.0	0.0	446.7	0.4	(¹)
4103	Raw hides and skins nesoi (fresh or preserved, but not tanned or further prepared), whether or not dehaired or split	1,918.3	36.6	401.6	0.4	-15.9
	Other	3,459.0	8,549.8	5,012.1	4.7	4.2
	Total	38,892.7	45,277.3	107,712.5	100.0	12.0

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table RW-4
Rwanda: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Indonesia	0.0	0.2	66,105.9	61.4	(¹)
Germany	13,443.0	11,243.0	8,079.0	7.5	-5.5
China	0.0	1,738.8	7,116.9	6.6	(¹)
Hong Kong, China	2.1	123.7	4,224.6	3.9	133.2
Netherlands	8,214.6	2,988.0	3,290.8	3.1	-9.7
United States	1,685.0	3,825.7	2,880.1	2.7	6.1
Belgium	(²)	4,311.9	2,326.4	2.2	(¹)
Thailand	5.3	157.1	1,919.5	1.8	92.6
Romania	0.0	570.0	1,528.5	1.4	(¹)
Denmark	595.4	683.1	1,041.5	1.0	6.4
Other	14,947.4	19,635.8	9,199.2	8.5	-5.3
Total	38,892.7	45,277.3	107,712.5	100.0	12.0

¹ Undefined.

² Not available.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Rwanda's leading exports—minerals and metals and coffee—are likely to be the engines of export growth in the short to mid term. Rwanda's hilly terrain, of which 41 percent is arable, gives it a natural advantage in the growth of certain agricultural products such as coffee and, more recently, tea. Rwanda also has a natural advantage in minerals and metals, notably in gold, tin, gemstones, and other metals. However, opportunities for increasing Rwandan exports may also be found in downstream processed products. Given their high input and transport costs, most consultants are advising Rwandan producers to target high-end, niche products that garner higher prices and take advantage of Rwanda's low-cost labor.¹²⁷

The outlook for Rwanda's mineral exports depends on the resolution of political instability and favorable world market conditions for coltan, gold, tin, and tungsten. Historically, tin exports had been the dominant mineral export. Rwanda was one of the major tin-producing countries in the 1980s,¹²⁸ approaching 1 percent of world production¹²⁹ and peaking at 1,100 short tons in 1990.¹³⁰ However, since 2000, coltan has become the largest mineral export. REDEMI, the state-owned mining company, has more than doubled production of multiple products during 2000-04, including cassiterite (up by 169 percent to 603 short tons), coltan

¹²⁷ ECAHUB, "Development of National AGOA Export Strategies."

¹²⁸ T. Yager, "The Mineral Industries of Burundi, Comoros, Malawi, Mauritius, Reunion, Rwanda and Seychelles," U.S. Geological Survey (USGS), 2003, found at <http://minerals.usgs.gov/minerals/pubs/country/2003/bycnmimprfrwsemyb03.pdf>, retrieved Mar. 28, 2005; and USGS tin commodity specialist, interview by USITC staff, Washington, DC, Apr. 18, 2005.

¹²⁹ J. Carlin, *Tin Statistical Compendium*, USGS, found at <http://minerals.usgs.gov/minerals/pubs/commodity/tin/stat>, retrieved Apr. 12, 2005.

¹³⁰ EIU, *Rwanda Country Profile*, p. 32.

(up by 154 percent to 33 short tons), and wolframite (up by 110 percent to 258 short tons).¹³¹ In addition, Rwanda also has undeveloped beryllium, kaolin, and peat deposits,¹³² and REDEMI's announced intention to begin offering concessions for sale in 2007 should increase production of multiple mineral resources destined largely for export.¹³³

The revealed comparative advantage¹³⁴ (RCA) analysis shows comparative advantage gains for woven fabrics, indicating potential for increased sector exports (appendix E, table E-28). Rwanda's main producer, Première Usine Textile du Rwanda (UTEXRWA), was established in 1985 and, despite continuing low production capacity, has rapidly expanded in the last few years to become an integrated textile company with spinning, weaving, dyeing, printing, and apparel-making capabilities. It produces industrial and school apparel and basic products such as sheets and curtains. It operates a growing textile mill with an in-house garment manufacturing facility. UTEXRWA has already established contact with U.S. customers such as WalMart. Other small textile weaving companies are also expanding, such as Gahaya Links, which specializes in hand-loomed textile products.¹³⁵ The export potential of textile and apparel products is, however, dampened by the end of quotas in 2005.¹³⁶

Downstream chemical manufacturing opportunities include sodium hydroxides and peroxides, which can be a product of peat processing; calcium carbides, which are generated from carbon and limestone; and carbon black, a specialty product added to rubber tires, which is derived almost exclusively from the burning of natural gas.

The Rwandan government has identified coffee as an export growth product. Given declining international coffee prices,¹³⁷ the government plans to increase its sales of high-grade arabica coffee by developing specialty products that could potentially triple the income to the farmers. This policy requires introducing improved harvesting techniques and coffee-washing technology,¹³⁸ as well as introducing flavoring and packaging options to further process the coffee for export.¹³⁹

Other agricultural sector products also exhibit opportunities to diversify exports. For example, RCA analysis indicates that dried fruit and frozen fish have gained in comparative advantage, suggesting potential export growth for downstream products. In each case, additional processing beyond raw materials (e.g., to dry the fruit and to freeze the fish) has provided the opportunity to increase the margins on exported products and absorb the additional transport costs associated with inadequate transportation infrastructure.

¹³¹ "Rise in Redemi's Production," *Africa Mining Intelligence: Rwanda*, No. 79, Feb. 18, 2004, p. 2, found at www.africaintelligence.com/recherche/navigation/p_navig_recherche.asp, retrieved Apr. 11, 2005.

¹³² Yager, "The Mineral Industries."

¹³³ "Rise in Redemi's Production."

¹³⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹³⁵ ECAHUB, "Development of National AGOA Export Strategies."

¹³⁶ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹³⁷ Jason Bauer, OTF Group, 7th Annual Africa Business Conference, The Africa Business Club of Harvard Business School, Feb. 11-13, 2005.

¹³⁸ C. Spratling, "Premium beans, premium benefits," *Detroit Free Press*, Mar. 18, 2005, found at www.freep.com/features/living/rwanda18e_20050318.htm, retrieved Apr. 22, 2005.

¹³⁹ ECAHUB, "Development of National AGOA Export Strategies."

Consultants have identified ecotourism as a services sector trade opportunity. Rwanda has a highland forest with over 30 species of primates, including gorillas. To capitalize on these assets, consultants suggest that Rwanda develop a research center that offers university programs to attract additional visitors who would stay in the country longer than the typical ecotourist.¹⁴⁰

Domestic and International Barriers¹⁴¹

In general, increasing production levels and improving delivery capacities are the key to increased exports of existing products. Rwanda's typically low production capacity results from a lack of technology and costly and inefficient transportation stemming from underdeveloped infrastructure. These factors impede Rwanda's participation and integration in the global economy, and negatively affect investment. The challenges confronting potential investors in Rwanda include a shortage of reliable and affordable energy, regional instability, inadequate transport links, lack of fiscal discipline, and the slow privatization process.¹⁴² Additionally, several business environment issues such as the cost and time required to register a property and start a business, negatively affect business development (table RW-5). However, economic freedom measures are improving such that Rwanda's overall score is approaching the regional average in 2005 (table RW-6).

The East and Central African Trade Hub notes a number of impediments to increasing Rwanda's exports, including lack of technical/management skills necessary for diversification into downstream products; nearly inaccessible roads from production sites to distribution centers or ports; no native seaport; small domestic capital base for local investment; lack of sufficient reasonable-term credit for working capital; lack of technology transfer to increase downstream production; high utility costs, including transport fuel; few cold storage (for perishables) and warehouse facilities; low electrical supply, at high cost; low water supply, especially clean running water; expensive information technology services; significant "red tape" paperwork delays; limited marketing knowledge; weak cross-sectoral linkages, translating into little support for small and medium enterprises; and varied tariff and nontariff barriers.¹⁴³

Reportedly accounting for 40 to 60 percent of sales value, Rwanda's high transport costs are a major barrier to export diversification.¹⁴⁴ Rwandan producers are thus unable to compete in many overseas markets, especially commodity markets, and expand into new export products.¹⁴⁵ As Rwanda has no railways,¹⁴⁶ all transport is road based, and only 8.3 percent of roads are paved (table RW-7). Rwanda has two routes to access ports – a northern corridor through Kampala to Mombasa and a central corridor to Dar-es-Salaam. Because of the lack of security and dilapidated roads in the central corridor, 80 percent of traffic uses the northern corridor. However, the greater security of the northern route comes at the expense

¹⁴⁰ Bauer, 7th Annual Africa Business Conference.

¹⁴¹ Much of this section is derived from IF, "Rwanda Diagnostic Trade Integration Study Concept Note."

¹⁴² US&FCS, "Rwanda Country Commercial Guide, FY 2004."

¹⁴³ ECAHUB, "Development of National AGOA Export Strategies."

¹⁴⁴ Ibid.

¹⁴⁵ For a detailed description of the transportation issue, see IF, "Rwanda Diagnostic Trade Integration Study Concept Note."

¹⁴⁶ EIU, *Rwanda Country Profile*, p. 23.

Table RW-5
Rwanda: Business environment

	Rwanda	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	(¹)	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	0.0	17.1	72.1
Closing a business: Time (<i>years</i>)	(¹)	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	(²)	41.8	5.2
Getting credit: Credit information Index	3.0	2.1	5.0
Getting credit: Legal rights index	5.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	1.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	49.5	43.0	10.8
Enforcing contracts: Number of procedures	29.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	395.0	434.0	229.0
Registering a property: Number of procedures	5.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	9.5	13.2	4.9
Registering a property: Time (<i>days</i>)	354.0	114.0	34.0
Starting a business: Number of procedures	9.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	316.9	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	21.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	89.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	54.0	59.5	40.4
Employment: Rigidity of employment index	76.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	<i>(Rwanda, applied rate, 2002)</i>		
All goods			19.2
Agricultural goods			14.5
Nonagricultural goods			19.9

¹ No practice.
¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table RW-6
Rwanda: Economic freedom

	Rwanda	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(²)	3.6	2.5
2000 Overall score	4.3	3.7	2.2
2005 Overall score	3.5	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.4	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	5.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table RW-7
Rwanda: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	12,000.0
Roads, paved (<i>percent of total roads, 1999</i>)	8.3
Transport services (<i>percent of service exports, BoP, 2002</i>)	18.7
Transport services (<i>percent of service imports, BoP, 2002</i>)	44.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	16.4
Internet users (<i>per 1,000 people, 2002</i>)	3.1
Mobile phones (<i>per 1,000 people, 2002</i>)	13.6
Telephone mainlines (<i>per 1,000 people, 2002</i>)	2.8
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

of more checkpoints, resulting in delays and increased transit costs. The cost of moving goods to or from the coast is reportedly often more than twice the cost of ocean-borne shipping to and from Europe or Asia.¹⁴⁷

The length and variability of shipping times require producers to maintain large inventories, which tie up capital and increase the cost of products. This constraint is particularly difficult as interest rates average 20 percent.¹⁴⁸ Rwandan producers also face a number of customs barriers on both imports and exports that lead to delays and increased costs, including the inefficient bonded warehouse system and the multiple customs frontiers that must be crossed.¹⁴⁹ Airline-based trade¹⁵⁰ is being evaluated to assist in the development of services-based export activities.¹⁵¹ Air transport is also considered important to the development of nontraditional exports such as horticulture.

Insufficient water and power hinders development in all sectors. The national electric utility monopoly, Electrogaz, is almost entirely dependent upon hydroelectric power. Thus, the drought of the past 2 years has caused regular supply interruptions¹⁵² during a time when demand is increasing by more than 10 percent per year.¹⁵³ As a short-term remedy, many companies have purchased their own electrical generators to improve supply reliability, but this is more expensive than hydroelectricity.¹⁵⁴ Other companies have significantly curtailed output.¹⁵⁵ Several businesses report that they have been unable to carry out plans to expand production because of unreliable water and energy supplies.¹⁵⁶ Water is also becoming

¹⁴⁷ For multiple examples, see IF, “Rwanda Diagnostic Trade Integration Study Concept Note.”

¹⁴⁸ Regional organization official, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

¹⁴⁹ IF, “Rwanda Diagnostic Trade Integration Study Concept Note.”

¹⁵⁰ The principal airlines are Air France and Sabena, as well as some regional airlines. “Rwanda,” Infomine-Africa, found at www.infomine-africa.com/Rwanda.asp, retrieved Mar. 29, 2005.

¹⁵¹ Regional organization representative, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005.

¹⁵² IF, “Rwanda Diagnostic Trade Integration Study Concept Note.”

¹⁵³ Ibid.

¹⁵⁴ Energy product imports were 108,506 short tons, at a value of \$40.2 million, in 2003; energy imports accounted for nearly 16 percent of Rwanda's total imports. Banque Nationale du Rwanda, “Structure des exportations annuelles.”

¹⁵⁵ IF, “Rwanda Diagnostic Trade Integration Study Concept Note.”

¹⁵⁶ Ibid.

increasingly scarce, and the urban water supply is dependent upon energy supply reliability. This also affects tourism.

Another barrier to accessing export markets is the lack of technical capacity to meet product standards and requirements. To successfully market products internationally, especially agricultural products, Rwanda must meet international standards in process and quality. With the creation of the Rwandan Bureau of Standards in 2002, Rwanda is introducing a modern system of standardization that did not exist.¹⁵⁷

With regard to the agricultural sector, lack of access to credit constrains export growth; only 2 percent of bank credit went to the agricultural sector in 2002.¹⁵⁸ High interest rates and demands for 100-percent collateral make formal loans prohibitively expensive. Access to credit to finance crop selection, fertilizer use, and marketing is necessary for large-scale production and expansion into downstream products.

As noted above, Rwanda's land-locked geographic position, requiring the need to access neighboring country transportation infrastructure and the associated additional costs, limits export diversification into low-margin, high-volume exports. In addition, rules of origin requirements for certain exports such as textile and apparel products were identified as limiting market access and export growth.¹⁵⁹

¹⁵⁷ ECAHUB, "Development of National AGOA Export Strategies."

¹⁵⁸ IF, "Rwanda Diagnostic Trade Integration Study Concept Note."

¹⁵⁹ Brenton and Ikezuki, "The Value of Trade Preferences for Africa," mimeo, World Bank, 2004, found at www.ileapinitiative.com/pages/pdfs/WB,%20Trade%20Prefs_rcvd%2011.07.04_FINAL%20FORMAT.pdf, retrieved Apr. 6, 2005.

Economic Overview

Sierra Leone, located on the west coast of Africa, had a GDP of \$793.3 million in 2003 (table SL-1). With a population of 5.3 million, Sierra Leone's GDP per capita of \$150 places it among the poorest countries in the world. The 1991-2002 civil war displaced about 2 million people, devastated the country's infrastructure, disrupted economic activity, and stifled the export sector.¹⁶¹ Sierra Leone's economy is based on production of rice for the domestic market, and diamond mining, which likely accounts for about 90 percent of total official exports. In addition, a significant volume of diamonds are smuggled out of the country.¹⁶²

Sierra Leone's real GDP grew by 6.5 percent in 2003, reflecting recovery in the agricultural sector, strong growth in diamond mining, and modest growth in manufacturing for local consumption.¹⁶³ Agriculture accounted for just over one-half of Sierra Leone's GDP in 2003 (figure SL-1). The sector employs about two-thirds of the labor force,¹⁶⁴ mostly in the production of rice by subsistence farmers.¹⁶⁵ Cash crops include coffee, cocoa, ginger, cassava, bananas, citrus, peanuts, sweet potatoes, and vegetables.¹⁶⁶ Relatively infertile soil limits the potential productivity of arable land. Sierra Leone's timber production ceased during the civil war because the insurgents occupied the forests that had the best prospects for logging.¹⁶⁷ The country's fishing infrastructure also was damaged during the civil war.¹⁶⁸

Industry accounted for almost one-third of Sierra Leone's GDP in 2003, with mining the main industrial activity. Sierra Leone's mineral resources include diamonds, gold, iron ore, rutile (a source of titanium), and bauxite (a source of aluminum); however, only diamonds and gold currently are mined and exported. Diamond production in Sierra Leone reportedly amounts to about \$300 million annually. Roughly 90 percent of production is smuggled out of the country without payment of taxes.¹⁶⁹ Sierra Leone's only iron ore mine was abandoned prior to the civil war. A bauxite mine ceased operations in 1995 after it was attacked during the civil war. A rutile mine also ceased operations in 1995 after it, too, came under attack. Prior to its closure, the mine accounted for 25 percent of the world's production of rutile.

¹⁶⁰ Prepared by Ralph Watkins, Office of Industries.

¹⁶¹ Economist Intelligence Unit, (EIU), *Sierra Leone Country Profile*, 2004, p. 44; and World Trade Organization (WTO), *Trade Policy Review: Sierra Leone*, Report by the Secretariat, Jan. 7, 2005, p. 3.

¹⁶² EIU, *Sierra Leone Country Profile*, p. 31.

¹⁶³ EIU, *Sierra Leone Country Profile*, p. 28.

¹⁶⁴ U.S. & Foreign Commercial Service (US&FCS), "Sierra Leone 2003 Country Commercial Guide," found at www.stat-usa.gov, retrieved Feb. 4, 2005.

¹⁶⁵ EIU, *Sierra Leone Country Profile*, p. 24.

¹⁶⁶ U.S. Department of State, "Background Notes: Sierra Leone (November 2004)," found at www.stat-usa.gov, retrieved Feb. 4, 2005, p. 2.

¹⁶⁷ EIU, *Sierra Leone Country Profile*, pp. 19 and 29.

¹⁶⁸ US&FCS, "Sierra Leone 2003 Country Commercial Guide."

¹⁶⁹ WTO, *Trade Policy Review: Sierra Leone*, p. x.

Table SL-1
Sierra Leone: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	793.3
GDP growth (annual percent, based on local currency, 2003)	6.5
GDP per capita growth (annual percent, based on local currency, 2003)	4.5
Inflation, consumer prices (annual percent, 2003)	7.6
External debt, total (current US\$, millions, 2002)	1,447.7
Total debt service (percent of exports of goods and services)	(²)
Exports of goods and services (percent of GDP, 2003)	18.0
Trade (percent of GDP, 2003)	66.7
Official exchange rate (local currency unit per US\$, period average, 2003)	2,347.9
Population, total (millions, 2003)	5.3
Population growth (annual percent, 2003)	1.9
Labor force, total (millions, 2003)	2.0
Labor force participation rate, total (percent, 2002)	37.2
Literacy rate, adult total (percent of people ages 15 and above)	(²)
Primary school enrollment ratio, total (percent, 2000)	65.3
Secondary school enrollment ratio, total (percent, 2000)	26.0
Land use, arable land (percent of total, 2001)	7.0
Gross capital formation (percent of GDP, 2003)	18.5
Gross fixed capital formation (percent of GDP, 2003)	18.5
<u>Foreign direct investment, net inflows (percent of GDP, 2002)</u>	<u>0.6</u>

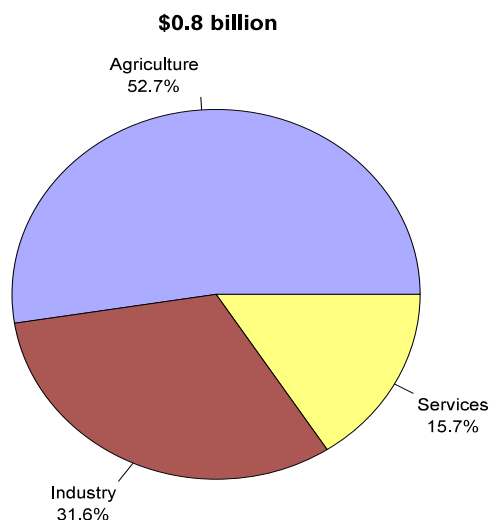
¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure SL-1
Sierra Leone: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Manufacturing accounted for an estimated 3 percent of GDP in 2003.¹⁷⁰ Products currently manufactured on a small scale for the domestic market include plastic footwear, apparel, small furniture items, beer, soft drinks, matches, candles, and travel bags.¹⁷¹

Export Profile

World Bank data based on reports by partner countries of imports from Sierra Leone show that Sierra Leone's exports totaled \$196.2 million in 2003 (table SL-2).¹⁷² However, according to the Bank of Sierra Leone, the country's exports totaled \$84.0 million in 2003. The World Bank reports that Sierra Leone's diamond exports in 2003 amounted to \$96.3 million and accounted for nearly one-half of Sierra Leone's total exports (table SL-3).¹⁷³ Actual diamond exports likely amounted to three times the value officially reported as imported by Sierra Leone's trading partners because most diamonds are smuggled out of the country to avoid paying the export tax. Total diamond exports likely accounted for over 90 percent of the value of Sierra Leone's actual exports.¹⁷⁴ Exports of bauxite and rutile amounted to about \$76 million in 1994, when they accounted for nearly one-half of the country's exports. However, as noted above, both mines closed in 1995 following attacks by forces of the Revolutionary United Front, and Sierra Leone's exports in 1999 were 42-percent smaller than in 1994. Exports of cocoa beans were valued at \$7.0 million, or 3.6 percent, of total exports.¹⁷⁵

The European Union is the largest market for Sierra Leone exports, accounting for more than 87 percent of Sierra Leone's shipments by value in 2003. Belgium, Sierra Leone's largest single export market, accounted for almost one-half of total exports in 2003 (table SL-4). In 2003, approximately 95 percent of Sierra Leone's officially traded diamonds were exported to Belgium for processing. Germany and Italy were the leading markets for Sierra Leone's exports of cocoa beans in 2003, and Morocco and the Czech Republic were the leading markets for Sierra Leone's coffee. All of Sierra Leone's exports of crustaceans and molluscs in 2003 were shipped to France.¹⁷⁶ Sierra Leone's exports of cocoa beans and crustaceans more than doubled in 2003 compared with 2002; exports of coffee declined slightly.¹⁷⁷

¹⁷⁰ From the 2004 *Annual Statistical Digest* by the Sierra Leone Central Statistics Office, as reported in WTO, *Trade Policy Review: Sierra Leone*, p. 3.

¹⁷¹ US&FCS, "Sierra Leone 2003 Country Commercial Guide."

¹⁷² Export data in tables SL-2, SL-3, SL-4, which are based on reports by partner countries of imports from Sierra Leone, may be subject to reporting errors. Exports of articles classified in HS chapters 22, 38, 61, 72, 74, 84, 85, and 94 (alcoholic beverages, chemicals, apparel, articles of steel and copper, electronic components, electro-mechanical appliances, and furniture, respectively) were likely exported from Slovenia, but inadvertently reported as U.S. and EU imports from Sierra Leone. EIU, *Sierra Leone Country Profile*, p. 35.

¹⁷³ WTO, *Trade Policy Review: Sierra Leone*, p. 13. According to the Bank of Sierra Leone and Sierra Leone's Ministry of Finance, diamond exports totaled \$76.7 million in 2003 and accounted for 91 percent of the country's total exports that year. Manufactured goods accounted for 5 percent, and cocoa, 3 percent.

¹⁷⁴ WTO, *Trade Policy Review: Sierra Leone*, p. x.

¹⁷⁵ The remaining eight categories listed in tables SL-2 and SL-3 are not produced in and/or exported from Sierra Leone.

¹⁷⁶ World Bank, World Integrated Trade Solution database, reports of imports from Sierra Leone by partner countries.

¹⁷⁷ *Ibid.*

Table SL-2
Sierra Leone: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin . . .	23,685.7	34,755.8	96,482.8	49.2	16.9
94	Furniture; bedding, cushions etc.; lamps and lighting fittings nesoi; illuminated signs, nameplates and the like; prefabricated buildings	808.6	1,095.9	20,959.1	10.7	43.6
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	5,821.4	4,084.1	14,127.9	7.2	10.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	2,085.2	3,425.7	10,616.7	5.4	19.8
22	Beverages, spirits and vinegar	17.7	35.9	8,945.5	4.6	99.7
18	Cocoa and cocoa preparations.	4,039.7	2,600.9	7,219.5	3.7	6.7
61	Articles of apparel and clothing accessories, knitted or crocheted	420.9	357.0	5,058.5	2.6	31.8
74	Copper and articles thereof.	174.9	276.3	3,425.9	1.7	39.2
38	Miscellaneous chemical products.	31.1	91.0	1,901.2	1.0	57.9
72	Iron and steel.	1,191.5	411.5	1,850.5	0.9	5.0
	Other	116,969.1	42,570.1	25,566.5	13.0	-15.5
	Total	155,245.9	89,704.3	196,154.1	100.0	2.6

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for Sierra Leone, Slovenia, and St. Lucia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SL-3
Sierra Leone: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
7102	Diamonds, whether or not worked, but not mounted or set . . .	22,858.6	34,599.4	96,324.5	49.1	17.3
9401	Seats (other than barber, dental and similar chairs), whether for not convertible into beds, and parts thereof	212.5	901.7	20,389.4	10.4	66.1
8473	Parts and accessories nesoi for typewriters and other office machines of headings 8469 to 8472	23.5	438.6	9,214.1	4.7	94.1
2208	Ethyl alcohol, undenatured, of an alcoholic strength by volume of under 80% vol.; spirits, liqueurs and other spirituous beverages	9.9	0.0	8,735.4	4.5	112.4
1801	Cocoa beans, whole or broken, raw or roasted	4,002.1	2,600.9	7,027.8	3.6	6.5
8509	Electro-mechanical domestic appliances with self-contained electric motor; parts thereof	240.0	131.5	2,990.9	1.5	32.4
8511	Electrical ignition or starting equipment used for spark-ignition for compression-ignition internal combustion engines; generators etc. therefor; parts	15.4	139.4	2,432.2	1.2	75.5
8533	Electrical resistors (including rheostats and potentiometers), other than heating resistors; parts thereof	16.2	26.9	1,959.9	1.0	70.4
6105	Men's or boys' shirts, knitted or crocheted	0.7	1.5	1,859.5	0.9	141.3
7403	Refined copper and copper alloys (other than master alloys of heading 7405), unwrought	0.0	0.0	1,827.1	0.9	(¹)
	Other	127,867.0	50,864.4	43,393.3	22.1	-11.3
	Total	155,245.9	89,704.3	196,154.1	100.0	2.6

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for Sierra Leone, Slovenia, and St. Lucia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SL-4
Sierra Leone: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Belgium	(¹)	29,184.8	94,065.6	48.0	(²)
France	6,717.7	645.8	43,383.5	22.1	23.0
Germany	17,172.0	2,451.8	20,311.0	10.4	1.9
United Kingdom	30,260.9	5,083.3	6,877.7	3.5	-15.2
United States	54,694.8	10,873.6	6,726.7	3.4	-20.8
India	0.0	110.1	6,390.7	3.3	(²)
Netherlands	7,811.0	522.8	2,569.1	1.3	-11.6
Canada	5,532.4	2,790.7	2,349.0	1.2	-9.1
Spain	12,584.0	83.6	2,048.7	1.0	-18.3
Italy	576.5	78.2	1,593.7	0.8	12.0
Other	19,896.7	37,879.6	9,838.5	5.0	-7.5
Total	155,245.9	89,704.3	196,154.1	100.0	2.6

¹ Not available.

² Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, possibly resulting from the similarity of country codes for Sierra Leone, Slovenia, and St. Lucia.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Sierra Leone is, and is likely to remain, a globally competitive producer and exporter of diamonds as a result of the country's vast diamond reserves and expanding world demand, as indicated by the strength and stability of the revealed comparative advantage¹⁷⁸ (RCA) indices (appendix E, table E-32). Foreign investors have been engaged in Sierra Leone's diamond mining sector and are expanding their operations.¹⁷⁹ Resumption of production at Sierra Leone's rutile mine following the purchase of the mine by foreign investors could boost exports of that commodity.¹⁸⁰ Sierra Leone also has the potential to become an exporter of bauxite and iron ore again if the country can find investors. With its diamond and gold resources, Sierra Leone could become a producer and exporter of jewelry if investments were made in manufacturing equipment.

The agriculture and fisheries sectors may have export growth potential. The RCA analysis indicates that Sierra Leone has a strong revealed comparative advantage in the production of cocoa beans as a result of land that is particularly conducive for cocoa production in the eastern part of the country. Sierra Leone also eventually could develop downstream cocoa-based products for export such as cocoa paste and cocoa butter. In addition, with only about one-third of arable land under cultivation, Sierra Leone has the potential to expand agricultural production and exports of products such as cassava, coffee, palm kernels, ginger,

¹⁷⁸ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁷⁹ EIU, *Sierra Leone Country Profile*, p. 31; and US&FCS, "Sierra Leone 2003 Country Commercial Guide."

¹⁸⁰ EIU, *Sierra Leone Country Profile*, p. 31.

rice, asparagus, avocados, cut flowers, green beans, mangoes, and mushrooms.¹⁸¹ Sierra Leone also has substantial potential to become a seafood exporter. Most of the fish, lobster, shrimp, and shark are caught by artisanal fishermen; investment in a fish processing facility could permit the country to become an exporter of fish products.¹⁸²

Sierra Leone is in the process of establishing an export processing zone for companies that engage in manufacturing and assembly for export.¹⁸³ It is anticipated that the first products to be manufactured in the zone will be spare parts needed to service equipment in the agricultural and mining sectors; such products also could be exported to regional sub-Saharan African markets.¹⁸⁴

The petroleum and tourism sectors have elicited foreign investor interest. Several foreign companies have acquired rights to explore for petroleum and gas off the coast of Sierra Leone.¹⁸⁵ Foreign investors have also expressed interest in developing a business/tourism travel industry in Sierra Leone.¹⁸⁶ If such investment materializes, Sierra Leone could increase exports of petroleum and tourism.

Domestic and International Barriers

Sierra Leone scored worse than the regional average on most business environment indices (table SL-5). The country registered its worst scores in costs for starting and closing businesses, complexity of contract enforcement, and all labor-related indices. Sierra Leone also ranked poorly with respect to economic freedom, particularly in its trade policy, property rights, and regulation scores (table SL-6). Lack of government transparency is reportedly widespread in Sierra Leone and is a significant obstacle to investment. Enforcement of the rule of law is irregular and inefficient.¹⁸⁷ Many professionals in civil service, law, medicine, and education left the country during the civil war, weakening the institutions that rely on such professionals.¹⁸⁸ Although Sierra Leone has a surplus of labor (the labor force participation ratio is less than 40 percent), the lack of education in the labor force limits the availability of skilled labor required for diversification into more skill-intensive industries.

Inadequate infrastructure is a significant impediment to investment, production, and the expansion of exports. Much of the country's transportation network was damaged or destroyed during the civil war and has not been repaired. Only 7.9 percent of Sierra Leone's roads are paved (table SL-7). Significant investment is required to enable farmers to get their products to urban areas for domestic sale, and the state of the nation's transportation network prevents farmers from getting their products to the port in Freetown for export. The lack of

¹⁸¹ US&FCS, "Sierra Leone 2003 Country Commercial Guide."

¹⁸² Ibid.

¹⁸³ WTO, *Trade Policy Review: Sierra Leone*, p. 29.

¹⁸⁴ US&FCS, "Sierra Leone 2003 Country Commercial Guide."

¹⁸⁵ EIU, *Sierra Leone Country Profile*, p. 31.

¹⁸⁶ Ibid., p. 35.

¹⁸⁷ See US&FCS, "Sierra Leone 2003 Country Commercial Guide," p. 19, for a discussion of attempts to fight corruption in Sierra Leone.

¹⁸⁸ The National Recovery Strategy recommends the provision of housing for medical workers and teachers at clinics and schools to encourage the return of displaced professionals to their communities. EIU, *Sierra Leone Country Profile*, p. 24.

Table SL-5
Sierra Leone: Business environment

	Sierra Leone	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	38.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	12.1	17.1	72.1
Closing a business: Time (<i>years</i>)	2.5	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	(¹)	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	5.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	31.0	43.0	10.8
Enforcing contracts: Number of procedures	58.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	305.0	434.0	229.0
Registering a property: Number of procedures	8.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	16.5	13.2	4.9
Registering a property: Time (<i>days</i>)	58.0	114.0	34.0
Starting a business: Number of procedures	9.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	1,268.4	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	26.0	63.0	25.0
Employment: Difficulty of firing index	70.0	50.6	26.8
Employment: Difficulty of hiring index	78.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	188.0	59.5	40.4
Employment: Rigidity of employment index	76.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table SL-6
Sierra Leone: Economic freedom

	Sierra Leone	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	3.9	3.6	2.5
2000 Overall score	4.0	3.7	2.2
2005 Overall score	3.8	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	2.5	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	5.0	3.7	1.6
Regulation score	5.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table SL-7
Sierra Leone: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 1999</i>)	11,330.0
Roads, paved (<i>percent of total roads, 1999</i>)	7.9
Transport services (<i>percent of service exports, BoP</i>)	⁽²⁾
Transport services (<i>percent of service imports, BoP</i>)	⁽²⁾
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	18.2
Internet users (<i>per 1,000 people, 2002</i>)	1.6
Mobile phones (<i>per 1,000 people, 2002</i>)	13.4
Telephone mainlines (<i>per 1,000 people, 2002</i>)	4.8
Electric power transmission and distribution losses (<i>percent of output</i>)	⁽²⁾
Energy imports, net (<i>percent of commercial energy use</i>)	⁽²⁾

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

widespread, reliable, and reasonably-priced public utilities also is an obstacle to economic recovery and the resumption of industrial production.¹⁸⁹

Government land policy also impedes foreign investment. Foreigners are prohibited from owning land in Sierra Leone. However, there are many instances of de facto foreign ownership. Technically, all land outside the region around Freetown belongs to the local chiefs, and foreign investors who want to operate in such areas must negotiate leases with the chiefs. Uncertainties with respect to the rights and obligations of leaseholders detract from the business climate in Sierra Leone.¹⁹⁰

With regard to the fisheries sector, Sierra Leone lacks both a well-organized fleet to harvest deep-sea resources, and adequate fish processing facilities. All fish caught in the country’s territorial waters not intended for fresh consumption must be processed in foreign plants.¹⁹¹ Sierra Leone lacks resources to enforce laws against illegal trawling, which impedes investment in the local fishing sector and reduces revenue from licensing fees. Another constraint to increased fish exports is the inability to satisfy international standards. Although the European Union and the United States have banned the import of various fish and fish products from Sierra Leone, the Sierra Leone Standards Bureau reportedly is in the process of developing standards and codes of conduct in compliance with EU directives on sanitary certification for fish and fish products.¹⁹²

The primary international impediment to increased exports is regional instability. For example, Sierra Leone’s leading cash crops, coffee, cocoa, and palm products, are grown in the eastern part of the country, near the border with Liberia. Regional political instability, evident in cross-border raids by insurgents from Liberia, have retarded the development of these products for export.¹⁹³ Regional instability has also destroyed resources that could be used for the development of downstream production. For example, much of the country’s livestock was killed during the civil war, limiting the potential for development of a leather goods exporting industry.¹⁹⁴

¹⁸⁹ US&FCS, “Sierra Leone 2003 Country Commercial Guide.”

¹⁹⁰ Ibid.

¹⁹¹ WTO, *Trade Policy Review: Sierra Leone*, p. x.

¹⁹² U.S. Department of State telegram, “WTO Trade Policy Review Questions: Sierra Leone,” message reference No. 5041, prepared by U.S. Embassy, Freetown, Feb. 2, 2005.

¹⁹³ EIU, *Sierra Leone Country Profile*, pp. 22 and 29.

¹⁹⁴ Ibid., pp. 19 and 29.

South Africa¹⁹⁵

Economic Overview

South Africa has the largest GDP, at \$159.9 billion, and is the most economically diverse country in sub-Saharan Africa (SSA). GDP growth in 2003 was 1.9 percent (table SA-1), down from 3.6 percent in 2002, owing to the strength of the rand, which negatively affected exports; tight monetary policy; and weak agricultural sector performance resulting from adverse climate conditions.¹⁹⁶ Total trade represents slightly more than one-half of GDP. Exports represent an increasing percentage of GDP, from 25.7 percent in 1999 to 33.3 percent in 2002, then declining in 2003 to 27.6 percent, largely because of the effect of the appreciated rand on exports.

Table SA-1
South Africa: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	159,885.9
GDP growth (annual percent, based on local currency, 2003)	1.9
GDP per capita growth (annual percent, based on local currency, 2003)	-2.0
Inflation, consumer prices (annual percent, 2003)	6.0
External debt, total (current US\$, millions, 2002)	25,040.5
Total debt service (percent of exports of goods and services, 2002)	12.3
Exports of goods and services (percent of GDP, 2003)	27.6
Trade (percent of GDP, 2003)	51.3
Official exchange rate (local currency unit per US\$, period average, 2003)	7.6
Population, total (millions, 2003)	45.3
Population growth (annual percent, 2003)	-0.1
Labor force, total (millions, 2003)	18.1
Labor force participation rate, total (percent, 2002)	41.6
Literacy rate, adult total (percent of people ages 15 and above, 2002)	86.0
Primary school enrollment ratio, total (percent, 2000) ²	111.0
Secondary school enrollment ratio, total (percent, 2000)	87.0
Land use, arable land (percent of total, 2001)	12.1
Gross capital formation (percent of GDP, 2003)	14.9
Gross fixed capital formation (percent of GDP, 2003)	14.8
Foreign direct investment, net inflows (percent of GDP, 2002)	0.7

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

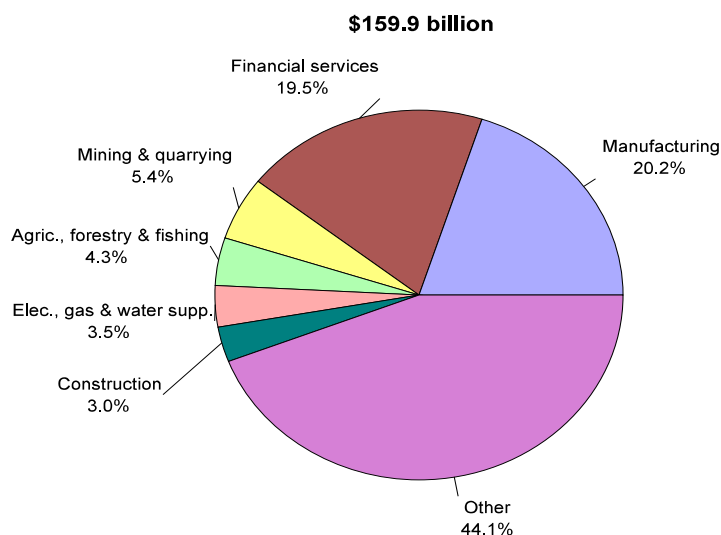
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Manufacturing accounted for 20.2 percent of GDP in 2003, followed by financial services (19.5 percent), mining and quarrying (5.4 percent), and agriculture, forestry, and fishing (4.3 percent) (figure SA-1). However, as a whole, services is the single largest contributor to GDP. Leading this sector is the financial services industry, which has been increasingly liberalized and is considered one of the largest and most deregulated among developing

¹⁹⁵ Prepared by Laura Polly, Office of Industries.

¹⁹⁶ Economist Intelligence Unit (EIU), *South Africa Country Profile*, 2004, p. 42; and Economic Commission for Africa, "Recent Economic Trends for Africa and Prospects for 2004," *Economic Report on Africa 2004: Unlocking Africa's Trade Potential*, Sept. 2004, p. 21.

Figure SA-1
South Africa: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

countries. Other important services include tourism, information and communication technologies (ICT), and the feature and commercial film industry.

Manufacturing growth is currently constrained by high crude petroleum prices, slow global demand, and the appreciation of the rand.¹⁹⁷ The manufacturing sectors that contribute most significantly to South Africa's GDP are automotive, metalworking, chemicals, textiles, apparel, and food processing.¹⁹⁸ The automotive industry has grown significantly in the last decade, and now reportedly accounts for almost 30 percent of manufacturing output.¹⁹⁹ The chemical industry is also significant, accounting for 5 percent of GDP and 25 percent of manufacturing sales.²⁰⁰ South Africa also has a well-established aerospace and defense manufacturing industry, with ties to both U.S. and European aerospace companies. South Africa's textile and apparel sector is contracting sharply; 30,000 jobs were lost during 2003-04.²⁰¹

South Africa has a diverse natural resource base. It leads the world in production of platinum-group metals (PGMs), gold, and chromium,²⁰² is the fifth-largest producer of uncut

¹⁹⁷ *Business Day*, Nov. 2, 2004, as reported in U.S. Department of State telegram, "South Africa Economic Newsletter, Nov. 5, 2004," message reference No. 04876, prepared by U.S. Embassy, Pretoria, Nov. 2004.

¹⁹⁸ Anastasia Gekis, The Services Group for USAID, "Southern African Development Community Economic Impact Assessment Study, Background Study: The Manufacturing Sector in Southern Africa," Feb. 18, 2004, p. 11.

¹⁹⁹ EIU, *South Africa Country Profile*, p. 51.

²⁰⁰ "South Africa: Chemicals Industry," Mbendi, found at www.mbendi.co.za/indy/chem/af/sa/p0005.htm, retrieved Apr. 7, 2005.

²⁰¹ Industry official, interview by USITC staff, Pretoria, South Africa, Mar. 7, 2005.

²⁰² Central Intelligence Agency (CIA), "South Africa," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook, retrieved Feb. 1, 2005.

diamonds,²⁰³ the sixth-largest producer of coal,²⁰⁴ and is also a leading global producer of alumino-silicates, titanium, zirconium, antimony, and fluorspar. South Africa is the world's largest producer of ferroalloys and other alloying metals for the steel industry, and is a significant producer of a wide variety of mineral-based products.²⁰⁵ South Africa does not have any operating mines tapping into its limited bauxite reserves, but has developed an expanding aluminum smelting and manufacturing industry based on alumina imports from Australia,²⁰⁶ and is considered a major world aluminum producer.²⁰⁷ As one of the lowest-cost steel producers in the world, South Africa has a well-developed steel industry that is among the top 25 in the world.²⁰⁸ Although South Africa accounts for less than 0.001 percent of the world's crude petroleum reserves,²⁰⁹ it has become the second-largest petroleum refining country in Africa. South Africa also has a long-established and highly-developed synthetic fuels industry based on abundant reserves of coal and offshore natural gas and condensate. South Africa's natural gas reserves are also being developed to replace coal as the feedstock for its synthetic fuels industry.²¹⁰

Agriculture, forestry, and fishing accounted for 4.3 percent of South Africa's GDP in 2003. The agriculture industry primarily consists of large-scale farms with economies of scale that enhance their international competitiveness.²¹¹ Corn is the largest crop in terms of land area cultivated, followed by a variety of other field crops including sugarcane, wheat, sunflowers, barley, soybeans, canola, groundnuts (peanuts), and cotton.²¹² South Africa is reportedly one of the largest producers of cotton and raw wool in the world,²¹³ and is the 6th largest wine producer in the world.²¹⁴ South Africa is a significant producer of ostrich products, as well as tropical and temperate fruits and vegetables, flowers, and health foods.²¹⁵

The South African government has actively promoted an open investment climate, placing virtually no restrictions on foreign investment. However, foreign direct investment (FDI) in South Africa is low compared with other emerging peer economies, including Thailand,

²⁰³ EIU, *South Africa Country Profile*, pp. 33 and 48.

²⁰⁴ Official statistics of the U.S. Department of Energy.

²⁰⁵ U.S. & Foreign Commercial Service (US&FCS), "South Africa Country Commercial Guide, Fiscal Year 2004," Feb. 20, 2004, found at www.stat-usa.gov, retrieved Feb. 1, 2005.

²⁰⁶ *Ibid.*

²⁰⁷ EIU, *South Africa Country Profile*, p. 51.

²⁰⁸ *Ibid.*

²⁰⁹ Official statistics of the U.S. Department of Energy.

²¹⁰ U.S. Department of Energy, *Country Analysis Briefs, South Africa*, Jan. 2005, p. 3.

²¹¹ Michael L. Humphrey and Didier de Senneville, Cargill Technical Services for USAID, "Constraints and Opportunities for Improved Trade and Investment between African and U.S. Companies in Selected Countries (Ghana, Lesotho, Senegal, South Africa, Uganda, Zambia)," African Trade and Investment Policy Project, Sept. 2002, p. 69.

²¹² Trade and Investment South Africa and South Africa Business Guidebook 2002-2003, "Agro exports plough ahead," found at www.southafrica.info/doing_business/economy/key_sectors/agricultural-sector.htm, retrieved Jan. 5, 2005.

²¹³ Pan-African Productivity Association, "Supply side constraints that hamper African enterprises from taking advantage of emerging export market opportunities," *Action Programme on Productivity Improvement, Competitiveness and Quality Jobs in Developing Countries*, Working Paper PMD-5, Jan. 2000, p. 16, found at www.ilo.org/public/english/employment/ent/papers/pmd-5.htm, retrieved Sept. 29, 2004.

²¹⁴ *Business Report*, Nov. 16, 2004, as reported in U.S. Department of State telegram, "South Africa Economic Newsletter, Nov. 19, 2004," message reference No. 05043, prepared by U.S. Embassy, Pretoria, Nov. 2004.

²¹⁵ "Economic Sector: Agriculture," *Cape Business News*, found at www.cbn.co.za/ovreview/ecosect2.htm, retrieved Feb. 1, 2005.

Malaysia, South Korea, Mexico, and Poland.²¹⁶ The United Kingdom is by far the leading foreign investor with \$24.9 billion in year-end 2003 FDI stock; other FDI comes from the United States (\$3.9 billion in year-end 2003 FDI stock), Germany (\$3.0 billion), the Netherlands (\$2.1 billion), and Malaysia (\$1.3 billion).²¹⁷ Major FDI recipient sectors include plastic products; leather; television, radio, and communications equipment; motor vehicles and parts; paper and paper products; and basic chemicals.²¹⁸

Export Profile

South Africa's exports totaled \$36.2 billion in 2003. The leading product groupings included precious gemstones, iron and steel, conventional energy and energy related products, and motor vehicles (table SA-2). Within these broad product groupings, the leading products exported by South Africa in 2003 were PGMs, diamonds, coal, motor vehicles, and gold (table SA-3). The leading markets for South African exports in 2003 were the United Kingdom, the United States, Japan, Germany, and China (table SA-4). China and the United Kingdom have been the fastest growing markets for South Africa over the last decade, with compound annual growth rates (CAGR) during 1994-2003 of 14.6 percent and 13.2 percent, respectively. As a region, the European Union traditionally has been the largest market for South African exports.

Table SA-2
South Africa: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			Percent	CAGR
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	5,078,715.2	8,259,006.7	9,360,006.1	25.9	7.0
72	Iron and steel	1,867,013.0	2,385,892.9	3,263,607.8	9.0	6.4
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,886,300.9	2,472,919.3	3,171,218.6	8.8	5.9
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	226,755.0	1,266,318.8	3,047,903.9	8.4	33.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	423,209.8	1,247,713.9	2,288,226.4	6.3	20.6
26	Ores, slag and ash	1,230,814.9	1,604,911.6	1,743,252.6	4.8	3.9
08	Edible fruit and nuts; peel of citrus fruit or melons	825,190.6	1,357,479.9	1,679,685.6	4.6	8.2
76	Aluminum and articles thereof	144,241.8	837,649.0	910,517.7	2.5	22.7
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	157,981.1	463,844.2	683,738.1	1.9	17.7
22	Beverages, spirits and vinegar	199,028.9	310,825.3	623,432.8	1.7	13.5
	Other	6,314,945.1	9,087,377.6	9,425,094.0	26.0	4.5
	Total	18,354,196.2	29,293,939.2	36,196,683.5	100.0	7.8

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

²¹⁶ *Business Day*, Jan. 5, 2005, and IMF Country Report #04/379, as reported in U.S. Department of State telegram, "South Africa Economic Newsletter, Jan. 7, 2005," message reference No. 00084, prepared by U.S. Embassy, Pretoria, Jan. 2005.

²¹⁷ As reported in the South African Reserve Bank's quarterly bulletin, Sept. 2004. U.S. Department of State telegram, "Investment Climate Statement 2005 - South Africa," prepared by U.S. Embassy, Pretoria, Jan. 19, 2005.

²¹⁸ Gekis, "Southern African Development Community Economic Impact Assessment Study," p. 45.

Table SA-3**South Africa: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)**

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
7110	Platinum, unwrought, in semimanufactured forms, or in powder form	1,648,275.6	2,661,099.5	3,903,985.8	10.8	10.1
7102	Diamonds, whether or not worked, but not mounted or set	215,616.3	1,651,774.8	3,055,349.1	8.4	34.3
2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	1,665,072.0	2,037,526.0	2,617,267.2	7.2	5.2
8703	Motor cars and other motor vehicles designed to transport people (other than public-transport type), including station wagons and racing cars	63,558.0	760,585.9	2,323,468.5	6.4	49.2
7108	Gold (including gold plated with platinum), unwrought or in semimanufactured forms, or in powder form	2,964,853.6	3,783,305.9	2,190,476.9	6.1	-3.3
7202	Ferro-alloys	752,326.8	1,162,596.7	1,348,763.7	3.7	6.7
8421	Centrifuges, centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases; parts thereof	75,969.3	504,934.2	1,162,304.7	3.2	35.4
7601	Unwrought aluminum	94,336.4	748,382.2	667,532.2	1.8	24.3
2601	Iron ores and concentrates, including roasted iron pyrites	462,425.4	466,002.7	638,717.6	1.8	3.7
0805	Citrus fruit, fresh or dried	254,067.1	449,461.1	623,305.6	1.7	10.5
	Other	10,157,695.9	15,068,270.1	17,665,512.2	48.8	6.3
	Total	18,354,196.2	29,293,939.2	36,196,683.5	100.0	7.8

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SA-4**South Africa: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)**

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United Kingdom	1,625,736.2	3,226,895.0	4,946,517.3	13.7	13.2
United States	2,279,145.3	3,473,473.9	4,798,577.5	13.3	8.6
Japan	1,998,297.6	2,276,002.8	3,593,849.0	9.9	6.7
Germany	1,625,758.0	2,676,095.4	3,087,505.0	8.5	7.4
China	537,814.1	864,390.7	1,839,993.2	5.1	14.6
Belgium	(¹)	1,025,962.7	1,263,382.2	3.5	(²)
Italy	637,253.6	800,714.0	1,166,672.3	3.2	7.0
Namibia	(¹)	(¹)	1,148,960.7	3.2	(²)
Spain	507,419.0	897,840.5	1,017,524.5	2.8	8.0
France	588,687.7	745,698.5	971,859.6	2.7	5.7
Other	8,554,084.8	13,306,865.8	12,361,842.2	34.2	4.2
Total	18,354,196.2	29,293,939.2	36,196,683.5	100.0	7.8

¹ Not available.² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The South African mining sector is the leading foreign exchange earner.²¹⁹ South Africa is the world's largest exporter of gold and PGMs, and the fifth-largest exporter of coal. South Africa is the fifth-largest world producer of uncut diamonds. DeBeers, through its Diamond Trading Company, controls approximately 60 percent of the global diamond market.²²⁰ The iron and steel industries are export oriented, benefitting from some of the lowest production costs in the world.²²¹ South Africa is the largest exporter of ferroalloys for the steel industry.²²² Unwrought aluminum is also an important export for South Africa.

South Africa is a net exporter of food, and exports a wide variety of products. South Africa benefits from its counterseasonality with respect to export markets in the Northern Hemisphere, and is the leading global exporter of avocados, tangerines, and ostrich products, and the second-largest global exporter of grapefruit.²²³ South Africa is also the world's third-largest exporter of plums and pears, and the fourth-largest exporter of table grapes.²²⁴ Other important agricultural product exports include corn, sugar, wine, semiprocessed wool, tobacco, and other fruits. Exports are critical to the South African sugar industry, accounting for one-half of production.²²⁵ South Africa also exports mussels, oysters, abalone, and shellfish to the Far East.²²⁶

South Africa produces an increasingly diversified array of manufactured goods for export. The automotive industry has become a major source of export earnings. South Africa currently exports automotive products to 117 markets,²²⁷ and is a net vehicle exporter. South Africa also exports aerospace and defense products, railway equipment and rolling stock, mining equipment, coal and chemical products including synthetic fuels, and furniture and other wood products. South Africa exports some fabric, primarily to regional markets.²²⁸ South Africa is the world's third-largest supplier of merino wool, and also exports synthetic yarns.²²⁹ More recently, South Africa has begun exporting flax yarn, the result of Irish investment.²³⁰

Among South Africa's leading exports, the products with the largest CAGRs over the past decade include passenger motor vehicles (49.2 percent), catalytic converters (35.4 percent), diamonds (34.3 percent), unwrought aluminum (24.3 percent), citrus fruit (10.5 percent), and platinum (10.1 percent). Gold is the only leading export with a negative CAGR for 1994-2003, at -3.3 percent.

²¹⁹ US&FCS, "The South African Mining Industry," Sept. 30, 2004, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

²²⁰ EIU, *South Africa Country Profile*, p. 48.

²²¹ Simon Roberts, "The Role for Competition Policy in the Economic Development: The South African Experience," Working Paper 8-2004, Trade and Industrial Policy Strategies, p. 13.

²²² CIA, "South Africa."

²²³ Trade and Investment South Africa and South Africa Business Guidebook 2002-2003, "Agro exports plough ahead."

²²⁴ *Ibid.*

²²⁵ "EU sugar subsidies hurting South Africa," Moneyweb, Apr. 16, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²²⁶ Andre Jooste, Erik Kruger, and Flip Kotze, "Standards and Trade in South Africa: Paving Pathways for Increased Market Access and Competitiveness," ch. 4 in the International Bank for Reconstruction and Development/The World Bank, *Standards and Global Trade: A Voice for Africa* (Washington, DC: The World Bank, 2003), p. 265.

²²⁷ "South African automotive sector narrows trade deficit," *Business Report*, Nov. 15, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²²⁸ Industry official, interview by USITC staff, Pretoria, South Africa, Mar. 7, 2005.

²²⁹ Industry official, interview by USITC staff, Pretoria, South Africa, Mar. 7, 2005.

²³⁰ Industry official, interview by USITC staff, Pretoria, South Africa, Mar. 7, 2005.

Sectors with the Greatest Export Growth Potential

The major economic sectors with the greatest potential for growth in merchandise export sales are agriculture and agroprocessing, manufacturing (particularly motor vehicles, engines, and parts), minerals and metals; and services (particularly ICT, business process outsourcing (BPO), tourism, and feature and commercial film production).²³¹ The agriculture products with the greatest potential for increased exports are processed and canned foods, cut flowers, fresh fruits and vegetables, wine, and ostrich products.²³² Many large, global agroprocessing firms have a presence in South Africa. There is a broad range of agricultural products in which South Africa is beginning or increasing export production, with recent investments in pineapple processing,²³³ berries,²³⁴ licorice,²³⁵ and paprika.²³⁶ Fruits that have the potential for increased exports include grapes, citrus, apples, mangoes, avocados, pineapples, and peaches; and flowers with the greatest export potential include roses, protea, tulips, shasta daisies, and bulbs.²³⁷ Most wine exports go to the United Kingdom, Netherlands, Scandinavia, and Germany. The United States, India, China, and Japan have been identified as growth markets for wine.²³⁸

The CAGR for motor vehicle and component exports during 1994-2003 was approximately 33 percent,²³⁹ and strong growth is expected to continue. Motor vehicle exports are predicted to double by 2007 compared with 2004 levels, and component exports are also expected to expand, but this growth will be strongly influenced by the value of the rand.²⁴⁰ Although local production is expected to remain predominantly right-hand drive (RHD) vehicles, the recent start of left-hand drive vehicle production expands the number of potential markets for South African-built vehicles. Investment and expansion plans by automakers such as Ford and Toyota will create new opportunities for components producers in South Africa. There are no serious impediments to the export of these products, as the industry is dominated by multinational automakers that are familiar with and can meet global market

²³¹ The sectors identified by the government's Microeconomic Reform Strategy in 2001 include agriculture and agroprocessing; tourism; ICT; cultural industries including film, music, crafts and design; minerals and metals; clothing and textiles; automobiles and components; and chemicals. In 2002, BPO and tourism were added to the government's list of targeted sectors in the Integrated Manufacturing Strategy.

²³² Humphrey and de Senneville, "Constraints and Opportunities," pp. 14-15.

²³³ Department of Trade and Industry, "Pineapple plant to boost exports," June 10, 2003, found at www.southafrica.info/doing_business/sa_trade/exporting/processingplant.htm, retrieved Feb. 1, 2005.

²³⁴ Proudly South African, "SA berries make their mark," May 19, 2003, found at www.southafrica.info/doing_business/economy/success/berryfarming.htm, retrieved Feb. 1, 2005.

²³⁵ Expansion of facilities and a 10-year contract to supply British American Tobacco were announced in 2003. "Licorice plant starts exporting," BuaNews, Oct. 29, 2003, found at www.southafrica.info/doing_business/sa_trade/exporting/licoriceproject.htm, retrieved Feb. 1, 2005.

²³⁶ "N Cape's R55m paprika factory," BuaNews, Mar. 5, 2003, found at www.southafrica.info/doing_business/sa_trade/exporting/factory_050303.htm, retrieved Feb. 1, 2005.

²³⁷ U.S. industry association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²³⁸ *Business Report*, Nov. 16, 2004, as reported in U.S. Department of State telegram, "South Africa Economic Newsletter, Nov. 19, 2004."

²³⁹ National Association of Automobile Manufacturers of South Africa, *2004 Annual Report*, p. 5.

²⁴⁰ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

requirements.²⁴¹ Major automakers with assembly plants in South Africa include BMW, DaimlerChrysler, Ford, General Motors, Nissan, Toyota, and Volkswagen.

Revealed comparative advantage²⁴² (RCA) analysis shows that South Africa has a strong and growing RCA index in certain yarns.²⁴³ However, because of increased international competition stemming from the removal of textile and apparel quotas in 2005,²⁴⁴ this sector is not likely to offer considerable export growth, although opportunities reportedly may exist for the South African textile and apparel industry in niche industries such as embroidery services, overdyeing, high performance textiles, smart textiles, medical textiles and gowns, and fire retardant clothing.²⁴⁵ Other potential export growth products include raw and semiprocessed wool and cotton,²⁴⁶ and mohair.²⁴⁷

RCA analysis supports the qualitative assessment of merchandise export potential particularly with respect to the minerals and metals sector, as 5 of the top 10 highest indices ranked by change in RCA are for products in this sector (appendix E, table E-33). Despite the fact that South Africa's mining sector is mature, new deposits continue to be discovered, offering the potential for continued growth. In addition, minerals and metals processing is expected to be a growth area in the next 5 to 15 years, as downstream processing is an important government policy focus. An example of a new downstream metal product export is superalloys made from locally procured nickel that are purchased by Rolls-Royce for use in aircraft engines. Observers expect that there will be interest from other aerospace companies as well.²⁴⁸

The South African government is targeting diamond processing, including diamond cutting, polishing, tool making, and jewelry making. Government officials have called on the global diamond industry to assist African countries in acquiring the technology and capability to process their own diamonds.²⁴⁹ The jewelry industry is expanding and is a downstream processing focus area for the South African government.²⁵⁰ Recently proposed legislation, entitled the Precious Metals and Diamonds General Amendment Bill,²⁵¹ would require mining companies to engage in downstream processing on a percentage of the diamonds and

²⁴¹ Association officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁴² RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²⁴³ Although the average SRCA for 2000-03 for these yarns is negative, the value for 2003, the most recent year available, is positive (0.623 for HS 5110 and 0.502 for HS 5306).

²⁴⁴ For additional information on the Multifiber Arrangement and the removal of textile and apparel quotas in 2005, see app. C.

²⁴⁵ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁴⁶ Pan-African Productivity Association, "Supply side constraints," p. 16.

²⁴⁷ U.S. industry association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁴⁸ "On the Air," *Creamer Media's Engineering News*, Dec. 3, 2004, found at www.engineeringnews.co.za/eng/essentials/air/?show=60957, retrieved Apr. 8, 2005.

²⁴⁹ "Global diamond industry needs to change image of African diamonds - Mbeki," *Business Day*, Nov. 17, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²⁵⁰ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005; U.S. industry association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005; and U.S. Embassy official, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁵¹ Precious Metals and Diamonds General Amendment Bill, Staatskoerant 16 April 2004, No. 26245, Republic of South Africa, found at www.polity.org.za/pdf/DraftPrecMet&DiaGenAmenBill.pdf, retrieved May 26, 2005.

precious metals they extract. The remainder, if exported without processing, would be subject to an export tax.

ICT offers substantial growth potential in South Africa, and is considered a key driver of the economy, accounting for over 6 percent of GDP.²⁵² The sector is dominated by the parastatal Telkom, but most multinational ICT firms have a presence in South Africa. South Africa's advantage lies in its skilled workforce and its development of niche products for the financial, retail, and manufacturing sectors.²⁵³ BPO also has growth potential. South Africa reportedly has enormous capacity for data processing, and call centers are a growth area as well.²⁵⁴ Lufthansa is currently using South Africa as a call center, and a number of U.S. companies are reportedly considering BPO opportunities in South Africa.²⁵⁵

Tourism is another important service sector for South Africa, contributing an estimated 7 percent of GDP.²⁵⁶ Tourism reportedly surpassed gold as the leading foreign exchange earner in South Africa in 2003, and appears to be fairly resilient to the appreciation of the rand.²⁵⁷ South Africa accounts for approximately one-quarter of international tourist arrivals on the African continent, owing to its game reserves, comparatively good road system, reliable power supply, and political stability.²⁵⁸ Recently, steps have been taken to develop a cruise line industry in South Africa; a multipurpose docking terminal to accommodate cruise ships is to be built, and the government is reportedly committed to developing this part of the tourism industry in the mid to long term.²⁵⁹

South Africa is becoming increasingly competitive in the feature and commercial film industry. Low cost labor is an advantage, and it is reported that overall film production costs are half as much as in the United States, even given the recent appreciation of the rand.²⁶⁰ The industry received a boost in July 2004, when the government initiated a rebate/investment scheme, similar to those offered in markets such as Australia and Canada, with the aim of promoting South Africa as a high quality-production site for film making.²⁶¹

Although the United States and the European Union will likely remain South Africa's most important markets, they are not likely to offer significant opportunities for export growth for a number of reasons: (1) these are mature markets for South African exporters and not likely to offer expanded opportunities in established export sectors; (2) these markets are signing a large number of free trade agreements with other emerging economies that will enhance those countries' competitive position as compared with South Africa; (3) the addition of new members to the European Union provides those countries with preferential access; (4) market liberalization and reform in the United States and the European Union will lower their domestic prices for certain items for which South African exporters currently have

²⁵² US&FCS, "ICT Market," Oct. 2, 2003, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

²⁵³ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁵⁴ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁵⁵ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁵⁶ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁵⁷ U.S. Department of State telegram, "South Africa Economic Newsletter, Oct. 15, 2004," message reference No. 04621, prepared by U.S. Embassy, Pretoria, Oct. 2004.

²⁵⁸ World Markets Research Centre, "Unlocking the Tourism Potential in Africa," *World Markets in Focus 2002*, found at www.worldmarketsanalysis.com/InFocus2002/articles/africa_tourism.html, retrieved Apr. 7, 2005.

²⁵⁹ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁶⁰ US&FCS, "Film Industry in South Africa," July 20, 2004, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

²⁶¹ US&FCS, "Film Industry in South Africa."

preferential access; and (5) transportation time and cost, and the size of orders, limits export opportunities to the United States.²⁶²

In general, developing or emerging countries are increasingly important markets for South African goods and services. Markets that offer increased export potential include Argentina, Brazil, Costa Rica, Egypt, Indonesia, Iran, Korea, Malaysia, Mexico, Pakistan, Saudi Arabia, Thailand, Turkey, and Venezuela.²⁶³ In addition, South Africa reportedly is one of the few SSA countries that has the potential to increase its exports to other African countries in the short to medium term.²⁶⁴ South African industry officials cite SSA,²⁶⁵ especially western Africa,²⁶⁶ as a huge potential market for South African exports. The Southern African Development Community (SADC),²⁶⁷ the rest of Africa, India, and China have recently gained importance as export markets.²⁶⁸

South African exports to China are concentrated in raw materials such as iron ore, diamonds, crude petroleum, copper, aluminum, paper pulp, paper and paperboard, and coal.²⁶⁹ China's booming economy has led it to source energy and natural resources from African countries, including South Africa. China's importance as an export market is expected to be enhanced by the New Asian-African Strategic Partnership, launching in 2005, which aims to improve trade and investment opportunities between Southern Africa and Asia.²⁷⁰

Domestic and International Barriers

South Africa ranks above the regional average, but below the OECD average, for many of the World Bank's business environment indicators (table SA-5), and the Heritage Foundation's Index of Economic Freedom (table SA-6). In the latter index for 2005, South Africa ranked better than the OECD average on trade policy, government intervention in the economy, and wages and prices; and worse than the regional average on monetary policy. South Africa ranked first in the category of organized crime and corruption in the World Economic Forum's Global Competitiveness Report.²⁷¹

South African industry sources report that there is little incentive for South African firms to export, as manufacturing costs are high, production capacity is not sufficient, and there is a perceived lack of interest on the part of the South African government.²⁷² These sources also report that South African manufacturers do not have good information regarding consumer

²⁶² Charles Krakoff, The Services Group for USAID, "Key Potential Export Markets and the Market Access Barriers Facing Southern African Exporters," Nov. 2003, p. 1; and industry officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁶³ Krakoff, "Key Potential Export Markets," various pages.

²⁶⁴ *Ibid.*, p. 8.

²⁶⁵ U.S. industry association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁶⁶ U.S. industry association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁶⁷ For additional information on regional organizations, see app. C.

²⁶⁸ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "South Africa," *African Economic Outlook*, 2004, p. 286.

²⁶⁹ Economic Commission for Africa, "Recent Economic Trends," p. 28.

²⁷⁰ Cyril Widdershoven, "Chinese Quest for Crude Increases Focus on Africa," *Energy Security*, Nov. 15, 2004, prepared by the Institute for the Analysis of Global Security, found at www.iaags.org/n1115044.htm, retrieved Mar. 23, 2005.

²⁷¹ EIU, *South Africa Country Profile*, p. 20.

²⁷² Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

Table SA-5
South Africa: Business environment

	South Africa	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	18.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	31.8	17.1	72.1
Closing a business: Time (<i>years</i>)	2.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	2.3	41.8	5.2
Getting credit: Credit information Index	5.0	2.1	5.0
Getting credit: Legal rights index	6.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	636.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	11.5	43.0	10.8
Enforcing contracts: Number of procedures	26.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	277.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	11.3	13.2	4.9
Registering a property: Time (<i>days</i>)	20.0	114.0	34.0
Starting a business: Number of procedures	9.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	9.1	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	38.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	56.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	38.0	59.5	40.4
Employment: Rigidity of employment index	52.0	56.0	34.4
Employment: Rigidity of hours index	40.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(South Africa, applied rate, 2002)		
All goods			5.8
Agricultural goods			9.1
Nonagricultural goods			5.3

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table SA-6
South Africa: Economic freedom

	South Africa	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.2	3.6	2.5
2000 Overall score	3.0	3.7	2.2
2005 Overall score	2.8	3.4	2.2
Trade policy score	2.0	3.9	2.2
Fiscal burden of government score	3.8	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	3.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

tastes and standards in foreign markets.²⁷³ The U.S. market in particular is perceived by many in the South African business community to be impenetrable; the orders are too large for South African manufacturers, and the time and cost of transportation and distribution are prohibitive.²⁷⁴ South African industry officials acknowledge that these constraints have led to missed opportunities for increasing exports under AGOA.²⁷⁵ There is also reportedly a lack of confidence, particularly on the part of small, medium, and microenterprises (SMMEs), to invest in expanding output. The government is launching the National Small Exporters Development Program at the end of 2005 to address this issue.²⁷⁶ A number of South African officials stated that when domestic demand is strong, South African manufacturers pull out of export markets and devote their existing capacity to domestic sales, giving overseas customers the impression that South African suppliers are unreliable. Likewise, when there is a downturn in business, South African manufacturers choose to decrease production instead of look for new opportunities.²⁷⁷

As the composition of South African exports has moved away from primary exports to more sophisticated, manufactured goods, the ability of firms to comply with international standards, and the capacity of the South African government to educate firms, becomes increasingly important.²⁷⁸ A 2001 government standards, quality assurance, and metrology (SQAM) system review highlighted a lack of regulatory transparency in the South African system that hinders the country's ability to negotiate mutual recognition agreements with foreign countries and meet its WTO Technical Barriers to Trade Agreement obligations.²⁷⁹ In addition, the relative cost of compliance is greater for SMMEs; reportedly, the South African government does not provide sufficient support to SMMEs with respect to SQAM issues.²⁸⁰ The government has, however, established a number of initiatives to help SMMEs with the cost associated with standards compliance. This effort has reportedly assisted some SMMEs in their efforts to export.²⁸¹

Compared with other AGOA-eligible economies, the transportation infrastructure in South Africa is of a much higher standard. However, the "efficiency, cost, and capacity for intermodal transfers" is reportedly an impediment to increased South African exports.²⁸² The transportation infrastructure suffered from lack of investment because of budgetary constraints in the late 1990s, leaving road networks stressed.²⁸³ Only 20.3 percent of the roads are paved (table SA-7). In addition, several large companies in South Africa have complained about poor rail infrastructure.²⁸⁴ South African ports, a critical link in terms of exports, are in need of upgrading. The South African government has begun a program of

²⁷³ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁷⁴ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁷⁵ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁷⁶ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁷⁷ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005; and government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁷⁸ WTO, "Annex 9: South Africa," *SADC Member States and the Implementation of the WTO Technical Barriers to Trade Agreement: A Benchmark Study*, p. 4.

²⁷⁹ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 259.

²⁸⁰ The International Bank for Reconstruction and Development/The World Bank, *Standards and Global Trade: A Voice for Africa* (Washington, DC: The World Bank, 2003), p. 1.

²⁸¹ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 253.

²⁸² Department of Trade and Industry, "Accelerating Growth and Development: The Contribution of an Integrated Manufacturing Strategy," p. 16, found at www.nedlac.org.za/research/fridge/investstrategy/appendix-d.pdf, retrieved Jan. 31, 2005.

²⁸³ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁸⁴ "Southern African railways not performing," *I-Net Bridge, Beira Daily, Business Day*, Feb. 13, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

Table SA-7
South Africa: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 2000)	362,099.0
Roads, paved (percent of total roads, 2000)	20.3
Transport services (percent of service exports, BoP, 2003)	19.1
Transport services (percent of service imports, BoP, 2003)	44.8
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	410.5
Internet users (per 1,000 people, 2002)	68.2
Mobile phones (per 1,000 people, 2002)	303.9
Telephone mainlines (per 1,000 people, 2002)	106.6
Electric power transmission and distribution losses (percent of output, 2001)	8.2
Energy imports, net (percent of commercial energy use, 2001)	-34.9

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

upgrading and restructuring the ports system, which includes ports at Durban, Cape Town, and Elizabeth, but this process has been slow and difficulties have been compounded by the increased demands for commercial traffic through the ports system.²⁸⁵ South African iron ore producers have claimed that they are losing market opportunities in China because of the poor state of the South African rail and port infrastructure.²⁸⁶ A new deep-water port at Coega is being constructed, although at least one report indicates that it will have to be expanded beyond original plans in order to accommodate ships fully laden with iron ore.²⁸⁷ Some South African exporters, for example Ford and BMW, have begun using Port Maputo in Mozambique, which has recently been upgraded, to accommodate larger ships and increase overall efficiency.²⁸⁸ The South African government is reportedly working to form transportation cooperatives to lower shipping costs for smaller-scale exporters.²⁸⁹ With respect to tourism, the passenger aviation industry suffers from a high cost structure, with inefficient routings, schedules, and services.²⁹⁰ South African industry officials add that requests for charter flights are often declined.²⁹¹

As noted earlier, South Africa has an abundance of unskilled labor; the official unemployment rate is 31 percent.²⁹² The HIV/AIDS infection rate is also a factor in the labor market, as an estimate for 2003 claims the adult prevalence rate to be 21.5 percent.²⁹³ However, there is a shortage of skilled workers, partly because of the emigration of skilled labor,²⁹⁴ which is restraining the growth potential of skill-intensive sectors.²⁹⁵ In particular, more extensive training of employees in the tourism industry is needed to improve the

²⁸⁵ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

²⁸⁶ "Southern African railways not performing."

²⁸⁷ EIU, *South Africa Country Profile*, p. 29.

²⁸⁸ "Upgrade of port in Maputo could provide relief for SA exporters," *Business Day*, Jan. 9, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²⁸⁹ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

²⁹⁰ Remarks by Jeff Radebe, MP, Minister of Transport, Airline Destination Workshop 2004, Sept. 20, 2004, Cape Town, found at www.transport.gov.za/comm-centre/sp/2004/sp0920.html, retrieved Apr. 7, 2005.

²⁹¹ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁹² U.S. Agency for International Development, found at www.usaid.gov/locations/sub-saharan_africa/countries/southafrica, retrieved Feb. 15, 2005.

²⁹³ CIA, "South Africa."

²⁹⁴ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

²⁹⁵ Jeffrey D. Lewis, "Reform and Opportunity: The Changing Role and Patterns of Trade in South Africa and SADC," Africa Region Working Paper Series No. 14, Mar. 2001, p. 14.

quality of services.²⁹⁶ U.S. and other foreign investor companies have noted that South African immigration policies make it difficult to get work permits for their foreign employees.²⁹⁷ Until recently, immigration policies reflected apartheid era policies. Parliament approved the Immigration Act in May 2002, but implementation reportedly has been slow.²⁹⁸

Labor market rigidities are compounded by a strong labor movement presence in the economy, representing 44 percent of those employed in the formal sector.²⁹⁹ As a result, wage increases do not necessarily reflect increasing labor productivity, negatively affecting international competitiveness.³⁰⁰ In an attempt to address this constraint, amendments to labor laws agreed to by a business-labor group called the Millennium Labor Council were passed by Parliament in March 2002. Subsequently, in January 2003, the IMF reported that conditions in the labor market had improved.³⁰¹ However, some observers note that “rigid labor legislation and other regulations concerning employment are a major obstacle to more rapid job creation in the private sector.”³⁰²

The volatility of the rand puts those South African exporters with rand-denominated inputs at risk, and also makes it difficult for export-oriented firms to make long-term plans.³⁰³ Increased prices for gold and PGMs made the rand “one of the best performing currencies in the world” in 2003 and 2004,³⁰⁴ with the rand appreciating against the dollar by 18.5 percent in 2004.³⁰⁵ A number of South African industries have indicated that their export capabilities have suffered during this recent period of rand appreciation, including textiles and apparel, sugar, and motor vehicles and parts. South African industry sources report that the effect on automotive component producers is so great that some producers may not renew some export contracts and may phase down their export business.³⁰⁶ Another macroeconomic impediment to SMMEs and businesses owned by historically disadvantaged individuals is access to financing.

The Broad-Based Black Economic Empowerment (BEE) bill went into effect in early 2004. The law aims to redistribute capital toward, and accelerate skill acquisition by, historically disadvantaged groups. The government’s “BEE scorecard” recommends 25.1 percent BEE equity levels, 40 percent black management, 50 percent procurement from black-owned firms, and 50 percent equity in employment.³⁰⁷ A survey conducted by the American Chamber of Commerce in South Africa reported that 74 percent of participants view selling

²⁹⁶ “SADC predicts boom in tourism,” *The Reporter* (Gaborone), Oct. 15, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²⁹⁷ Office of the United States Trade Representative (USTR), *2004 National Trade Estimate Report on Foreign Trade Barriers*, p. 435.

²⁹⁸ US&FCS, “South Africa Country Commercial Guide, Fiscal Year 2004.”

²⁹⁹ U.S. Department of State, “Investment Climate Statement 2005 - South Africa.”

³⁰⁰ Marcel R.A.R. Kohler and Janet O. Bruce-Brand, “Comparative Cost Advantage and Trade Performance in South African Manufactures: 1970-2000,” University of Natal, Durban, p. 12.

³⁰¹ US&FCS, “South Africa Country Commercial Guide, Fiscal Year 2004.”

³⁰² Statement attributed to EIU, as reported in “SA companies understanding of free trade abysmal,” *Business Report*, June 24, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

³⁰³ US&FCS, “South Africa Country Commercial Guide, Fiscal Year 2004.”

³⁰⁴ EIU, *South Africa Country Profile*, p. 61.

³⁰⁵ Just-auto.com editorial team, “South Africa: Car sales set record in 2004,” Jan. 6, 2005, found at www.just-auto.com, retrieved Jan. 6, 2005.

³⁰⁶ Industry officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

³⁰⁷ U.S. Department of State telegram, “South Africa Economic Newsletter, Dec. 17, 2004,” message reference No. 05407, prepared by U.S. Embassy, Pretoria, Dec. 2004.

equity under BEE as a negative factor in investment decisions. Nonetheless, 50 percent planned to invest more in South Africa in 2005, and 62 percent said the business environment is good or excellent, up from 50 percent in 2003.³⁰⁸

FDI in the mining sector is currently being delayed because of perceived significant valuation and financial risk issues arising from several new pieces of legislation. The Mineral and Petroleum Resources Development Act of 2002 (adopted in May 2004) requires mining companies to transfer 26 percent of their ownership to black partners and transfers ownership of the country's mineral resources to the state. Further, the 2004 Mineral and Petroleum Royalty Bill instituted royalties of 3 percent on gold, 4 percent on PGMs, and 8 percent on diamonds. In addition, the proposed new Mine Health and Safety Acts are expected to increase production costs.

Export control and licensing requirements exist for a number of products, including petrochemical products; waste and scrap of iron, steel, aluminum, copper, nickel, lead, zinc, tin, magnesium, cadmium, antimony, manganese, and refined copper; motor vehicles; diamonds (required to be registered with the South African Diamond Board); and live ostriches and fertilized ostrich eggs.³⁰⁹ With respect to scrap metal, a new regulation was issued in August 2003 with the goal of increasing the amount of downstream processing of scrap metal, and ensuring that domestic demand is met before export sales are pursued.³¹⁰ Such control and licensing requirements, however, limit exports by raising export costs and encouraging industries for which South Africa may not have a comparative advantage.

The agriculture sector also faces a number of domestic regulatory constraints. The South African fruit industry claims that domestic regulations pertaining to the industry are "out of line with domestic norms, enormously time consuming and unrelated to the core production issue – the quality of the fruit they produce." The industry believes that this system is a major impediment to exports.³¹¹ For example, pesticides must be registered in the exporting country, a long and costly process that may not be undertaken if the crop's economic viability is questionable.³¹²

South African participation in international standards setting bodies tends to be reactive rather than proactive,³¹³ and is "greatly challenged by the voting procedure within the committees in which South Africa often disagrees with the EU."³¹⁴ Standards as an impediment to South African exports have been most prevalent in the agricultural sector (food, beverages, and tobacco), but also affect exports of pharmaceuticals and other chemicals, machinery, and transportation equipment. Foreign country standards and conformity assessment requirements, in general, can be costly for South African exporters and in certain instances, nontransparent. They are particularly burdensome for SMMEs.³¹⁵ Although South Africa enforces safety regulations for the manufacture and distribution of

³⁰⁸ *Business Day*, Dec. 14, 2004, as reported in U.S. Department of State telegram, "South Africa Economic Newsletter, Dec. 17, 2004."

³⁰⁹ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004;" and "Market Profiles - South Africa," *tdctrade.com*, found at www.tdctrade.com/mktprof/other/mpsaf.htm, retrieved Jan. 5, 2005.

³¹⁰ US&FCS, "South Africa Country Commercial Guide, Fiscal Year 2004."

³¹¹ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 268.

³¹² *Ibid.*

³¹³ *Ibid.*, p. 272.

³¹⁴ *Ibid.*, p. 273.

³¹⁵ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

products, there is no mechanism for mutual recognition of the local conformity assessment infrastructure by export markets. Therefore, South African exporters must undergo costly, time-consuming testing and certification in overseas markets.³¹⁶ South African automotive industry officials, for example, assert that the U.S. testing process requirements are lengthy, and that components producers have lost contracts in the interim.³¹⁷

South African exporters of fruit reportedly must meet both internationally accepted standards as well as distinct standards of the importing country. For example, the European Union is increasingly applying the European Retailers Produce and Good Agricultural Practices (EUREPGAP) protocol, which is invoked at the discretion of the importer. Meeting EUREPGAP standards in addition to the internationally accepted standards adds cost and uncertainty for South African exporters of fruit.³¹⁸ Quality and packing requirements reportedly disqualify up to 40 percent of the domestic fruit crop as not acceptable for export.³¹⁹ Citrus black spot (CBS), a disease afflicting citrus, is difficult to prevent in most citrus-growing areas in South Africa. The European Union and the United States ban the import of citrus fruit infected by CBS. This ban is perceived as a trade barrier by the South African citrus growers aimed primarily at increasing export costs.³²⁰ Approximately 70 percent of South African citrus is exported to Europe.³²¹ Complex U.S. sanitary and phytosanitary (SPS) regulations reportedly discourage many potential exporters of agricultural products, particularly the processing of pest-risk assessment approvals by Animal Plant and Health Inspection Service of the U.S. Department of Agriculture.³²² Additionally, agricultural support programs, particularly those in the United States, the European Union, Japan, and India are cited as barriers to South African exports.³²³ Some developing countries also provide agricultural subsidies, including Brazil, Thailand, Venezuela, and, although less extensively, South Africa.³²⁴

With respect to the United States, South African industry officials cite the differences among U.S. Customs procedures and rulings in various States and at various ports as an impediment to exporting to the United States.³²⁵ Import-related administration in the European Union has also been cited as an impediment.³²⁶

India reportedly has a very complex customs procedure that is considered burdensome by exporters, and customs valuation procedures are reportedly arbitrary.³²⁷ India also requires its own costly testing for over 100 products, and only permits standards certification to countries with a local commercial presence or business representative. In addition, the country applies its own SPS standards that are reportedly not scientifically relevant.³²⁸

³¹⁶ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 274.

³¹⁷ Industry officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

³¹⁸ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 267.

³¹⁹ *Ibid.*, p. 270.

³²⁰ CBS can only be controlled by costly spray chemicals.

³²¹ Jooste, Kruger, and Kotze, "Standards and Trade in South Africa," p. 270.

³²² Humphrey and de Senneville, "Constraints and Opportunities," p. 13.

³²³ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

³²⁴ Krakoff, "Key Potential Export Markets," p. 19.

³²⁵ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

³²⁶ Government officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

³²⁷ Krakoff, "Key Potential Export Markets," p. 29.

³²⁸ *Ibid.*

China, another potentially large market for South African exports, has a variety of import barriers. For example, China's tariff-rate quota system, applied to key South African export products such as wheat, corn, rice, soy oil, cotton, barley, vegetable oils, and fertilizers, reportedly is nontransparent and disproportionately hinders new market entrants.³²⁹ In addition, import licensing requirements vary among products, and China reportedly uses technical standards and SPS measures to control import levels.³³⁰

High tariffs on nonagricultural products are found in potentially important markets such as India, Mexico, Nigeria, and Brazil. These countries all apply tariffs of over 15 percent to more than one-half their nonagricultural tariff line items. With respect to agricultural products, India, Nigeria, Algeria, Egypt, Turkey, and China apply tariffs of over 15 percent to more than one-half of their agricultural tariff line items.³³¹ South African automotive industry officials cite Brazilian tariffs in particular as a barrier. The Brazilian tariff structure has three distinct rates for automotive parts; however, South African exporters report being charged above these rates. The South African industry is addressing this issue through talks with Mercosur.³³² Also with respect to motor vehicles, Malaysia and Thailand are RHD markets with prohibitively high tariffs.³³³ As South African motor vehicle assembly is focused on RHD vehicles, these markets could offer opportunities if tariffs were reduced.

Transportation infrastructure is a major impediment to increased exports of cut flowers, especially to the United States, as there is no direct air route between the United States and South Africa, and associated logistics costs are high. Transportation is also an issue with respect to certain fruits that require cold storage or careful handling. For tourism to expand, improvements in interregional travel are needed.³³⁴ In addition, South African industry officials note that road fees for regional transport of goods within SADC are problematic. These officials claim that exporting to the United States and the European Union can be less complicated than exporting within the region.³³⁵

³²⁹ Ibid., pp. 28-29.

³³⁰ Ibid.

³³¹ Ibid., p. 24.

³³² Industry officials, interview by USITC staff, Pretoria, South Africa, Mar. 8, 2005.

³³³ Malaysia's tariffs range from 70 percent to 200 percent, with excise taxes ranging from 60 percent to 100 percent; In Thailand the tariff is 80 percent, with an additional tax ranging from 35 percent to 48 percent. USTR, *National Trade Estimate Report of Foreign Trade Barriers*.

³³⁴ "SADC predicts boom in tourism," *The Reporter* (Gaborone), Oct. 15, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

³³⁵ Association officials, interview by USITC staff, Johannesburg, South Africa, Mar. 7, 2005.

CHAPTER 5

Cotton-Exporting Countries: Benin, Burkina Faso, Chad, and Mali

These four countries share the semiarid grassland and woodland climate of the Sahel region of West Africa in at least part of their territory. This territory lies between the Sahara Desert and the mostly tropical plain of the West African coast. Cotton is the predominant export of all four countries (“textiles and fibers,” table 5-1). A summary of findings for each of the four countries with respect to potential export growth sector and domestic and international barriers is provided below.

Table 5-1
Benin, Burkina Faso, Chad, and Mali, 1999-2003 average share of total exports, by sector

Sectors	Benin	Burkina Faso	Chad	Mali
	— Shares of total exports, 1999-2003 (percent) —			
Fish and related products	3.1	1.0	0.1	0.4
Coffee, tea, and spices	(¹)	0.2	(¹)	0.1
Cocoa	(¹)	(¹)	(¹)	(¹)
Other agriculture	27.0	28.1	15.3	8.1
Forest-based products	2.9	2.2	0.5	1.2
Minerals, metals, and metal products	2.0	4.4	0.4	2.9
Fuels and electrical energy	3.7	0.2	4.3	0.1
Textiles and fibers	58.3	50.8	74.6	70.8
Apparel and related articles	0.2	0.4	0.2	0.5
Other manufactures	2.7	12.7	4.7	16.0

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Benin

Exports exhibiting the greatest potential are processed products that use agricultural products as an input, such as cotton thread and cloth. Given its unexploited natural resources, the mineral sector also holds potential for export growth. However, expansion of exports requires investment, which is inhibited by lack of government transparency, the high cost of conducting business in Benin, and an inadequate infrastructure. Given the predominant role of cotton in exports, tariffs and subsidies in developed markets have been identified as barriers to export growth.

Burkina Faso

Potential export sectors include processed cotton, shea butter, light manufacturing, traditional handicrafts, tourism, and gold. Major impediments to export expansion are an inadequate and rigid regulatory structure, the high cost of utilities and other business inputs, inadequate infrastructure, lack of skilled labor, costs associated with the country’s land-locked location, and agricultural support programs in developed markets.

Chad

Although Chad had been predominantly a cotton exporter, recent development of the petroleum sector has substantially altered the country's macroeconomic and trade structure. Gum arabic, a resinous secretion of certain acacia trees, is an important export for Chad. Nevertheless, the agricultural sector and downstream processing of agricultural products have export growth potential. The main barriers to export expansion include inadequate infrastructure; high input costs, especially costs for utilities; lack of skilled labor; additional transport costs associated with accessing neighboring country transport infrastructure; and agricultural support programs in developed markets.

Mali

Mali's economy is heavily dependent on cotton, livestock, and gold mining; these products are both the main current and potential exports. Additional products and services with export growth potential include rice, coarse grains, meat, fish, fruits and vegetables (especially mangoes, green beans, tomatoes, and potatoes), shea butter, and tourism. Potential markets include the European Union and the United States. However, increased exports face a number of barriers. Mali's infrastructure is inadequate; the delays and costs associated with the infrastructure greatly reduce Mali's competitiveness. The lack of financing affects producers' ability to buy equipment and supplies necessary to sustain or expand their businesses. Electricity costs are considered the most expensive in the region. Finally, producers lack the technical capacity to understand and meet sanitary and phytosanitary requirements in developed-country markets.

Economic Overview

Benin's GDP, totaling \$3.5 billion in 2003, expanded by nearly 5.0 percent per year since 1991 (table BN-1). Benin's economic growth has resulted in large part from sound macroeconomic policies, political stability, and the implementation of structural reforms following the transition from a centrally-planned economy in 1990-91. Despite Benin's relatively high growth rates, however, the economy remains underdeveloped, as rapid population growth has offset much of this growth on a per capita basis.² Benin's economy is primarily based on agriculture and services (figure BN-1). In 2003, the services sector, agricultural sector, and manufacturing sector accounted for 50 percent, 36 percent, and 14 percent of GDP, respectively. The Beninese economy also has a large informal sector that is estimated to account for as much as 45 percent of gross national income and accounts for a large share of unrecorded trade with Nigeria.³

The primary commercial crop, cotton, accounted for approximately 7 percent of GDP in 2003.⁴ Other commercial crops include palm products and cashew nuts, and to a lesser extent, cocoa, coffee, groundnuts (peanuts), and shea nuts. Subsistence crops include maize (corn), sorghum, pineapples, cassava, tapioca, yams, beans, and rice. Small amounts of poultry and livestock are also raised for local consumption. A small, localized fishing industry also provides fish and shrimp for domestic consumption; the annual fish catch, most of which is drawn from inland waters, meets approximately 50 percent of domestic demand.

Benin's manufacturing base is small and underdeveloped. Manufacturing activities, which accounted for just 9 percent of GDP in 2003, are largely confined to textiles; food, beverages, and tobacco; chemicals; and cement. Manufacturing activities also include processing activities such as cotton ginning and oilseed milling.⁵

¹ Prepared by Eric Forden, Office of Industries.

² U.S. Department of State, "Country Background Note: Benin," Mar. 2005, found at www.stat-usa.gov, retrieved Mar. 16, 2005; World Bank, *Country Brief: Benin*, Sept. 2004, found at <http://web.worldbank.org>, retrieved Mar. 16, 2005; and U.S. Central Intelligence Agency (CIA), "Benin," *World Factbook 2004*, found at www.odci.gov/cia/publications/factbook/print/bn.html, retrieved Mar. 16, 2005.

³ Economist Intelligence Unit (EIU), *Benin Country Profile*, 2004, p. 32; MBendi, "Benin: Economy," found at www.mbendi.co.za/land/af/be/p0005.htm, retrieved Mar. 9, 2005; World Bank, "Snapshot Of Business Environment - Benin," *Doing Business*, found at <http://rru.worldbank.org/DoingBusiness/ExploreEconomies/BusinessClimateSnapshot.asp>, retrieved Mar. 17, 2005; and World Trade Organization (WTO), *Trade Policy Review: Benin*, May 24, 2004, found at www.wto.org, retrieved Mar. 23, 2005.

⁴ International Monetary Fund (IMF), "Table 1. Benin Gross Domestic Product By Sector or Origin at Current Prices, 1996-2003," and "Benin: Basic Data, 1996-2003," *Benin: Selected Issues And Statistical Appendix*, Nov. 2004, pp. 52-53.

⁵ U.S. Department of State, "Country Background Note: Benin;" and EIU, *Benin Country Profile*, p. 23.

Table BN-1
Benin: Basic economic indicators

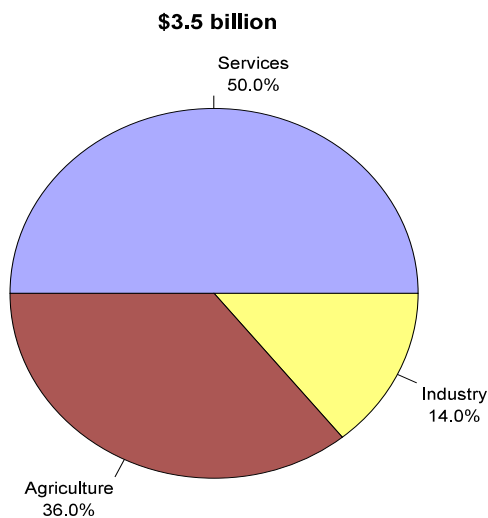
	MRV¹
GDP (current US\$, millions, 2003)	3,498.8
GDP growth (annual percent, based on local currency, 2003)	5.6
GDP per capita growth (annual percent, based on local currency, 2003)	2.9
Inflation, consumer prices (annual percent, 2003)	1.5
External debt, total (current US\$, millions, 2002)	1,843.3
Total debt service (percent of exports of goods and services, 2002)	9.6
Exports of goods and services (percent of GDP, 2003)	14.5
Trade (percent of GDP, 2003)	40.7
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	6.7
Population growth (annual percent, 2003)	2.5
Labor force, total (millions, 2003)	3,057.6
Labor force participation rate, total (percent, 2002)	45.5
Literacy rate, adult total (percent of people ages 15 and above, 2002)	39.8
Primary school enrollment ratio, total (percent, 2000)	95.0
Secondary school enrollment ratio, total (percent, 2000)	22.0
Land use, arable land (percent of total, 2001)	18.1
Gross capital formation (percent of GDP, 2003)	18.9
Gross fixed capital formation (percent of GDP, 2003)	18.9
<u>Foreign direct investment, net inflows (percent of GDP, 2002)</u>	<u>1.5</u>

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure BN-1
Benin: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Benin's natural resources include timber and limestone, as well as unexploited deposits of gold, phosphates, iron ore, marble, and clay. Benin produced small amounts of crude petroleum until known reserves were exhausted in 1998. Mining activities, which account for approximately 0.2 percent of GDP, play a relatively insignificant role in the economy.⁶

In 2002, foreign direct investment (FDI) equaled approximately 1.5 percent of GDP. Since 1990, much of Benin's FDI has been associated with the government's privatization program. During 1991-96, Benin privatized or liquidated more than 100 state companies in a wide variety of sectors.⁷ Since the mid-1990s, however, the government's privatization program has largely stalled.⁸

Export Profile

Benin's export sector is very small, and is composed almost entirely of cotton and re-exports of goods destined to adjacent countries. Moreover, because of the dominant role played by re-exports and the informal sector, the composition and geographic structure of Benin's exports is difficult to determine.⁹ Although World Bank data indicate total exports of \$265.4 million in 2003 (tables BN-2 and BN-3), based on other estimates, Benin's reported exports totaled \$672.1 million (f.o.b.) in 2003 and imports totaled \$865.5 million (f.o.b.), yielding a trade deficit of approximately \$193.4 million.¹⁰

Cotton, Benin's principal export, accounted for approximately 60 percent of exports in 2003. Although the cotton sector has experienced rapid growth over the past 30 years, making Benin the second-largest producer of cotton in West Africa, its reliance on the cotton industry, combined with fluctuating world cotton prices, have constrained Benin's overall economic growth.¹¹ Other exports include wood and wood products, edible fruit and nuts, oilseed and oleagi fruits, and, to a lesser extent, palm oil, cashew nuts, coffee, cocoa, groundnuts, shea nuts, pineapple, and cassava. Benin also exports small amounts of fish and shrimp to the European market.¹²

Re-exports of goods to neighboring countries, as well as unrecorded trade, account for a substantial portion of economic activity in Benin, although such activities are difficult to quantify. Nonetheless, one estimate shows that re-exports accounted for approximately 34 percent of exports in 2003, and another estimate indicates that informal exports could

⁶ IMF, "Table 1. Benin Gross Domestic Product By Sector or Origin at Current Prices, 1996-2003," pp. 52-53.

⁷ EIU, *Benin Country Profile*, p. 26.

⁸ Ibid.; and U.S. and Foreign Commercial Service (US&FCS), "Country Commercial Guide FY 2004: Benin," found at www.stat-usa.gov, retrieved Mar. 16, 2005.

⁹ WTO, *Trade Policy Review: Benin*.

¹⁰ EIU, *Benin: Economic Structure*, Jan. 7, 2005, found at www.viewswire.com, retrieved Apr. 8, 2005.

¹¹ US&FCS, "Country Commercial Guide FY 2004: Benin;" and U.S. Agency for International Development (USAID), *USAID's Strategy in Benin*, found at www.usaid.gov/locations/sub-saharan_africa/countries/benin, retrieved Mar. 17, 2005.

¹² EIU, *Benin Country Profile*, p. 29; International Food Policy Research Institute (IFPRI), "Country Note For Benin," 1998, found at www.ifpri.org, retrieved Mar. 16, 2005; U.S. Department of State, "Country Background Note: Benin;" CIA, "Benin;" World Bank, *Country Brief: Benin*; and US&FCS, "Country Commercial Guide FY 2004: Benin."

Table BN-2
Benin: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
52	Cotton, including yarns and woven fabrics thereof	107,062.5	159,667.6	158,731.5	59.8	4.5
08	Edible fruit and nuts; peel of citrus fruit or melons	6,980.5	23,420.5	32,313.9	12.2	18.6
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	10,750.4	2,939.2	14,602.2	5.5	3.5
44	Wood and articles of wood; wood charcoal	942.7	2,509.0	10,079.7	3.8	30.1
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	17,904.1	22,889.9	9,416.4	3.5	-6.9
24	Tobacco and manufactured tobacco substitutes	438.7	4,109.9	8,085.2	3.0	38.2
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	6.7	174.2	8,036.5	3.0	119.8
23	Residues and waste from the food industries; prepared animal feed	1,189.7	1,469.7	6,149.2	2.3	20.0
41	Raw hides and skins (other than furskins) and leather	3.1	1,384.4	3,179.0	1.2	116.3
03	Fish and crustaceans, molluscs and other aquatic invertebrates	1,895.1	1,491.6	2,586.4	1.0	3.5
	Other	8,518.5	52,208.1	12,240.3	4.6	4.1
	Total	155,691.9	272,264.2	265,420.3	100.0	6.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table BN-3
Benin: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
5201	Cotton, not carded or combed	102,180.9	152,656.8	154,958.1	58.4	4.7
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	5,616.6	22,833.8	30,364.1	11.4	20.6
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	2,228.8	454.3	13,288.0	5.0	21.9
1207	Oil seeds and oleaginous fruits nesoi, whether or not broken	17,084.4	22,714.3	9,393.5	3.5	-6.4
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	438.7	4,109.9	8,040.2	3.0	38.2
2523	Portland cement, aluminous cement, slag cement, supersulfate cement and similar hydraulic cements	0.9	119.4	7,953.9	3.0	175.6
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	4.1	506.7	6,563.2	2.5	127.1
2306	Oilcake and other solid residues (in pellets or not), resulting from the extraction of vegetable fats or oils (except from soybeans or peanuts), nesoi	1,063.1	1,453.9	6,078.7	2.3	21.4
4106	Tanned or crust skins of animals nesoi, without wool or hair on, whether or not split, but not further prepared	0.0	569.8	2,881.6	1.1	(¹)
5208	Woven fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 200 g/m ²	3,223.4	5,370.1	2,667.5	1.0	-2.1
	Other	23,851.3	61,475.2	23,231.4	8.8	-0.3
	Total	155,691.9	272,264.2	265,420.3	100.0	6.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

represent 6 percent of GDP.¹³ The largest share of re-exports go to Nigeria, due in large part to Nigeria's import duties and trade restrictions. The avoidance of these barriers provides a profitable opportunity for Beninese and Nigerian smugglers who conduct informal trade across the border on products ranging from agricultural commodities to used cars.¹⁴

Because of the predominance of raw cotton exports, Benin's largest export markets in 2003 were China (25.8 percent) and India (19.8 percent), two of the leading textile and apparel producing countries (table BN-4). Other important external markets include Thailand (8.4 percent), Sri Lanka (5.7 percent), and Niger (5.6 percent).¹⁵ While Nigeria is one of Benin's largest export markets, most of Benin's trade with Nigeria is not recorded because of the informal nature of trade between the two countries.

Table BN-4
Benin: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
China	474.2	2,422.8	68,398.3	25.8	73.7
India	5,616.5	42,722.2	52,551.3	19.8	28.2
Thailand	5,611.7	12,482.5	22,173.1	8.4	16.5
Sri Lanka	0.0	0.0	15,008.5	5.7	(¹)
Niger	0.0	6,826.0	14,743.8	5.6	(¹)
Indonesia	822.3	17,095.9	13,014.3	4.9	35.9
Italy	12,606.4	12,795.2	12,673.4	4.8	0.1
Nigeria	0.0	3,430.2	12,627.1	4.8	(¹)
Togo	3,251.1	40,090.6	9,652.6	3.6	12.9
Senegal	20.1	382.8	8,866.3	3.3	96.7
Other	127,289.5	134,015.9	35,711.7	13.5	-13.2
Total	155,691.9	272,264.2	265,420.3	100.0	6.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Given the dominance of cotton in the export sector, processed cotton is a promising potential export. Because of a lack of processing facilities, however, a large portion of the cotton crop is shipped in raw form to China and India for processing into thread and cloth. Only about 5 percent of the country's cotton crop is processed in Benin. With the help of foreign investment, the government hopes to move the cotton export sector up the value chain from raw material exports to the downstream processing of cotton thread, cloth, or garments.¹⁶

¹³ EIU, *Benin: Economic Structure*, Apr. 13, 2005, found at www.viewswire.com, retrieved Apr. 15, 2005; and IMF, *Staff Report for the 2004 Article of Consultation*, Sept. 3, 2004, found at www.imf.org, retrieved Apr. 19, 2005.

¹⁴ US&FCS, "Country Commercial Guide FY 2004: Benin."

¹⁵ World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹⁶ US&FCS, "Country Commercial Guide FY 2004: Benin."

Based on revealed comparative advantage¹⁷ (RCA) analysis, Benin's strength lies in agriculture- and animal-related products, with promising indicators for some processed cotton products (appendix E, table E-2). Four of Benin's top exports are in the agricultural sector and two are animal-related products. Although all six exhibit high RCA indices, only goat and kid skin leather displays above average growth in world trade.¹⁸ Nevertheless, certain woven fabrics and processed cotton products have experienced strong growth in their respective RCA indices in recent years.

Benin possesses unexploited reserves of gold, phosphates, iron ore, marble, clay, and, potentially, petroleum. As with cotton and other agricultural products, lack of investment has constrained development in the mineral sector. In order to attract foreign investment into this sector, the government adopted a new Mineral Code in 1998 that provided tax breaks, simplified licensing procedures, and delimited areas for mineral exploration and production. The Government of Benin also uses such incentives to encourage investment in the petroleum and gas sector.¹⁹ In 2003, Kerr-McGee Corporation announced an offshore petroleum discovery, but the level of recoverable reserves has not yet been determined.²⁰

Domestic and International Barriers²¹

The key to development of processed agricultural commodities and natural resources sectors will likely be external investment, as the agricultural sector lacks processing facilities that would enable Benin to move from primary products to processed products. For example, Benin exports virtually its entire crop of raw cashews to India for processing, rather than processing and packaging them domestically. Although the Government of Benin officially encourages foreign investment and maintains an attractive investment code, many foreign investors complain that, in practice, the code is difficult to implement, largely because of inefficiencies and lack of transparency within the government bureaucracy.²²

Business environment indicators show that, on average, Benin is comparable to the regional average (table BN-5). Although Benin performs better than the regional average in certain indicators such as cost to enforce contracts, number of procedures and time to register a property, and time to start a business, it lags behind regional averages in other areas such as cost to create collateral, time required to enforce a contract, and the business closing recovery rate. With respect to the Heritage Foundation's Index of Economic Freedom, Benin lags behind most OECD averages, although it scored better than the region in 2000. Based on its 2005 score, however, Benin was less economically free than the regional average and performed worse than the regional average on 7 of 10 component indicators (table BN-6).

¹⁷ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁸ The average growth in world trade during 1993-2003 was 9.87 percent.

¹⁹ US&FCS, "Country Commercial Guide FY 2004: Benin."

²⁰ University of Pennsylvania, *Facts About the Republic of Benin: Official Document*, found at www.sas.upenn.edu/African_Studies/Country_Specific/benin_EDoc.html, retrieved Mar. 17, 2005; U.S. Department of State, "Country Background Note: Benin;" and EIU, *Benin Country Profile*, p. 23.

²¹ Commission research identified few secondary resources on this topic for Benin.

²² US&FCS, "Country Commercial Guide FY 2004: Benin."

Table BN-5
Benin: Business environment

Business process	Benin	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	8.8	17.1	72.1
Closing a business: Time (years)	3.1	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	80.7	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	4.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	2.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	29.6	43.0	10.8
Enforcing contracts: Number of procedures	49.0	35.0	19.0
Enforcing contracts: Time (days)	570.0	434.0	229.0
Registering a property: Number of procedures	3.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	15.1	13.2	4.9
Registering a property: Time (days)	50.0	114.0	34.0
Starting a business: Number of procedures	8.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	196.9	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	333.4	254.1	44.1
Starting a business: Time (days)	32.0	63.0	25.0
Employment: Difficulty of firing index	50.0	50.6	26.8
Employment: Difficulty of hiring index	72.0	53.2	26.2
Employment: Firing costs (weeks)	54.0	59.5	40.4
Employment: Rigidity of employment index	61.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Benin, applied rate, 2003)		
All goods			12.0
Agricultural goods			14.5
Nonagricultural goods			11.6

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table BN-6
Benin: Economic freedom

	Benin	Regional average¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	3.2	3.7	2.2
2005 Overall score	3.6	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	4.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

The lack of transparency associated with Benin’s public administration acts as a major disincentive to investment.²³ For example, foreign investors complain that establishing a business requires making numerous unofficial payments. Similarly, civil servants at the state-owned telecommunications monopoly reportedly require unofficial payments before granting a phone line, while labor ministry inspectors reportedly demand payments to monitor union elections.²⁴ Benin’s labor laws, which severely constrict labor mobility, were also identified as an impediment to foreign investment.²⁵ Although Benin maintains laws and penalties designed to combat corruption, enforcement measures, including prosecution and punishment, are rare.²⁶ In addition, the inefficiency of Benin’s state bureaucracy acts as a deterrent to foreign investment.²⁷ Inefficiency in the civil service is not expected to improve, due to low salary levels²⁸ and the existing government culture.

The inadequacy of Benin’s physical infrastructure also represents an obstacle to foreign direct investment (table BN-7). For example, water and electrical services are unreliable nationwide. Similarly, while the main highways are generally paved and maintained, secondary roads are often in poor condition. Outside the capital, fixed line telephone service is also inadequate, although foreign investment in a wireless network has improved connectivity in rural Benin.²⁹ Although Benin’s deep-water port at Cotonou is among the most efficient ports in West Africa, shippers continue to complain of inadequate port security, pilferage, customs delays, and a lack of transparency. In an effort to improve the efficiency of the customs clearing process, the government has initiated a one-stop-shop service. The government has also attempted to decrease corruption and other crimes by computerizing customs procedures, establishing a port police force, and offering customs administration training. Despite such efforts, however, reform projects and privatization efforts are strongly resisted by politicians, government and port officials, and union representatives.³⁰

Table BN-7
Benin: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	6,787.0
Roads, paved (percent of total roads, 1999)	20.0
Transport services (percent of service exports, BoP, 2001)	13.3
Transport services (percent of service imports, BoP, 2001)	65.7
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	41.4
Internet users (per 1,000 people, 2002)	7.4
Mobile phones (per 1,000 people, 2002)	32.2
Telephone mainlines (per 1,000 people, 2002)	9.2
Electric power transmission and distribution losses (percent of output, 2001)	70.5
Energy imports, net (percent of commercial energy use, 2001)	26.9

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

²³ According to an official inquiry, governmental corruption costs Benin approximately 3 percent of GDP per year. EIU, *Benin Country Guide*, July 13, 2004, found at www.viewswire.com, retrieved Apr. 7, 2005.

²⁴ US&FCS, “Country Commercial Guide FY 2004: Benin.”

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ EIU, *Benin Country Guide*.

²⁹ US&FCS, “Country Commercial Guide FY 2004.”

³⁰ Ibid.

Although chronic mismanagement of the local cotton ginning industry represents a significant impediment, foreign tariffs are the largest impediment to Benin's cotton export sector. For example, Benin's exports of processed cotton face an average tariff of approximately 8 percent in foreign markets. By contrast, the average tariff on foreign thread is 25-30 percent, representing a major disincentive to downstream processing.³¹ Cotton subsidies, including direct producer payments, price supports, and export subsidies have been identified as international barriers to the export of cotton from Benin.³²

³¹ US&FCS, "Country Commercial Guide FY 2004: Benin."

³² IMF, *Benin: Selected Issues And Statistical Appendix*, pp. 16-19.

Burkina Faso³³

Economic Overview

With a population of 12.1 million, Burkina Faso is a land-locked country located in the middle of West Africa, bordered by Mali to the north and west, Niger to the east, Ghana to the south, Côte d'Ivoire to the southwest, and Togo and Benin to the southeast. As a result of its geographic location, Burkina Faso is vulnerable to recurring droughts, expanding desertification, and frequent pest infestations.³⁴ In 2003, GDP totaled approximately \$4.2 billion (table BF-1). From 1996 to 2002, Burkina Faso experienced an average annual growth rate of approximately 4.7 percent, resulting from strong performances in the agriculture sector.³⁵ However, in mid-2002, when rising civil unrest in neighboring Côte d'Ivoire resulted in border closings, Burkina Faso abruptly lost access to its primary trading seaport in Abidjan. Additionally, approximately 350,000 migrant Burkinabe workers returned to Burkina Faso from Côte d'Ivoire.³⁶ Overall growth in 2002 nevertheless was about 4.6 percent and expanded to approximately 6.3 percent in 2003.³⁷ An economic downturn in Burkina Faso was avoided primarily by the government's ability to divert trade flows through other ports in Ghana, Togo, and Benin, and from increased earnings from both high cotton prices and abundant cotton harvests in 2002 and 2003.³⁸ Furthermore, remittances from Burkinabe workers abroad did not fall as much as expected.³⁹

Agriculture (primary sector) accounts for 32.0 percent of GDP (figure BF-1). With few permanent sources of water, only 15,000 hectares of the 3.27 million hectares of land under cultivation are irrigated.⁴⁰ Consequently, the agriculture sector as a whole, which employs approximately 84 percent of the labor force, is greatly affected by adverse weather conditions. The sector is dominated by cotton production and subsistence farming, typically on small-scale plots of 3 to 5 hectares in size.⁴¹ Burkina Faso is second only to Mali in West Africa in overall cotton production, with an output of approximately 450,000 metric tons during the 2002-03 production year.⁴² The cotton parastatal, Sofitex, which is 35 percent state owned, supervises producers; regulates and ensures the supply of funds, seeds, fertilizer, and insecticides; and oversees harvesting, ginning, and export activities.⁴³ Cotton production accounts for approximately 57 percent of the agricultural sector's total share of GDP.⁴⁴

³³ Prepared by Erick Oh, Office of Industries.

³⁴ Economist Intelligence Unit (EIU), *Burkina Faso Country Profile*, 2004, p. 11.

³⁵ World Trade Organization (WTO), *Trade Policy Review: Burkina Faso*, May 2004, p. 3.

³⁶ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "Burkina Faso," *African Economic Outlook*, 2004, p. 85.

³⁷ *Ibid.*, p. 81.

³⁸ *Ibid.*

³⁹ *Ibid.*, p. 85.

⁴⁰ EIU, *Burkina Faso Country Profile*, p. 19.

⁴¹ WTO, *Trade Policy Review: Burkina Faso*, pp. 53 and 57.

⁴² U.S. Department of State telegram, "Burkina's Cotton Industry: Come So Far, So Far Left To Go," message reference No. 00596, prepared by U.S. Embassy, Ouagadougou, May 12, 2003.

⁴³ U.S. Department of State telegram, "Burkina's Cotton Industry."

⁴⁴ WTO, *Trade Policy Review: Burkina Faso*, p. 53.

Table BF-1
Burkina Faso: Basic economic indicators

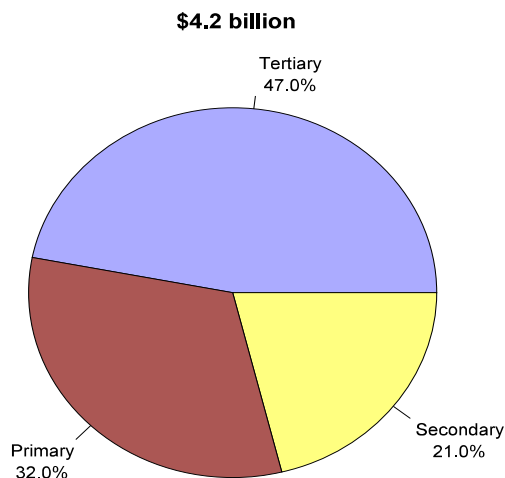
	MRV¹
GDP (current US\$, millions, 2003)	4,181.9
GDP growth (annual percent, based on local currency, 2003)	6.5
GDP per capita growth (annual percent, based on local currency, 2003)	4.1
Inflation, consumer prices (annual percent, 2003)	2.0
External debt, total (current US\$, millions, 2002)	1,579.9
Total debt service (percent of exports of goods and services, 2002)	16.0
Exports of goods and services (percent of GDP, 1999)	8.5
Trade (percent of GDP, 2003)	31.9
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	12.1
Population growth (annual percent, 2003)	2.3
Labor force, total (millions, 2003)	5.9
Labor force participation rate, total (percent, 2002)	47.0
Literacy rate, adult total (percent of people ages 15 and above, 1999)	74.3
Primary school enrollment ratio, total (percent, 2000)	44.0
Secondary school enrollment ratio, total (percent, 2000)	10.0
Land use, arable land (percent of total, 2001)	14.4
Gross capital formation (percent of GDP, 2003)	18.7
Gross fixed capital formation (percent of GDP, 2003)	18.7
Foreign direct investment, net inflows (percent of GDP, 2002)	0.3

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure BF-1
Burkina Faso: Composition of GDP (2003)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying; secondary is defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Livestock products (live animals, hides, and skins), the next largest agricultural commodity, accounted for approximately 30 percent of the agricultural sector's contribution to GDP in 2003.⁴⁵ With a large total animal herd estimated at 21.4 million cattle, sheep, and goats in 2002, livestock products account for about one-fifth of total export earnings.⁴⁶ Overall, agriculture and livestock support approximately 90 percent of the population, but because of a lack of modern technology, the agricultural sector only accounts for approximately one-third of total GDP.⁴⁷ Other important agricultural commodities include groundnuts (peanuts), shea nuts, sesame, and cereals such as millet, sorghum, maize (corn), and rice.

Within the industrial sector, the manufacturing subsector contributes 21 percent to GDP, employs approximately 5 percent of the national labor force, and accounts for almost 11 percent of total exports.⁴⁸ The industrial sector is primarily engaged in the manufacture and processing of cotton derivatives, textiles, agrofoods, tobacco, consumer goods, and small-scale gold mining.⁴⁹ The services sector, which accounts for 47 percent of total GDP and employs 11 percent of the labor force, consists primarily of road transport and tourism activity.⁵⁰ In addition, approximately 20 percent of the population works abroad as migrant workers, providing foreign exchange earnings that are second only to cotton exports.⁵¹

Foreign direct investment (FDI) inflows fell from a high of \$23.0 million in 2000 to \$8.2 million in 2002.⁵² FDI has focused primarily on the mining sector, and particularly mine investments by Canadian firms. Overall FDI inflows have typically been modest resulting from Burkina Faso's high domestic production costs, high transportation costs, and general lack of easily exploitable natural resources.⁵³

Export Profile

Burkina Faso's exports increased by a compound annual growth rate (CAGR) of 7.8 percent during 1994-2003. This growth is principally attributed to Burkina Faso's privatization of all enterprises engaged in the production, processing, and marketing of agricultural products,⁵⁴ and cotton export growth, which increased at a CAGR of 8.7 percent during this period. Cotton accounts for over 60 percent of Burkina Faso's export earnings (tables BF-2 and BF-3), and supports about 2 million rural people.⁵⁵ Given the lack of downstream industries outside of ginning, the majority of cotton is exported unprocessed, primarily to China and Thailand (table BF-4). Cotton is also exported to other Asian countries, South America, and Europe.⁵⁶

⁴⁵ Ibid.

⁴⁶ EIU, *Burkina Faso Country Profile*, p. 19.

⁴⁷ Ibid.

⁴⁸ AfDB/OECD, "Burkina Faso," p. 84.

⁴⁹ WTO, *Trade Policy Review: Burkina Faso*, p. 64.

⁵⁰ Ibid., p. 66.

⁵¹ U.S. Department of State, Bureau of Economic Affairs, "Background Notes: Burkina Faso," Mar. 2005, found at www.state.gov/r/pa/ei/bgn/2834.htm, retrieved Mar. 20, 2005.

⁵² World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

⁵³ EIU, *Burkina Faso Country Profile*, p. 24.

⁵⁴ WTO, *Trade Policy Review: Burkina Faso*, p. 54.

⁵⁵ EIU, *Burkina Faso Country Profile*, p. 20.

⁵⁶ U.S. Department of State telegram, "Burkina's Cotton Industry."

Table BF-2

Burkina Faso: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
52	Cotton, including yarns and woven fabrics thereof	57,299.3	116,971.9	121,694.6	62.4	8.7
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	3,426.8	12,144.5	14,643.0	7.5	17.5
24	Tobacco and manufactured tobacco substitutes	0.0	581.3	11,201.0	5.7	(¹)
41	Raw hides and skins (other than furskins) and leather	7,950.8	8,904.5	8,764.4	4.5	1.1
17	Sugars and sugar confectionery	4.8	13,843.7	6,139.2	3.1	121.3
08	Edible fruit and nuts; peel of citrus fruit or melons	1,352.2	1,010.3	6,035.5	3.1	18.1
07	Edible vegetables and certain roots and tubers	6,590.9	5,615.9	3,845.6	2.0	-5.8
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	16,416.8	8,160.1	2,667.8	1.4	-18.3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	198.4	1,018.8	1,768.1	0.9	27.5
40	Rubber and articles thereof.	86.8	255.1	1,287.8	0.7	34.9
	Other	6,119.2	10,203.5	16,972.1	8.7	12.0
	Total	99,445.9	178,709.7	195,019.1	100.0	7.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table BF-3

Burkina Faso: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
5201	Cotton, not carded or combed	57,143.4	116,815.0	120,744.1	61.9	8.7
1207	Oil seeds and oleaginous fruits nesoi, whether or not broken	3,401.3	11,397.7	12,894.8	6.6	16.0
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	0.0	570.7	11,074.5	5.7	(¹)
1701	Cane or beet sugar and chemically produced	0.0	13,824.2	5,741.2	2.9	(¹)
4105	Tanned or crust skins of sheep or lamb, without wool on, whether or not split, but not further prepared	642.7	4,220.7	4,495.8	2.3	24.1
4106	Tanned or crust skins of animals nesoi, without wool or hair on, whether or not split, but not further prepared	4,125.7	4,518.4	3,823.8	2.0	-0.8
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	1,348.6	777.3	3,288.9	1.7	10.4
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	6,537.8	5,148.2	3,280.2	1.7	-7.4
7108	Gold (including gold plated with platinum), unwrought or in semimanufactured forms, or in powder form	16,274.4	7,861.9	2,631.0	1.3	-18.3
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	0.0	67.0	2,584.7	1.3	(¹)
	Other	9,971.9	13,508.6	24,460.1	12.5	10.5
	Total	99,445.9	178,709.7	195,019.1	100.0	7.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table BF-4
Burkina Faso: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
China	0.0	1,997.2	32,340.4	16.6	(¹)
Thailand	10,261.1	12,224.9	21,579.2	11.1	8.6
Italy	13,946.3	21,805.9	17,493.8	9.0	2.6
Colombia	45.5	13,089.8	14,619.1	7.5	89.9
Niger	0.0	2,156.0	11,132.7	5.7	(¹)
India	0.0	12,742.6	10,329.3	5.3	(¹)
France	9,119.6	9,343.0	9,531.4	4.9	0.5
Japan	1,272.2	8,040.5	9,211.2	4.7	24.6
Portugal	4,522.2	8,795.0	6,425.3	3.3	4.0
Togo	624.4	451.0	5,405.7	2.8	27.1
Other	59,654.7	88,064.0	56,951.0	29.2	-0.5
Total	99,445.9	178,709.7	195,019.1	100.0	7.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Japan accounted for approximately 67 percent of Burkina Faso's exports of oilseeds (primarily groundnuts, shea nuts, and sesame), the country's second-leading export product. Excluding cotton, other agricultural products represented approximately 18 percent of total exports.⁵⁷ Principal export markets for these products are Côte d'Ivoire, Ghana, and Togo.⁵⁸ However, livestock production has recently been declining primarily because of the Ivorian border closure and various adverse environmental factors. For example, an infestation of adult locusts and a drought devastated grazing land for livestock and crop land in early 2005, and as a result, livestock prices fell sharply and cereal prices rose rapidly.⁵⁹

Gold, Burkina Faso's top mineral resource, is extracted at 200 sites using traditional low technology panning and winnowing methods, which are conducive to small deposits.⁶⁰ Gold production was estimated at 390 kilograms in 2002 and accounted for approximately 3 percent of total exports.⁶¹

Sectors with the Greatest Export Growth Potential

Based on revealed comparative advantage⁶² (RCA) analysis, four of the leading exports are in the agricultural sector (leguminous vegetables, oilseeds, cane or beet sugar, and cotton)

⁵⁷ EIU, *Burkina Faso Country Profile*, p. 20.

⁵⁸ *Ibid.*, p. 19.

⁵⁹ As the price of grain doubled, livestock prices fell by almost one-half as herdsmen who were running out of fodder sold their animals to purchase grain. United Nations, Food and Agriculture Organization, "Special Report: FAO Crop and Food Supply Assessment Mission to Burkina Faso," Jan. 10, 2005, found at www.fao.org/documents/show_cdr.asp?url_file=/docrep/007/J3973e/J3973e00.htm, retrieved Feb. 20, 2005.

⁶⁰ WTO, *Trade Policy Review: Burkina Faso*, p. 61.

⁶¹ AfDB/OECD, "Burkina Faso," p. 87.

⁶² RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

and two are in the animal-related products sector (sheep and goat skin leather); all six products show strong RCA indices indicating the strength of these two sectors in the international market (appendix E, table E-4). Five of these products were ranked among the top 10 products by RCA index, indicating that they are prime sectors for export growth. In addition, with most of Burkina Faso's current exports destined for markets in Europe or Asia, RCA indicators show that the potential for growth in the largely untapped markets of the United States, Canada, the Middle East, and South America remains very high.

With the largest concentration of shea nut trees in the West African region, the potential for exporting processed, shea nut vegetable fat (shea butter) to markets in Europe and the United States is promising.⁶³ To illustrate, in 2000, Burkinabe exports of shea butter and the unprocessed shea kernels brought in an estimated \$7 million.⁶⁴ Shea butter is used by the food and cosmetics industries to produce high-end consumer products such as chocolates, soaps, lotions, and shampoos.⁶⁵ Europe is the largest market worldwide for shea butter, with France and the Netherlands the largest single-country importers.⁶⁶ The United States, which imports much of its shea butter from European re-exporters, is a potential untapped export market for Burkinabe suppliers.⁶⁷ Additionally, international recognition of this product's potential has emerged. For example, the United Nations Development Fund for Women brokered a deal in 2001 to produce 60 short tons of shea butter, and another 90 short tons for 2002.⁶⁸ The deal offered advanced payment for the shea butter orders, thereby securing capital during the production phase, and additionally, provided training in setting quality controls.⁶⁹

Export-oriented light manufacturing industries in Burkina Faso primarily consist of cotton ginning, textiles, leather, agrofoods production (e.g., sugar, wheat, and beer), and tobacco products (e.g., cigarettes).⁷⁰ The Government of Burkina Faso contends that, with greater foreign investments in processing facilities, lower level downstream processing activities such as the production of cotton yarn for export still offer viable short-term growth opportunities.⁷¹ However, such opportunities are dampened by increased international competition from the removal of textile and apparel quotas in 2005.⁷² Increasing competition from inexpensive cotton and synthetic products from Asia has deterred private investment in the Burkinabe textiles sector, and the textiles parastatal, Faso Fani, was liquidated. Further, worker unrest has grown, particularly at the largest manufacturing sugar processor, SN-Sosuco,⁷³ as a result of increasing low-cost sugar imports. In addition, the manufacturing sector has been hindered by expensive electricity, restrictive labor laws, and a lack of skilled labor required for diversification into more skill-intensive industries.⁷⁴

⁶³ "Shea nuts: Making trade work for poor women," Africa Recovery, Dec. 2001, found at www.un.org/ecosocdev/geninfo/afrec/vol15no4/154shea.htm, retrieved Feb. 20, 2005.

⁶⁴ Ibid.

⁶⁵ U.S. Agency for International Development, *A Marketing Manual for West Africa: Buying and Selling Shea Butter*, Oct. 2002, p. 1.

⁶⁶ Ibid.

⁶⁷ Ibid., p. 2.

⁶⁸ "Shea nuts: Making trade work for poor women."

⁶⁹ Ibid.

⁷⁰ WTO, *Trade Policy Review: Burkina Faso*, p. 64.

⁷¹ Embassy of Burkina Faso official, interview by USITC staff, Washington, DC, Feb. 11, 2005.

⁷² For additional information on the Multifiber Arrangement and the removal of textile and apparel quotas in 2005, see app. C.

⁷³ EIU, *Burkina Faso Country Profile*, p. 22.

⁷⁴ AfDB/OECD, "Burkina Faso," p. 84.

According to government representatives, traditional handicrafts such as leather handbags, saddles, woven cotton fabrics, and decorative objects of bronze and wood are a growing subsector within the Burkinabe economy.⁷⁵ Since Burkina Faso hosts the biennial Ouagadougou International Arts and Crafts Fair (SIAO), the largest of its kind in Africa, local producers have the opportunity to network, display, and sell their products to tourists and potential foreign investors and distributors. In addition, the Ministry of Trade, Business Promotion, and Handicraft has initiated policies focused on creating the organizational, technical, commercial, and legal support infrastructure to improve the production and export capabilities of traditional handicraft producers in Burkina Faso.⁷⁶

Tourism is the largest services sector export earner, generating about \$20 million in 2001.⁷⁷ One-half of all tourism in Burkina Faso is related to business trips involving short stays of approximately 3 days.⁷⁸ However, there is potential for leisure tourism growth because of Burkina Faso's numerous cultural and scenic attractions. Events such as the biennial National Culture Week, which offers dance, music, masks, and theater; the Pan-African Film Festival, the largest African film festival in the world; the SIAO international handicrafts fair, the largest craft fair on the continent; and locations such as the country's three national parks offer a variety of activities and destinations for potential visitors.⁷⁹ In addition, as more international conferences are held in the capital, Ouagadougou, hotel construction activities have grown; however, in general, communications and travel-related facilities still require improvement to support increased tourism.⁸⁰

Burkina Faso could potentially increase its exports of gold. Although gold production has declined since 1994, recent investments could reverse this trend. Two Canadian firms, Etruscan Resources and High River Gold Mines, have begun exploration activities in the Youga and Taparko mines respectively, potentially increasing gold yields. Etruscan estimates total reserves at Youga at 21 metric tons with an annual production level of 3 metric tons, and High River Gold estimates total reserves at Taparko at 20 metric tons with similar annual production.⁸¹ Thus, total gold production in 2005 could reach 6 metric tons, eclipsing the previous production high of approximately 1 metric ton in 1998.

As noted, FDI has focused primarily on the mining sector. To promote further capital inflows, the Government of Burkina Faso revised and actively promotes its Investment and Mining Codes among potential investors. In addition to various tax exemptions, the Investment and Mining Codes permit full repatriation of profits and 100-percent foreign ownership. The Investment Code offers six incentive schedules, divided by industry or sectoral focus, with increasing benefits depending on the size of the investment and the number of permanent jobs created,⁸² and the Mining Code offers specific exploration and

⁷⁵ Embassy of Burkina Faso official, interview by USITC staff, Washington, DC, Feb. 11, 2005.

⁷⁶ Chambre de Commerce d'Industrie et d'Artisanat du Burkina Faso, "Handicrafts from Burkina Faso," found at www.artisanat-burkina.com, retrieved Mar. 1, 2005.

⁷⁷ WTO, *Trade Policy Review: Burkina Faso*, p. 67.

⁷⁸ *Ibid.*

⁷⁹ EIU, *Burkina Faso Country Profile*, p. 23.

⁸⁰ *Ibid.*

⁸¹ AfDB/OECD, "Burkina Faso," p. 83.

⁸² WTO, *Trade Policy Review: Burkina Faso*, p. 16.

exploitation licenses with various customs and fiscal preferences.⁸³ According to Burkinabe authorities, 23 projects were approved under the Investment Code in 2003.⁸⁴

Domestic and International Barriers

The business environment poses substantial constraints to developing export-oriented industries. Most of the business environment indicators for Burkina Faso were worse than the regional average and far behind OECD averages (table BF-5). Notably, trade policy, government intervention in the economy, wages and prices, property rights, and regulation were areas where Burkina Faso fared worse than the regional average. Areas that exhibited significant deviation from the regional averages were contract enforcement and employment market rigidity and costs. In terms of overall economic freedom, however, Burkina Faso's overall score improved between 2000 and 2005 (table BF-6).

Table BF-5
Burkina Faso: Business environment

Business process	Burkina Faso	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	8.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	6.4	17.1	72.1
Closing a business: Time (<i>years</i>)	4.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	22.2	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	4.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	2.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	92.5	43.0	10.8
Enforcing contracts: Number of procedures	41.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	458.0	434.0	229.0
Registering a property: Number of procedures	8.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	16.2	13.2	4.9
Registering a property: Time (<i>days</i>)	107.0	114.0	34.0
Starting a business: Number of procedures	13.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	152.8	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	498.6	254.1	44.1
Starting a business: Time (<i>days</i>)	135.0	63.0	25.0
Employment: Difficulty of firing index	70.0	50.6	26.8
Employment: Difficulty of hiring index	100.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	80.0	59.5	40.4
Employment: Rigidity of employment index	90.0	56.0	34.4
Employment: Rigidity of hours index	100.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Burkina Faso, applied rate, 2003)		
All goods			12.0
Agricultural goods			14.5
Nonagricultural goods			11.6

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

⁸³ Ibid., p. 61.

⁸⁴ Ibid., p. 16.

Table BF-6
Burkina Faso: Economic freedom

	Burkina Faso	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	3.6	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	4.0	3.9	2.2
Fiscal burden of government score	3.8	3.9	3.6
Government intervention in the economy score	3.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Deteriorating transportation networks, excessive regulations, and inadequate infrastructure have inhibited investment and productive capacity growth across sectors. As a land-locked country, high transportation costs hamper export-oriented business, especially in rural areas. Approximately 60 percent of the 8,230 villages in Burkina Faso are more than 3 kilometers away from a main road. Many of these villages are connected by an estimated 10,500 kilometers of unpaved paths, which become impassable during the rainy season (table BF-7).⁸⁵ In addition, the railway that runs from Kaya through the capital Ouagadougou to Abidjan in Côte d'Ivoire has declining traffic volume because of growing operating inefficiencies.⁸⁶ Burkina Faso's electricity grid serves only 4 percent of the population and is significantly more expensive per kilowatt hour than in neighboring countries.⁸⁷ For example, electricity in Burkina Faso cost 75 CFA francs per kilowatt hour in 2000, which is five to seven times more expensive than in Ghana and Nigeria.⁸⁸ As a result, private operations such as mines, the sugar plant, and the cotton parastatal generate their own electricity.⁸⁹ In addition, penetration of the telecommunications network remains relatively low at 5.4 telephone mainlines per 1,000 people, which further impedes business operations.

The lack of skilled labor and low level of economic development hamper business growth, diversification, and investment. The United Nations Development Programme human development indicator placed Burkina Faso 173rd out of 175 countries in 2003. In particular, approximately 75 percent of the adult population is illiterate, and life expectancy was estimated at 46 years in 2001.⁹⁰

⁸⁵ EIU, *Burkina Faso Country Profile*, p. 14.

⁸⁶ Ibid.

⁸⁷ Ibid., p. 15.

⁸⁸ U.S. Department of State telegram, "Burkina's Cotton Industry."

⁸⁹ WTO, *Trade Policy Review: Burkina Faso*, p. 63.

⁹⁰ EIU, *Burkina Faso Country Profile*, p. 12.

Table BF-7
Burkina Faso: Infrastructure-related indicators

	MR¹
Roads, total network (<i>km, 1999</i>)	12,506.0
Roads, paved (<i>percent of total roads, 1999</i>)	16.0
Transport services (<i>percent of service exports, BoP, 2001</i>)	12.9
Transport services (<i>percent of service imports, BoP, 2001</i>)	62.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	12.9
Internet users (<i>per 1,000 people, 2002</i>)	2.1
Mobile phones (<i>per 1,000 people, 2002</i>)	7.5
Telephone mainlines (<i>per 1,000 people, 2002</i>)	5.4
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Within agriculture, insufficient irrigation, adverse environmental conditions, and limited access to technology are key sectoral impediments. Only 15,000 hectares of the 3.27 million hectares of land under cultivation is irrigated,⁹¹ and drought and locust infestations are recurring problems. In addition, only 30 percent of households own a plough or traction animals, and fertilizer is seldom used outside of cotton cultivation.⁹²

Impediments to the export of shea butter remain high. The harvesting and processing of shea is done primarily by rural women with limited access to credit, limited technical skills, few direct linkages to potential markets, and no uniform quality controls. Using traditional means of production, output levels have been very low. Whereas potential shea nut output is estimated at 850,000 short tons per annum, only 40,000 to 80,000 short tons are harvested.⁹³

Agriculture support programs in developed countries, particularly in the cotton sector, have been cited by cotton producers and the government as an important international barrier.⁹⁴ In addition, Burkina Faso's land-locked locale increases transport costs and makes exports vulnerable to the political environment and transport inefficiencies of neighboring re-export countries. The delays and inefficiencies effectively constrain export industries' ability to expand into sectors that require timely delivery of perishable products.

⁹¹ Ibid., p. 19.

⁹² Ibid., p. 20.

⁹³ "Shea nuts: Making trade work for poor women."

⁹⁴ U.S. Department of State telegram, "Burkina's Cotton Industry."

Economic Overview

Chad is a land-locked country with a GDP of approximately \$2.6 billion (table CH-1). Chad's economic performance has improved in recent years as a result of the influx of petroleum export earnings based on the development of new petroleum fields. Chad's GDP growth rate in 2003 was 9.9 percent; GDP growth in 2004, the first full year of Doba petroleum extraction, was estimated at 31.0 percent.⁹⁶ With the country's relatively low population growth rate, Chad's per capita GDP increased by 4.3 percent in 2003. The majority of the Chadian labor force is unskilled. Chad's large informal economy, not reflected in official economic data, is estimated to account for as much as 72 percent of the country's total economic activity.⁹⁷

Petroleum production has transformed the structure of Chad's economy. In 2003, services accounted for 42.0 percent of Chad's GDP; agriculture, 36.0 percent; and industry, 22.0 percent (figure CH-1). Foreign direct investment (FDI) peaked in 2002 at over \$1 billion as a result of investment in petroleum extraction in southern Chad. Subsequently, levels of FDI have declined, with most new investment focused on infrastructure development projects to reduce the time and cost of transportation within Chad.⁹⁸

Chad's main agricultural exports, cotton and gum arabic, grow well in the country's drought-prone climate. Informal livestock trading is an important economic activity in southern Chad.⁹⁹ The growth of the industry sector in 2004 is due primarily to production and exports of crude petroleum. Chad's small downstream manufacturing sector includes the production of cotton, sugar, beer and soft drinks, and cigarettes.¹⁰⁰

Export Profile

Cotton, petroleum, and gum arabic are Chad's leading exports (table CH-2). Cattle and cattle-related product exports from Chad's large informal sector also are significant.¹⁰¹ The cultivation and ginning of cotton has been Chad's primary economic and export activity for

⁹⁵ Prepared by Russell Duncan, Office of Investigations.

⁹⁶ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline/>, retrieved May 5, 2005.

⁹⁷ Economist Intelligence Unit (EIU), *Chad Country Profile*, 2004, pp. 18-19; and International Monetary Fund, *Memorandum of Economic and Financial Policies of the Government of Chad for 2005-07*, Feb. 2005.

⁹⁸ Embassy of Chad official, interview by USITC staff, Washington, DC, Feb. 9, 2005.

⁹⁹ Integrated Framework (IF), *Aide mémoire: Mission principale de l'Étude Diagnostic sur l'Intégration du Commerce du Cadre intégré au Tchad*, June 2004, paras. 35-36.

¹⁰⁰ Ministry of Planning, Development and Cooperation, *National Poverty Reduction Strategy Paper*, June 2003, pp. 38-41.

¹⁰¹ Agence Française de Développement, *Analyses et perspectives macroéconomique du Tchad*, Sept. 2002.

Table CH-1
Chad: Basic economic indicators

	MRV¹
GDP (current US\$, millions, 2003)	2,647.6
GDP growth (annual percent, based on local currency, 2003)	9.9
GDP per capita growth (annual percent, based on local currency, 2003)	4.3
Inflation, consumer prices (annual percent, 2003)	-1.9
External debt, total (current US\$, millions, 2002)	1,280.6
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	21.2
Trade (percent of GDP, 2003)	75.0
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	8.6
Population growth (annual percent, 2003)	2.8
Labor force, total (millions, 2003)	4.2
Labor force participation rate, total (percent, 2002)	45.6
Literacy rate, adult total (percent of people ages 15 and above, 2002)	45.8
Primary school enrollment ratio, total (percent, 2000)	73.0
Secondary school enrollment ratio, total (percent, 2000)	10.7
Land use, arable land (percent of total, 2001)	2.9
Gross capital formation (percent of GDP, 2003)	44.7
Gross fixed capital formation (percent of GDP, 2003)	44.7
Foreign direct investment, net inflows (percent of GDP, 2002)	45.0

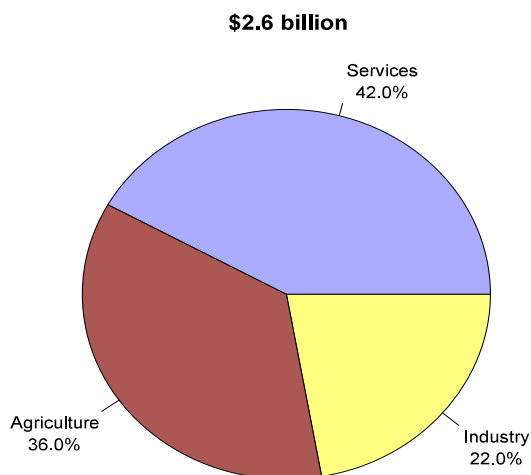
¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure CH-1
Chad: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Table CH-2

Chad: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
52	Cotton, including yarns and woven fabrics thereof	43,446.0	90,150.8	59,283.1	63.0	3.5
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	3.6	30.3	19,549.8	20.8	160.3
13	Lac; gums; resins and other vegetable saps and extracts . .	13,364.8	12,998.9	9,158.2	9.7	-4.1
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	162.8	400.8	915.9	1.0	21.2
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	1.5	24.5	861.6	0.9	102.7
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	75.1	310.5	704.3	0.7	28.2
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.0	0.0	529.0	0.6	(¹)
62	Articles of apparel and clothing accessories, not knitted or crocheted	10.7	15.4	426.8	0.5	50.6
41	Raw hides and skins (other than furskins) and leather	374.9	62.6	422.2	0.4	1.3
39	Plastics and articles thereof	1.4	2.6	348.4	0.4	85.3
	Other	4,712.3	11,172.0	1,833.3	1.9	-10.0
	Total	62,152.8	115,168.4	94,032.7	100.0	4.7

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

many years.¹⁰² Unprocessed cotton accounted for 63.0 percent of total exports in 2003, and 75.9 percent of total exports excluding petroleum (table CH-3). A government-owned cotton monopoly controls the production and export of cotton in Chad. Chad exports gum arabic primarily to developed countries for use in beverage, confectionery, food, and pharmaceutical products. Despite a decline in Chad's gum arabic exports since 1994, gum arabic accounted for nearly 10 percent of Chad's exports in 2003. Chad's petroleum exports have increased significantly in recent years as a result of the opening of several new petroleum fields. In addition to this increased volume of petroleum exports, Chad also has benefitted from increases in global petroleum prices. Chad's exports of mineral fuel increased by 160.3 percent in value during 1994-2003; moreover, the year 2004 was the first full year of petroleum extraction and export from Chad's Doba petroleum fields.¹⁰³ The cattle industry, which largely is based on traditional nomadic herding, is estimated to be the second-largest employer in Chad.¹⁰⁴ Most exports of cattle and cattle-related products are traded informally to neighboring Nigeria and, to a lesser extent, Cameroon.¹⁰⁵

¹⁰² World Bank, *Chad Cotton Sector Reform: A Case Study on Poverty and Social Impact Analysis*, 2002, p. 2, found at http://poverty.worldbank.org/files/13138_chadcottonreform.pdf, retrieved Mar. 26, 2005. In 1987, cotton accounted for 85 percent of exports; in 1997, it accounted for 65 percent of exports.

¹⁰³ Esso Exploration and Production Chad Inc., "Project Overview," 2005, found at www.essochad.com, retrieved Apr. 11, 2005.

¹⁰⁴ U.S. Department of State, Bureau of African Affairs, "Chad Country Profile: The Economy," Feb. 2005, found at www.state.gov/r/pa/ei/bgn/37992.htm, retrieved Mar. 27, 2005.

¹⁰⁵ Vétérinaires Sans Frontières, *Rapport Final de Vétérinaires Sans Frontières au Tchad: Projet ASETO*, Dec. 1998.

Table CH-3
Chad: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
5201	Cotton, not carded or combed	43,443.5	89,981.7	59,237.9	63.0	3.5
2709	Petroleum oils and oils from bituminous minerals, crude	3.6	0.0	15,955.8	17.0	154.5
1301	Lac; natural gums, resins, gum-resins and balsams	13,364.8	12,998.9	9,115.0	9.7	-4.2
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	0.0	29.7	3,568.5	3.8	(¹)
8207	Interchangeable tools for handtools (power-operated or not) or for machine-tools, including dies for extruding metal, and base metal parts thereof	0.0	0.0	870.1	0.9	(¹)
5601	Wadding of textile materials and articles thereof; textile fibers, not over 5 mm (0.197 in.) in length, textile dust and mill neps	0.0	0.0	529.0	0.6	(¹)
8485	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features, nesoi	0.0	0.6	469.5	0.5	(¹)
8543	Printing machinery (including ink-jet printing machines, except those of 8471); machines for uses ancillary to printing; parts thereof	0.0	0.0	445.8	0.5	(¹)
4103	Raw hides and skins nesoi (fresh or preserved, but not tanned or further prepared), whether or not dehaired or split	271.7	20.8	408.6	0.4	4.6
8411	Turbojets, turbopropellers and other gas turbines, and parts thereof	0.0	0.0	381.6	0.4	(¹)
	Other	5,069.3	12,136.7	3,050.9	3.2	-5.5
	Total	62,152.8	115,168.4	94,032.7	100.0	4.7

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Chad's exports are concentrated in a few markets. In 2003, the leading 3 markets accounted for 59.6 percent of Chadian exports, and the top 10 markets accounted for almost 87 percent of Chad's exports. Chad's leading export market in 2003 was the United States, which accounted for 26.2 percent of Chad's total exports (mainly petroleum), followed by Germany and Portugal (table CH-4). Exports to China increased by a compound annual growth rate of 114.0 percent during 1994-2003; other relatively large increases during the same period were exports to India (55.0 percent), Morocco (45.4 percent), Poland (37.7 percent), and the United States (32.4 percent).

Table CH-4

Chad: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	1,970.5	7,403.9	24,664.2	26.2	32.4
Germany	14,693.0	16,812.2	16,313.0	17.3	1.2
Portugal	19,365.7	30,491.8	15,166.7	16.1	-2.7
Morocco	178.6	4,150.7	5,193.3	5.5	45.4
France	9,193.9	5,371.9	4,065.7	4.3	-8.7
Spain	2,564.8	3,578.7	3,789.2	4.0	4.4
India	65.7	0.0	3,401.0	3.6	55.0
Poland	165.0	1,226.0	2,939.0	3.1	37.7
Czech Republic	0.0	2,955.2	2,906.1	3.1	(¹)
China	3.0	0.0	2,837.8	3.0	114.0
Other	13,952.6	43,178.0	12,756.6	13.6	-1.0
Total	62,152.8	115,168.4	94,032.7	100.0	4.7

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

The revealed comparative advantage¹⁰⁶ (RCA) analysis indicates that Chad has a strong comparative advantage with respect to cotton, its leading export (appendix E, table E-7). Chad's cotton exports are primarily to the EU market; export potential exists in other global markets, particularly North America, Japan, the Asia-Pacific region, and other developing countries. Recent interest by the Government of Chad in reviving the defunct formerly government-owned textile mill as a private enterprise with FDI from the Netherlands demonstrates the government's awareness of its downstream cotton sector potential.¹⁰⁷ The RCA analysis also shows Chad to have a strong comparative advantage with respect to gum arabic, despite relatively low world demand. Although Chad's gum arabic exports are shipped primarily to the U.S. market, export potential appears to exist in other world markets. The RCA analysis also shows Chad to have a comparative advantage in onions, shallots, garlic, and leeks. There also appears to be potential for Chad to export cattle and cattle-related products. As mentioned above, Chad exports cattle primarily through informal trading; efforts to incorporate the informal cattle industry could result in greater exports in the formal sector. Based on current exploration and investment, petroleum holds significant export potential for Chad. Estimates are that Chad's Doba petroleum field has a projected life of approximately 30 years.¹⁰⁸

¹⁰⁶ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁰⁷ Centre d'Étude et de Formation pour le Développement au Tchad, *Sarh: La ville aux usines mortes*, 2004, found at www.cefod.org/Tchad%20et%20Culture/Tc219/ville_rurale%20sarh%20usines.htm, retrieved May 5, 2005.

¹⁰⁸ Esso Exploration and Production Chad Inc., "Tapping Into a New Frontier Oil Province," press release, 1998, found at www.esso Chad.com/Chad/Library/News/Chad_NW_mediabis_011098.asp, retrieved Mar. 27, 2005. Extraction was estimated to peak (shortly after project initiation) along a left-skewed, log-normal curve over the life of the project.

Domestic and International Barriers

The business climate in Chad generally ranks below the average for SSA (table CH-5). For example, Chad lags substantially behind regional averages for the minimum cost and capital required to start a business indicators, the cost to close a business indicator, the difficulty in hiring index, and all contract enforcement indicators. Although Chad's 2005 economic freedom indicators are, on average, on par with the region, the trade policy, fiscal burden, property rights, regulation, and informal market scores are below regional averages (table CH-6). Chad's transportation infrastructure is limited; the country has no railroads and less than 1 percent of the roads are paved (table CH-7). Cotton exports must be trucked to the border of neighboring Cameroon, then loaded onto Cameroonian trains to be taken to the port of Douala for shipping. The poor state of infrastructure leads to high transportation costs, which limit the country's export potential and its ability to attract potential investors. Other key constraints include energy shortages and high energy costs. As a result of a weak educational system and low adult literacy rates, Chad also faces a shortage of skilled labor that inhibits the country's ability to diversify into more skill-intensive industries.¹⁰⁹

Table CH-5
Chad: Business environment

	Chad	Regional average	OECD average
Closing a business: Cost (percent of estate)	76.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	0.0	17.1	72.1
Closing a business: Time (years)	10.0	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	48.9	41.8	5.2
Getting credit: Credit information Index	3.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	54.9	43.0	10.8
Enforcing contracts: Number of procedures	52.0	35.0	19.0
Enforcing contracts: Time (days)	526.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	13.3	13.2	4.9
Registering a property: Time (days)	44.0	114.0	34.0
Starting a business: Number of procedures	19.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	344.2	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	610.4	254.1	44.1
Starting a business: Time (days)	75.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	100.0	53.2	26.2
Employment: Firing costs (weeks)	47.0	59.5	40.4
Employment: Rigidity of employment index	80.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs		Simple average of ad valorem duties	

Country data not available.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://ru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

¹⁰⁹ Embassy of Chad in the United States, "Business Info," found at www.chadembassy.org, retrieved Mar. 29, 2005.

Table CH-6
Chad: Economic freedom

	Chad	Regional average ¹	OECD average
——— Heritage Foundation indicators ———			
1995 Overall score	(²)	3.6	2.5
2000 Overall score	4.0	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.8	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	5.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.— Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

Table CH-7
Chad: Infrastructure-related indicators

	MRY ¹
Roads, total network (km, 1999)	33,400.0
Roads, paved (percent of total roads, 1999)	0.8
Transport services (percent of service exports, BoP)	(²)
Transport services (percent of service imports, BoP)	(²)
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	5.8
Internet users (per 1,000 people, 2002)	1.9
Mobile phones (per 1,000 people, 2002)	4.3
Telephone mainlines (per 1,000 people, 2002)	1.5
Electric power transmission and distribution losses (percent of output)	(²)
Energy imports, net (percent of commercial energy use)	(²)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Lack of government transparency and inefficient regulatory systems also hinder the development of a diversified formal economy. High-level political involvement in the resolution of business contracts continues to be an issue in both the industry and services sectors.¹¹⁰ Chad reportedly lacks a strong, well-functioning judicial system, which increases the legal risk for businesses to operate in Chad.¹¹¹ Political and security risks also create an uncertain environment that is not conducive to investment or economic growth.¹¹² In addition, given the important role of cotton in Chad’s exports, agricultural support programs in developed markets have been identified as a barrier to Chad’s cotton export growth.¹¹³

¹¹⁰ U.S. Department of State telegram, “U.S. Investment in New Chadian Cell Phone Company,” message reference No. 02158, prepared by U.S. Embassy, Ndjamena, Dec. 2004.

¹¹¹ U.S. industry official, email communication to USITC staff, May 3, 2005.

¹¹² Embassy of Chad in the United States, “Business Info.”

¹¹³ Oxfam, *The Impact of U.S. Cotton Subsidies on Africa*, 2002, found at www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp30_cotton.pdf, retrieved Apr. 11, 2005.

Economic Overview

Mali is a land-locked country located in West Africa. Mali's economy is dominated by cotton, livestock, and gold mining, and consequently, it is deeply affected by climatic conditions and the variability of world prices for cotton and gold. The livelihood of a majority of the population depends on agriculture and livestock.¹¹⁵ Reforms first instituted in 1994 have been successful in improving macroeconomic performance and in meeting the majority of fiscal objectives. In 2003, inflation was an estimated -1.3 percent and GDP growth was 6.0 percent (table ML-1). Trade represents 65.2 percent of GDP, and exports of goods and services represent 27.0 percent of GDP.

The primary sector, predominantly agriculture, plays a vital role in Mali's economy, accounting for 41.4 percent of GDP (figure ML-1) and employing almost 80 percent of the population.¹¹⁶ Crops include sorghum, millet, maize (corn), rice, dates, mangoes, beans, and potatoes. Production is mostly by small-scale farming operations.¹¹⁷ The principal cash crop is cotton, which accounts for approximately 14 percent of Mali's GDP and almost 99 percent of its agricultural export revenue.¹¹⁸ Livestock also plays an important role in Mali's agricultural sector. Mali's national herd is approximately 5.7 million cattle, 13.2 million goats, and 300,00 camels.¹¹⁹ Most livestock production is by small-scale farmers. Mali is the biggest fresh-water fish producer in sub-Saharan Africa (SSA).¹²⁰ The surplus is smoked, salted, dried, and exported. Fish production has been declining since the early 1980s as a result of drought and the use of river water for agriculture.¹²¹

The tertiary sector, primarily services, accounts for 35.5 percent of GDP. Tourism is the country's primary source of services export revenue. Another source of services revenue is the financial sector; however, only three banks are 100 percent privately owned, resulting in a limited range of financial products.¹²² The secondary sector, primarily industrial, accounts for 23.1 percent of GDP. Manufacturing accounts for 2.8 percent of the value of this sector, and mining makes up most of the remainder.¹²³ Mali's mineral sector is dominated by gold mining. The decrease in international gold prices from 1997-99 adversely affected Mali's gold production.¹²⁴ Since the latest changes to the 1999 investment code that liberalized the sector, gold mining has increased significantly and is now the largest source

¹¹⁴ Prepared by Angela Calarco, Office of Industries.

¹¹⁵ Central Intelligence Agency (CIA), "Mali," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook/, retrieved Jan. 4, 2005.

¹¹⁶ Economist Intelligence Unit (EIU), *Mali Country Profile*, 2004, p. 18.

¹¹⁷ U.S. Department of State, "Background Notes: Mali," Jan. 2005, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

¹¹⁸ WTO, *Trade Policy Review: Mali*, Report by the Government Revision, June 2, 2004, p. 11.

¹¹⁹ The Government of Mali, *Poverty Reduction Strategy Paper*, May 29, 2002, p. 30.

¹²⁰ Industry officials, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹²¹ U.S. Department of State, "Background Notes: Mali."

¹²² EIU, *Mali Country Profile*, p. 31.

¹²³ Despite the general categorization note in figure ML-1, Mali's mining activity is included within the secondary sector.

¹²⁴ U.S. & Foreign Commercial Service (US&FCS), "Mali Aggregate Economic Outlook: 2000-2001," July 2, 2001, found at www.stat-usa.gov, retrieved, Feb. 18, 2005.

Table ML-1
Mali: Basic economic indicators

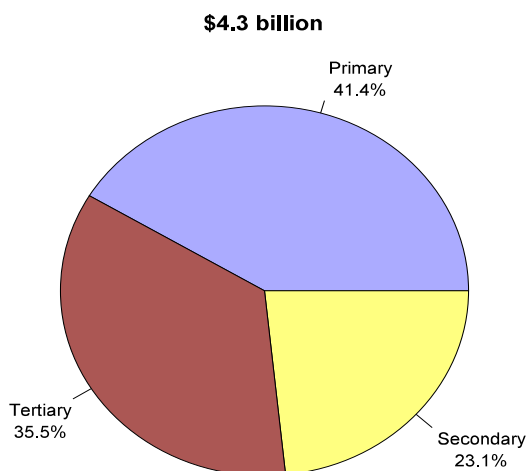
	MRV¹
GDP (current US\$, millions, 2003)	4,326.0
GDP growth (annual percent, based on local currency, 2003)	6.0
GDP per capita growth (annual percent, based on local currency, 2003)	3.5
Inflation, consumer prices (annual percent, 2003)	-1.3
External debt, total (current US\$, millions, 2002)	2,803.2
Total debt service (percent of exports of goods and services, 2002)	7.0
Exports of goods and services (percent of GDP, 2003)	27.0
Trade (percent of GDP, 2003)	65.2
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	11.7
Population growth (annual percent, 2003)	2.4
Labor force, total (millions, 2003)	5.7
Labor force participation rate, total (percent, 2002)	47.0
Literacy rate, adult total (percent of people ages 15 and above, 2000)	19.0
Primary school enrollment ratio, total (percent, 2000)	61.0
Secondary school enrollment ratio, total (percent, 1999)	15.0
Land use, arable land (percent of total, 2001)	3.8
Gross capital formation (percent of GDP, 2003)	22.0
Gross fixed capital formation (percent of GDP, 2003)	22.0
Foreign direct investment, net inflows (percent of GDP, 2002)	3.1

¹ Most recent year for which data are available between 1999 and 2003.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure ML-1
Mali: Composition of GDP (2003)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying; secondary is defined as manufacturing, construction, electricity, water and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

of export revenue.¹²⁵ In 2001, Mali became the third-largest gold producer in Africa,¹²⁶ and has an estimated 600-800 metric tons of reserves.¹²⁷

In 2001, foreign direct investment (FDI) reached a high of \$125.8 million, up from \$3.6 million in 1999.¹²⁸ Mali was the second-leading recipient of FDI in West Africa that year, following Côte d'Ivoire.¹²⁹ This increase was the result of investments in the gold mining sector, which benefitted from mining code reforms in 1991 and 1999. The government has identified the following priority sectors for economic development: agribusiness, fishing and fish processing, livestock and forestry, mining and metallurgical industries, water and energy production industries, tourism and hotel industries, communications, housing development, transportation, human and animal health promotion enterprises, vocational and technical training enterprises, and cultural promotion enterprises.¹³⁰ To encourage investment in these areas, the government is offering special incentives, such as tax exemptions for job creation.¹³¹

Export Profile¹³²

In 2003, Mali's total exports were \$213.6 million (tables ML-2 and ML-3), with cotton accounting for almost 80 percent of exports. Based on sources other than WITS, the majority of the value of the remaining exports is accounted for by gold.¹³³ Mali is the top cotton producer in SSA and the world's eighth-largest cotton exporter.¹³⁴ Approximately 50 percent of Mali's exports are sent to Asian countries, including Thailand, India, China, and Pakistan (table ML-4). In general, Mali's export markets have exhibited positive, modest to high 9-year compound annual growth rates (CAGRs), with exports to the United Kingdom and India increasing by 38.7 percent and 148.4 percent, respectively.

¹²⁵ Philip A. Szczesniak, "The Mineral Industries of Burkina Faso, Mali, Mauritania, and Niger," *U.S. Geological Survey Minerals Yearbook - 2001*, 2001, p. 6.1. Mali's trade data (see below) should be viewed with caution because of problems that may exist such as misreporting, errors, and omissions, especially with regard to gold exports.

¹²⁶ Szczesniak, "The Mineral Industries," p. 6.1.

¹²⁷ EIU, *Mali Country Profile*, p. 26.

¹²⁸ *Ibid.*, p. 36.

¹²⁹ *Ibid.*

¹³⁰ U.S. Department of State telegram, "2005 Investment Climate Statement," message reference No. 250356, prepared by U.S. Embassy, Bamako, Jan. 15, 2005.

¹³¹ *Ibid.*

¹³² Mali's trade data should be viewed with caution because of problems that may exist such as misreporting, errors, and omissions, especially with regard to gold exports. Integrated Framework (IF), *Mali Expanding and Diversifying Trade for Growth and Poverty Reduction: A Diagnostic Trade Integration Study*, Nov. 2004, p. 9.

¹³³ IF, *Mali Expanding and Diversifying Trade*, p. 2; and CARANA Corporation, *Impact of Transport and Logistics on Mali's Trade Competitiveness*, Aug. 2004, p. 14.

¹³⁴ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "Mali," *African Economic Outlook*, 2004, p. 195.

Table ML-2**Mali: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)**

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
52	Cotton, including yarns and woven fabrics thereof	109,337.2	227,653.2	169,706.5	79.4	5.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	9,858.5	2,789.0	13,319.9	6.2	3.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	20,574.4	8,602.6	5,523.6	2.6	-13.6
41	Raw hides and skins (other than furskins) and leather	2,776.7	4,248.7	5,374.6	2.5	7.6
08	Edible fruit and nuts; peel of citrus fruit or melons	1,638.4	1,269.3	2,688.1	1.3	5.7
44	Wood and articles of wood; wood charcoal	327.4	1,031.0	2,477.0	1.2	25.2
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	1,173.9	6,262.7	1,415.9	0.7	2.1
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	0.1	36.3	1,151.4	0.5	182.6
07	Edible vegetables and certain roots and tubers	1,031.6	2,454.7	1,043.7	0.5	0.1
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	243.6	465.5	741.7	0.3	13.2
	Other	8,255.3	17,180.8	10,188.4	4.8	2.4
	Total	155,217.1	271,993.7	213,630.7	100.0	3.6

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ML-3**Mali: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)**

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
5201	Cotton, not carded or combed	109,102.6	225,265.9	169,392.7	79.3	5.0
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing and processing coded data, nesoi	246.8	456.4	12,099.1	5.7	54.1
8542	Electronic integrated circuits and microassemblies; parts thereof	8,944.6	6,356.9	3,124.8	1.5	-11.0
0804	Dates, figs, pineapples avocados, guavas, mangoes and mangosteens, fresh or dried	1,621.3	1,157.1	2,655.2	1.2	5.6
4105	Tanned or crust skins of sheep or lamb, without wool on, whether or not split, but not further prepared	84.6	1,601.0	2,534.6	1.2	45.9
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	8.0	14.4	2,088.6	1.0	85.6
4106	Tanned or crust skins of animals nesoi, without wool or hair on, whether or not split, but not further prepared	42.3	1,822.4	1,410.9	0.7	47.6
4103	Raw hides and skins nesoi (fresh or preserved, but not tanned or further prepared), whether or not dehaired or split	1,463.9	388.0	1,328.3	0.6	-1.1
2814	Ammonia, anhydrous or in aqueous solution	0.0	0.0	1,146.4	0.5	0.0
8543	Electrical machines and apparatus, having individual functions, nesoi; parts thereof	7.0	105.3	771.4	0.4	68.6
	Other	33,696.1	34,826.2	17,078.8	8.0	-7.3
	Total	155,217.1	271,993.7	213,630.7	100.0	3.6

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ML-4

Mali: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Thailand	32,926.3	33,847.0	33,282.9	15.6	0.1
India	8.6	8,687.1	30,860.0	14.4	148.4
China	9,094.4	1,358.1	28,390.0	13.3	13.5
Italy	7,941.1	30,901.8	17,536.9	8.2	9.2
Pakistan	0.0	205.6	14,530.1	6.8	(¹)
United Kingdom	730.8	4,480.6	13,865.6	6.5	38.7
France	7,950.2	5,021.5	8,690.0	4.1	1.0
Germany	4,219.0	4,702.6	7,611.0	3.6	6.8
Tunisia	5,427.6	1,985.9	5,335.3	2.5	-0.2
Spain	4,929.5	4,722.3	5,180.7	2.4	0.6
Other	81,989.5	176,081.1	48,348.0	22.6	-5.7
Total	155,217.1	271,993.7	213,630.7	100.0	3.6

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Exports grew by 38 percent during 1994-2003, largely because of the devaluation of the CFA franc in 1994. The devaluation increased Mali's export competitiveness, especially for cotton exports, which increased significantly during 1993-97.¹³⁵ Since 1998, cotton exports decreased because of a decline in world cotton prices. As a result of the new mining codes, gold exports increased significantly during 1993-97. Policies, mostly in the mining sector, that encourage FDI contributed to the improvement of Mali's trade balance. In 2002, both cotton and gold exports increased significantly as a result of record cotton harvests and the opening of new mines.¹³⁶

In 2003, the value of Mali's exports declined as a result of mining ores with lower average gold content; Air Afrique's bankruptcy, which affected air cargo; the termination of flights by Swissair and Sabena; and the crisis in Côte d'Ivoire. As 70 to 80 percent of Mali's trade passes through Côte d'Ivoire,¹³⁷ the closure of the border between Mali and Côte d'Ivoire and the railway between Ferke and Abidjan resulted in a serious disruption in trade and affected Mali's revenue and economic activity. In September 2003, regional transport operations resumed.¹³⁸

Sectors with the Greatest Export Growth Potential

The major economic sectors with the greatest potential for growth in export sales are agriculture, including agroprocessing, gold, and tourism. Based on revealed comparative

¹³⁵ EIU, *Mali Country Profile*, p. 33.

¹³⁶ AfDB/OECD, "Mali," p. 201.

¹³⁷ U.S. Agency for International Development (USAID), *Country Strategic Plan FY 2003-2012*, p. 6, found at www.usaid.gov, retrieved Jan. 15, 2005.

¹³⁸ CARANA Corporation, *Impact of Transport and Logistics*, p. 15.

advantage¹³⁹ (RCA) analysis, Mali has a strong RCA index in the following leading export products: cotton; rice; sheep or lamb skin leather; dates, figs, and pineapples; and goat or kid skin leather (appendix E, table E-20). Most of these leading products have exhibited relative stability in their RCA indices and, therefore, represent continued attractive export growth potential. Rice, diamonds, and dates are particularly attractive given their above average growth in world trade. Rice, in particular, had a substantial increase in the RCA index during 2000-03.

Mali has a revealed comparative advantage in cotton; however, less than 1 percent of the country's cotton exports are processed.¹⁴⁰ To take advantage of the preferential access to the U.S. market under AGOA, plants are being improved and new factories are being built. A new textile factory began production last year and has shipped cotton yarn to Mauritius,¹⁴¹ where it will be processed into apparel and shipped to the United States.¹⁴² Opportunities may also exist to export cotton within the region.¹⁴³

The livestock sector plays an important role in Mali's economy and is the country's second-largest agricultural sector export.¹⁴⁴ Mali has potential to export cattle,¹⁴⁵ and in recent years, a significant amount of hides and skins have been exported to neighboring countries.¹⁴⁶ Current major export markets include Côte d'Ivoire and Ghana, and smaller markets include Algeria, Benin, and Senegal. Guinea is considered an emerging market. Mali is currently trying to penetrate the meat market in the United States.¹⁴⁷ Opportunities may exist in downstream production facilities such as slaughterhouses, or processed items such as corned beef.¹⁴⁸

Mali's main export markets for mangoes are France, the Netherlands, Mauritania, Senegal, Guinea, and Côte d'Ivoire. Even though the United States imports approximately 40 percent of the world's mangoes,¹⁴⁹ Mali does not export to the United States because of the inability to satisfy sanitary and phytosanitary (SPS) requirements. Opportunities also exist in downstream products such as mango juice and dried, frozen, or preserved mangoes, because SPS requirements are less stringent for processed mango products.¹⁵⁰ As one of West Africa's largest producers of potatoes, Mali has identified potatoes as a potential export product.¹⁵¹ However, Mali is not currently cost competitive in the region compared with European potato exporters. Another potential agriculture sector export is shea nuts. Potential

¹³⁹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁴⁰ Industry officials, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁴¹ NewsEdge Corporation, "The Domestic Economy: Textile Plant to Open in 2005," Feb. 22, 2005.

¹⁴² U.S. Department of State telegram, "Mali AGOA Eligibility Review," message reference No. 168472, prepared by U.S. Embassy, Bamako, Sept. 2004.

¹⁴³ Government official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁴⁴ Nathan Associates, Inc., *Mali Diagnostic Trade and Integration Study*, prepared for the U.S. Agency for International Development, Dec. 7, 2004, p. 26.

¹⁴⁵ *Ibid.*

¹⁴⁶ IF, *Mali Expanding and Diversifying Trade*, p. 70.

¹⁴⁷ Government official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁴⁸ Industry officials, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁴⁹ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 54.

¹⁵⁰ *Ibid.*; and NGO official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁵¹ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 59.

markets for quality shea nuts include the European Union, Japan, and the United States.¹⁵² Processed shea butter may also be developed; currently, shea butter is sent to Burkina Faso for refining.¹⁵³

Mali has a comparative advantage in coarse grains and wheat for export to the region. Mali has the only area in West Africa that is suitable for wheat production,¹⁵⁴ and there is a growing need for animal feed, particularly poultry feed.¹⁵⁵ Markets exist for animal feed in countries with large urban populations and insufficient domestic production such as Senegal.¹⁵⁶ With the use of improved seed variety along with fertilizer and water retention techniques, yields of sorghum and millet could increase by 20 to 30 percent.¹⁵⁷ Opportunities exist in exporting millet and sorghum to Mauritania, Niger, and Senegal, as they are unable to meet their basic consumption needs.¹⁵⁸ A potential market for coarse grains is Europe, where certain segments of the population prefer cereal-based dishes.¹⁵⁹ Mali has a comparative advantage in rice exports to the West African region. The sector has seen significant growth since the 1990s. The high rice yields of the 2003-04 harvest enabled the country to become a net exporter.¹⁶⁰

There continues to be growth potential for exports of gold.¹⁶¹ Two more mines are expected to open in mid-2005,¹⁶² and gold production is expected to peak in 2006, with production leveling off at approximately 50 metric tons per year by 2014.¹⁶³

Although tourism is a leading source of services export revenue,¹⁶⁴ the sector is underdeveloped and has great growth potential for recreational tourism. Mali has diverse attractions such as national parks, ancient cities and archaeological sites, Niger River cruises, cultural festivals, and desert landscapes.¹⁶⁵

Domestic and International Barriers

Exporters are faced with several impediments to doing business in Mali. The minimum capital required to start a business in Mali is much higher than the regional average (table ML-5). The difficulty of hiring and firing indices, and firing costs are also much higher in Mali than the regional and OECD averages. However, Mali ranks better than the regional average on enforcing contracts. Mali's overall economic freedom score is also better than the regional average (table ML-6). However, Mali lags behind the region in property rights, fiscal burden of government, banking and finance, and wages and prices scores.

¹⁵² Daniel Plunkett and J. Dirck Stryker, *Regional Interventions to Improve Cross-Border Trade and Food Security in West Africa, Agricultural Policy Development Program*, Dec. 2002, p. 3; and government official, interview with USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁵³ Government official, interview with USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁵⁴ Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁵⁵ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 17.

¹⁵⁶ Ibid.

¹⁵⁷ USAID, *Country Strategic Plan FY 2003-2012*, p. 61.

¹⁵⁸ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 19.

¹⁵⁹ Ibid., p. 18.

¹⁶⁰ AfDB/OECD, "Mali," p. 196.

¹⁶¹ EIU, *Mali Country Profile*, p. 26.

¹⁶² Ibid.

¹⁶³ Ibid., p. 27.

¹⁶⁴ WTO, *Trade Policy Review: Mali*, p. 14.

¹⁶⁵ U.S. Department of State, "Background Notes: Mali."

Table ML-5
Mali: Business environment

	Mali	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	6.3	17.1	72.1
Closing a business: Time (years)	3.6	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	58.5	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	1.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	34.6	43.0	10.8
Enforcing contracts: Number of procedures	28.0	35.0	19.0
Enforcing contracts: Time (days)	340.0	434.0	229.0
Registering a property: Number of procedures	5.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	20.6	13.2	4.9
Registering a property: Time (days)	44.0	114.0	34.0
Starting a business: Number of procedures	13.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	187.4	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	482.3	254.1	44.1
Starting a business: Time (days)	42.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	78.0	53.2	26.2
Employment: Firing costs (weeks)	81.0	59.5	40.4
Employment: Rigidity of employment index	66.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Mali, applied rate, 2003)		
All goods			12.0
Agricultural goods			14.5
Nonagricultural goods			11.6

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table ML-6
Mali: Economic freedom

	Mali	Regional average ¹	OECD average
— Heritage Foundation indicators —			
1995 Overall score	3.5	3.6	2.5
2000 Overall score	3.1	3.7	2.2
2005 Overall score	3.2	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	2.5	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Mali's transportation infrastructure, considered one of the least developed in the world,¹⁶⁶ greatly affects the cost and the efficient movement of products throughout the country. For example, infrastructure indicators show that only 12.1 percent of roads are paved (table ML-7). Mali's transportation costs are the highest in the region and more than twice those of Senegal.¹⁶⁷ In addition, the poor condition of vehicles affects the ability to transport products out of the country. In February 2003, nearly two-thirds of Mali's 100,500 vehicles were more than 15 years old, resulting in lower operating efficiencies and increased costs.¹⁶⁸

Table ML-7
Mali: Infrastructure-related indicators

	MRV¹
Roads, total network (km, 1999)	15,100.0
Roads, paved (percent of total roads, 1999)	12.1
Transport services (percent of service exports, BoP, 2001)	15.7
Transport services (percent of service imports, BoP, 2001)	62.8
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	10.3
Internet users (per 1,000 people, 2002)	2.4
Mobile phones (per 1,000 people, 2002)	5.0
Telephone mainlines (per 1,000 people, 2002)	5.3
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Transportation costs are further increased because of high import duties charged for new trucks and replacement parts.¹⁶⁹ The railway system is inefficient, and the international railway only provides access to about 25 percent of the country.¹⁷⁰

Access to capital is a challenge in Mali. Commercial banks typically only offer 90- and 180-day loans.¹⁷¹ To finance their trading operations, many farmers rely on their own capital or borrow from friends and family members.¹⁷² Banks reportedly seem more interested in financing import and export activities than financing production,¹⁷³ however, in order to export, producers need financing to purchase equipment.¹⁷⁴ Producers, especially in the agricultural sector, lack financing for downstream production.¹⁷⁵

The utilities infrastructure is generally considered to be inadequate and dilapidated.¹⁷⁶ Mali's utilities, in particular electricity and telecommunications, are also impediments to export growth. Approximately 91 percent of energy consumption is through traditional sources such

¹⁶⁶ The Government of Mali, *Poverty Reduction Strategy Paper*, p. 29.

¹⁶⁷ IF, *Mali Expanding and Diversifying Trade*, p. 57.

¹⁶⁸ Ibid.

¹⁶⁹ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 7.

¹⁷⁰ CARANA Corporation, *Impact of Transport and Logistics*, p. 4.

¹⁷¹ Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁷² Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 6.

¹⁷³ Government official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁷⁴ Government official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁷⁵ Government official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁷⁶ The Government of Mali, *Poverty Reduction Strategy Paper*, p. 30.

as firewood, coal, and agricultural waste.¹⁷⁷ Electricity costs are considered the highest in the region.¹⁷⁸ Despite new investment in generation equipment, supply has not been able to keep up with increases in demand. Poor telecommunications infrastructure is also an impediment to trade growth. Telecommunication costs are high and there are long delays in obtaining access.¹⁷⁹ The country has only 5.3 telephone mainlines per 1,000 people.

Exporters also face challenges in the labor market. There is a shortage of skilled labor and a lack of management skills required for diversification into more skill-intensive industries.¹⁸⁰ Industry officials indicate that all labor contracts must be approved by the government, and companies must formally request authority for overtime every 3 months.¹⁸¹ The officials note that labor market requirements can pose problems for factories that run 24 hours a day, 7 days a week, as they will always have overtime.¹⁸²

Lack of access to technology to increase production capacity is a constraint to business and export growth. Malian producers are consequently unable to meet volume levels often required by developed country importers.¹⁸³

The agriculture and tourism sectors face additional constraints in increasing export production. The impediments that exist for expanding growth of the agriculture sector include the lack of fertilizer supply, the high costs of inputs, the need to improve irrigation infrastructure, highly variable rainfall, and lack of technical capacity to meet SPS requirements. Mali's inability to store products under refrigeration is a challenge and there is a limited supply of reefer containers. As a result, a large amount of product spoils before reaching its market,¹⁸⁴ limiting Mali's ability to export fruits, vegetables, and meat. Producers of these agricultural products also face impediments such as limited access to protein feed concentrates, seasonal feed shortages, and the lack of technical ability to comply with SPS requirements.¹⁸⁵ For example, Mali is not actively pursuing mango exports to the United States because of SPS requirements.¹⁸⁶ Malian producers are unaware of the U.S. market's quality expectations, and technical assistance is needed to satisfy certification requirements.¹⁸⁷ The tourism sector faces challenges such as poor communications, insufficient accommodations, untrained people in human resources, and inefficient land, river, and air transport systems.

As a land-locked country, exporters rely on access to neighboring country infrastructure to export goods, especially high-volume, low-margin goods such as cotton. The nearest effective deep-sea port is approximately 765 miles from Mali's cities.¹⁸⁸ Mali's trade routes were significantly affected by the crisis in Côte d'Ivoire, which closed access to this important export route. Before the crisis, approximately 80 percent of exports went through

¹⁷⁷ The Government of Mali, *Poverty Reduction Strategy Paper*, p. 30.

¹⁷⁸ Industry official, interview with USITC staff, Bamako, Mali, Mar. 17-18, 2005; and U.S. Embassy official, interview with USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁷⁹ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 7.

¹⁸⁰ NGO official, interview by USITC staff, Bamako, Mali, Mar. 17-18.

¹⁸¹ Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁸² Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁸³ Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁸⁴ CARANA Corporation, *Impact of Transport and Logistics*, p. 4.

¹⁸⁵ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, pp. 29-30.

¹⁸⁶ Industry official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁸⁷ NGO official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁸⁸ *Ibid.*, p. 4.

the Côte d'Ivoire port of Abidjan. Since the crisis, alternative routes have been used, although Abidjan is still the most competitive route for trade in products such as cement, hydrocarbons, wood, coal, bitumen, and butane gas.¹⁸⁹ By 2003, exports through Abidjan decreased by 75 percent, with most of the exports flowing through Dakar, Senegal. However, Dakar became overcrowded and exports then were rerouted through Lomé, Togo.¹⁹⁰

Regional impediments exist to the movement of trucks and people. As shipments move throughout the region, drivers must pay informal fees to various operators, which may include local police and people in charge of loading containers on ships.¹⁹¹ The lack of cargo space available on air transportation has affected Mali's trade with its international partners. Airfreight is very expensive,¹⁹² and without sufficient bulk, airlines are unable to make a profit.¹⁹³

Mali's exports are increasingly affected by the new EU regulations regarding traceability. Small-scale exporters of horticultural products that rely on supplies from a variety of small collectors and small producers face challenges in meeting these new regulations.¹⁹⁴ With regard to cotton and meat exports, sources identified support programs in developed and middle-income countries as barriers to increased exports.¹⁹⁵

¹⁸⁹ US&FCS, "Mali Aggregate Economic Outlook: 2000-2001."

¹⁹⁰ CARANA Corporation, *Impact of Transport and Logistics*, p. 20.

¹⁹¹ *Ibid.*, p. 39.

¹⁹² NGO official, interview by USITC staff, Bamako, Mali, Mar. 17-18, 2005.

¹⁹³ Nathan Associates, *Mali Diagnostic Trade and Integration Study*, p. 5.

¹⁹⁴ CARANA Corporation, *Impact of Transport and Logistics*, p. 42.

¹⁹⁵ WTO, *Trade Policy Review: Mali*, p. 12.

CHAPTER 6

Fish-Exporting Countries: The Gambia, Mauritania, Namibia, São Tomé and Príncipe, Senegal, and Tanzania

Four of the fish-exporting countries—The Gambia, Mauritania, São Tomé and Príncipe, and Senegal—are located on the north Atlantic coast. Namibia is located on the south Atlantic and Tanzania, on the Indian Ocean. These six economies all have significant exports of fish and seafood products, in some cases including fish meals and oils (table 6-1). These economies tend to be more diversified than many of the petroleum- and mining-based economies. A summary of findings for each of the six countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 6-1
The Gambia, Mauritania, Namibia, São Tomé and Príncipe, Senegal, and Tanzania, 1999-2003 average share of total exports, by sector

Sector	The Gambia	Mauritania	São Tomé and Príncipe		Senegal	Tanzania
			Shares of total exports, 1999-2003 (percent)			
Fish and related products	22.4	53.1	45.3	23.7	41.8	20.5
Coffee, tea, and spices	0.1	(¹)	(¹)	0.5	(¹)	13.6
Cocoa	0.6	(¹)	(¹)	33.1	0.1	0.8
Other agriculture	24.5	0.4	12.2	2.6	17.9	31.2
Forest-based products	2.4	0.2	0.3	1.3	0.7	1.6
Minerals, metals, and metal products	34.2	44.0	36.0	1.4	25.2	16.4
Fuels and electrical energy	(¹)	(¹)	0.9	2.4	4.2	2.0
Textiles and fibers	1.8	(¹)	0.1	1.3	1.9	8.0
Apparel and related articles	0.8	0.7	2.0	1.5	0.2	1.0
Other manufactures	13.1	1.6	3.3	32.2	8.0	4.9

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The Gambia

The Gambian economy is dependent on its agricultural sector, especially groundnuts (peanuts) and fisheries, and tourism. Expanding beyond raw groundnut cultivation and fisheries, horticultural production and agroprocessing offer the greatest potential for immediate growth. In addition, with most of The Gambia's current exports destined for Europe or Asia, there is potential to expand exports to the United States, Canada, the Middle East, and South America. However, barriers such as inadequate infrastructure, high factor costs, underdeveloped quality control standards, and limited human resources continue to adversely affect The Gambia's international competitiveness and export growth. Sanitary and phytosanitary standards, particularly with respect to aflatoxin regulations for groundnuts, were identified as international impediments to export growth.

Mauritania

Following the discovery of sizeable reserves off the coast of Mauritania in 2001, crude petroleum offers the greatest export potential for Mauritania. Diamonds, fishery products, and tourism also have significant potential. Impediments to diversification of the export base include lack of skilled labor and an inadequate infrastructure. Sanitary and phytosanitary standards and high tariffs in regional markets were identified as international impediments to export growth.

Namibia

Namibia's main exports will likely continue to be dominated by its traditional production and export sectors: gem-quality diamonds, unprocessed minerals and metals (zinc, copper, uranium, and lead), and fresh and processed fish and meat. Domestic barriers to increased exports include lack of a comprehensive policy and regulatory framework that guides the development and administration of standards and technical regulations; continued state-ownership or -control of certain economic sectors; export control and licensing requirements; and the need for transportation and infrastructure upgrades to address frequent bottlenecks. International barriers to Namibian exports include quality and standards requirements, customs requirements, and tariffs.

São Tomé and Príncipe

There is potential for export growth in both traditional and nontraditional sectors that could contribute to diversification and growth of the economy. Examples of potential export growth products are chocolate, coffee, sugar, other cocoa-derived products, and coffee-derived products; fisheries products; petroleum; and services such as transport services and tourism. São Tomé and Príncipe faces resource and infrastructure constraints, and export growth may be hampered by the regulatory environment, the country's judiciary system, and external factors affecting competitiveness such as commodity prices. The islands' high cost of transportation was identified as the primary geographic trade-related impediment to export growth.

Senegal

Senegal has substantial potential to expand its export base given its stable economy and government, favorable geographical location, and infrastructure, which includes a port and the basic infrastructure facilitating the transport of products throughout the region. Potential for export growth in the fish and groundnuts (peanuts) sectors in the short run is promising. There is also potential for growth in exports of downstream fish and groundnut products, (peanuts), and in nontraditional exports such as fresh and semiprocessed fruits and vegetables. The most significant barriers to increased exports are a lack of capital and a domestic business environment that is not conducive to export development and expansion. Lack of required certification to access directly the U.S. market was identified as an important geographic trade-related impediment to export growth.

Tanzania

Tanzania could increase its export earnings through downstream agricultural processing such as the processing and final packaging of coffee beans and tea. Tanzania also has the potential to increase its exports of numerous fruits and vegetables to regional markets, the Middle East, and Europe, and increase the export of spices to the European Union, the United States, Japan, and the Middle East. Mining exports also have a high potential for growth. Export growth in these areas would be enhanced if Tanzania's poor transportation infrastructure was improved, local government taxes on products in transit were eliminated, and if small-scale producers had better access to financing in order to expand capacity. The inability to meet sanitary and phytosanitary standards and the lack of required certification to access directly the U.S. market were identified as important international impediments to export growth.

The Gambia¹

Economic Overview

The Gambia is located on the coast of West Africa and is bordered by the Atlantic Ocean to the west and Senegal to the north, south, and east. GDP in 2003 totaled \$386.3 million, with agriculture accounting for 32.8 percent of GDP; services, 53.5 percent; and industry, 13.7 percent (table GM-1). The Gambia is vulnerable to recurring droughts and frequent locust infestations. Real GDP declined by 3.2 percent in 2002 because of the adverse effects of drought on agricultural production, but rebounded in 2003 to increase by an estimated 8.8 percent as a result of favorable weather conditions and greater agricultural production.² Foreign direct investment (FDI) inflows were valued at \$42.8 million in 2002, directed primarily at financial services, tourism, manufacturing, and wholesale and retail services.³

Table GM-1
The Gambia: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	386.3
GDP growth (annual percent, based on local currency, 2003)	8.8
GDP per capita growth (annual percent, based on local currency, 2003)	6.3
Inflation, consumer prices (annual percent, 2002)	4.9
External debt, total (current US\$, millions, 2002)	572.6
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	40.7
Trade (percent of GDP, 2003)	94.9
Official exchange rate (local currency unit per US\$, period average, 2002)	19.9
Population, total (millions, 2003)	1.4
Population growth (annual percent, 2003)	2.3
Labor force, total (millions, 2003)	0.7
Labor force participation rate, total (percent, 2002)	50.6
Literacy rate, adult total (percent of people ages 15 and above, 2000)	(2)
Primary school enrollment ratio, total (percent, 2000)	82.0
Secondary school enrollment ratio, total (percent, 2000)	37.0
Land use, arable land (percent of total, 2001)	25.0
Gross capital formation (percent of GDP, 2003)	15.8
Gross fixed capital formation (percent of GDP, 2003)	15.8
Foreign direct investment, net inflows (percent of GDP, 2002)	11.6

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

The services sector accounted for 53.5 percent of GDP and is composed mainly of re-export trade and tourism. Tourism is The Gambia's primary foreign exchange earner, accounting for 12 percent of GDP. Trade (consisting primarily of re-exports to neighboring countries, East Africa, and Europe), transport, and communications accounted for 55 percent of service sector activities.⁴

¹ Prepared by Erick Oh, Office of Industries.

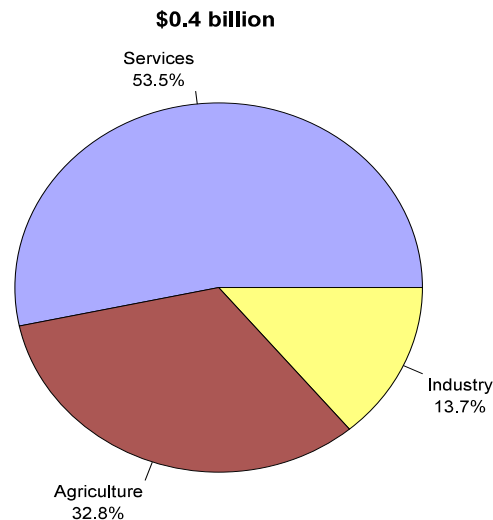
² Economist Intelligence Unit (EIU), *The Gambia Country Profile*, 2004, p. 28.

³ World Trade Organization (WTO), *Trade Policy Review: The Gambia*, Feb. 2004, p. 8.

⁴ EIU, *The Gambia Country Profile*, p. 24.

The Gambian agriculture sector is dominated by groundnut (peanut) production and subsistence farming on small-scale plots. Although 80 percent of the work force is engaged in agriculture, it only accounted for 32.8 percent of GDP in 2003 (figure GM-1) as a result of low downstream processing capabilities and low productivity compared to world production.⁵ Of the 200,000 hectares of arable land in The Gambia, around 55 percent is devoted to groundnut cultivation.⁶ Groundnuts are the country's primary cash crop, with most production taking place on private plots no larger than 10 hectares.⁷ Groundnuts grow well in The Gambia's semiarid environment and are cultivated by almost all workers in the agriculture sector; however, groundnut crops are very sensitive to fluctuations in rainfall and pest and disease occurrence. Other crops such as rice, millet, sorghum, and maize (corn) are increasingly important to the economy, but production is primarily for domestic consumption.⁸ The fisheries sector, which accounted for about 2.5 percent of GDP, employs an estimated 26,500 to 32,000 people.⁹

Figure GM-1
The Gambia: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Within the industry sector, which accounted for 13.7 percent of GDP, manufacturing accounts for less than 5 percent of GDP and employs fewer than 20,000 people. Its downstream processing capacity, including groundnut processing, tanning, food baking, and

⁵ Ibid.

⁶ Ibid., p. 29.

⁷ WTO, *Trade Policy Review: The Gambia*, p. 59.

⁸ EIU, *The Gambia Country Profile*, p. 30.

⁹ WTO, *Trade Policy Review: The Gambia*, p. 66.

the production of fruit juices and soaps,¹⁰ is very limited because of low investment, inadequate infrastructure, and the high cost of credit.¹¹ There is also limited agroprocessing activities involving products such as groundnuts, beer, soft drinks, plastic containers, and leather.¹² The Government of The Gambia is encouraging greater investments in agricultural processing such as groundnut oil and cake production, fisheries, horticulture, and tourism to diversify the country's economic base. Industrial production grew by about 10 percent in 2002 with the establishment of a company whose main operation is the extraction and filtration of groundnut oil for export to Europe.¹³ However, industrial production contracted somewhat in 2003 because of a poor groundnut crop that limited the supply of groundnuts available for processing.¹⁴

Export Profile

Excluding an anomalous export of aircraft to Papua New Guinea in 2003,¹⁵ The Gambia's leading exports consist primarily of agricultural and fisheries products (tables GM-2 and GM-3). The United Kingdom, India, and China are leading export markets (table GM-4). India imported 100 percent of The Gambia's cashew nuts exports; the United Kingdom imported 87 percent of all leguminous vegetables and 73 percent of all raw groundnuts.¹⁶ The Gambia's overall exports declined at a compound annual growth rate (CAGR) of 10.3 percent during 1994-2003. In addition, many of The Gambia's leading exports have experienced negative CAGRs, with particularly large decreases in exports of fish, oilseeds, groundnuts, and other vegetables. This negative trend has mainly been associated with the decline in exports of fish and related products, and the volatility of groundnut exports related to weather conditions and price incentives.¹⁷ Reasons for the decline in fisheries exports include increased domestic regulatory barriers (due to licensing requirements), an end to the fishing agreement between The Gambia and the European Union, and possible over fishing by foreign commercial trawlers in Gambian waters.

Re-export trade accounted for 78 percent of total exports in 2003.¹⁸ Diamond imports from Sierra Leone, Guinea, and Liberia account for the largest share of re-exported goods and, for the most part, are destined for Europe. Manufactured goods such as textiles, machinery, and electric and electronic equipment account for the bulk of re-exports sent through The Gambia to other countries in the region such as Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, and Senegal.¹⁹ The Gambia's active re-export trade sector is a reflection of

¹⁰ EIU, *The Gambia Country Profile*, p. 31.

¹¹ WTO, *Trade Policy Review: The Gambia*, p. x.

¹² Ibid.

¹³ International Monetary Fund (IMF), *The Gambia: Selected Issues and Statistical Appendix*, IMF Country Report No. 04/142, May 2004, p. 8.

¹⁴ IMF, *The Gambia*, p. 9.

¹⁵ Re-exports and large one-time shipments distort export data for The Gambia. For example, an anomalous shipment of aircraft to Papua New Guinea was The Gambia's leading export commodity in 2003.

¹⁶ International Trade Center (UNCTAD/WTO), "Mirror Exports of The Gambia, 2003," found at www.intracen.org/countries/toolpd03/gmb_4.pdf, retrieved Mar. 1, 2005.

¹⁷ IMF, *The Gambia*, pp. 40 and 46; EIU, *The Gambia Country Profile*, p. 30; and WTO, *Trade Policy Review: The Gambia*, pp. 67-68.

¹⁸ EIU, *The Gambia Country Profile*, p. 33.

¹⁹ WTO, *Trade Policy Review: The Gambia*, p. 5.

Table GM-2
The Gambia: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
88	Aircraft, spacecraft, and parts	169.3	2.8	9,027.8	31.9	55.6
08	Edible fruit and nuts; peel of citrus fruit or melons	2,628.5	1,153.3	4,707.5	16.6	6.7
03	Fish and crustaceans, molluscs and other aquatic invertebrates	53,236.6	26,043.5	2,645.6	9.4	-28.4
07	Edible vegetables and certain roots and tubers	3,204.9	3,187.8	2,329.9	8.2	-3.5
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	2.7	92.6	1,656.4	5.9	103.9
26	Ores, slag and ash	0.0	0.0	1,543.5	5.5	(¹)
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	6,215.7	442.9	1,390.4	4.9	-15.3
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	302.1	875.6	982.2	3.5	14.0
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	624.7	604.3	531.6	1.9	-1.8
41	Raw hides and skins (other than furskins) and leather	195.7	144.1	444.4	1.6	9.5
	Other	8,799.1	61,371.8	3,021.9	10.7	-11.2
	Total	75,379.3	93,918.6	28,281.2	100.0	-10.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GM-3
The Gambia: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
8802	Aircraft, powered (for example, helicopters, airplanes); spacecraft (including satellites) and spacecraft launch vehicles	0.0	0.0	9,027.2	31.9	(¹)
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	933.4	313.5	3,696.0	13.1	16.5
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	670.2	2,474.1	1,807.3	6.4	11.7
1508	Peanut (ground-nut) oil and its fractions, whether or not refined, but not chemically modified	0.0	85.3	1,644.2	5.8	(¹)
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	0.0	0.0	1,543.5	5.5	(¹)
0306	Crustaceans, live, fresh, chilled, frozen etc.; crustaceans, in shell, cooked by steam or boiling water; flours, meals, & pellets of crustaceans, fit for human consumption	1,757.9	3,183.7	1,141.6	4.0	-4.7
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	1,403.1	803.6	991.0	3.5	-3.8
1202	Peanuts (ground-nuts), not roasted or otherwise cooked, whether or not shelled or broken	6,042.2	181.2	945.4	3.3	-18.6
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	186.1	1,332.8	789.5	2.8	17.4
0709	Vegetables nesoi, fresh or chilled	2,500.6	601.9	522.0	1.8	-16.0
	Other	61,885.9	84,942.5	6,173.6	21.8	-22.6
	Total	75,379.3	93,918.6	28,281.2	100.0	-10.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GM-4
The Gambia: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Papua New Guinea	0.0	0.0	9,244.6	32.7	(¹)
United Kingdom	7,109.2	4,601.6	4,523.1	16.0	-4.9
India	1,552.8	632.3	3,723.8	13.2	10.2
China	30.6	0.0	1,548.8	5.5	54.6
Germany	1,256.0	776.8	1,429.0	5.1	1.4
Belgium	(²)	57,767.4	1,014.8	3.6	(¹)
Malaysia	570.7	741.2	977.6	3.5	6.2
Italy	69.5	428.8	856.7	3.0	32.2
Thailand	537.7	511.5	649.9	2.3	2.1
Netherlands	651.9	849.0	453.6	1.6	-3.9
Other	63,600.8	27,610.1	3,859.3	13.6	-26.8
Total	75,379.3	93,918.6	28,281.2	100.0	-10.3

¹ Undefined.

² Not available.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

several factors: the relatively lower import duties in The Gambia compared with duties in neighboring countries; The Gambia's relatively liberal exchange system, which does not restrict capital flows;²⁰ efficient cargo handling and customs clearance capabilities in The Gambia's port of Banjul; and trade spillover into The Gambia as a result of civil unrest and port disruptions in other parts of West Africa.²¹

Tourism ranks as The Gambia's largest source of foreign exchange earnings, accounting for one-third of total earnings in 2003. The tourism sector is the second largest employer in The Gambia after agriculture,²² with most of the sector's revenue generated by European tourists.²³

Sectors with the Greatest Export Growth Potential

Based on revealed comparative advantage²⁴ (RCA) analysis, The Gambia has a strong comparative advantage with respect to its leading exports, which are primarily in the agricultural and fisheries sectors. Examples include crustaceans, vegetables, various nuts, and cocoa butter (appendix E, table E-12).

²⁰ Ibid., p. 8.

²¹ IMF, *The Gambia*, p. 41.

²² EIU, *The Gambia Country Profile*, p. 33.

²³ Ibid., p. 32.

²⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

The continental shelf area off The Gambia's coast is one of the most abundant fishing zones in the world, offering a wide variety of fish, crustaceans, and shellfish.²⁵ In addition, the Gambia River provides both salt-water and fresh-water fish such as tilapia, catfish, and sole, as well as crustacean and shellfish varieties such as shrimps, crabs, and oysters.²⁶ During the last 10 years, extensive investments have been made in the fisheries sector, most notably by the Japanese government for improvements in storage, processing, and distribution facilities.²⁷ The establishment of improved storage facilities in fishing villages has reduced losses from 35 percent of the daily catch to 5 percent.²⁸ However, exporting capabilities in the sector remain greatly underdeveloped because of weak distribution and marketing links.²⁹

Horticultural products, which mainly consist of cultivated flowers, fruits such as mangoes, papayas, bananas, and tomatoes, and vegetables such as onions, cabbages, and legumes, account for approximately 5 percent of total Gambian exports.³⁰ Increased and more diversified horticultural production would allow Gambian producers to take advantage of seasonal fluctuations in foreign markets by shipping fresh fruits and vegetables to Europe during the European offseason.³¹ Additionally, because most horticultural production takes place during the Gambian dry season, these more drought-resistant crops tend to depend less on irrigation and are less sensitive to adverse climatic conditions than groundnuts, making them a potential hedge against downturns in groundnut production.³²

The Government of The Gambia has recognized the unexploited export potential of the manufacturing sector and identified fish, groundnut, and horticultural processing; textiles and clothing; and ceramic tiles as key growth areas.³³ In addition to competitive world market growth and strong RCA indices, groundnut oil exports are heavily concentrated in EU markets, leaving the largely unpenetrated U.S., Japanese, Australian, and Canadian markets as areas for possible expansion.

In early 2004, the Government of The Gambia officially announced the presence of significant offshore petroleum reserves and stated that negotiations began with a number of oil companies for possible exploitation.³⁴ If these prospects materialize, petroleum could become a leading export.

Tourism sector activity is seasonal and volatile in response to regional political instability. However, because of the opening of new charter connections with Switzerland and the Czech Republic, as well as expanded services offered by United Kingdom-based tour operators, total arrivals are projected to increase substantially.³⁵

²⁵ United Nations (UN), Food and Agriculture Organization (FAO), "Representation in The Gambia: Country Information," found at http://www.fao.org/world/gambia/prof_en.htm, retrieved Feb. 24, 2005.

²⁶ UN, FAO, "Representation in The Gambia."

²⁷ EIU, *The Gambia Country Profile*, p. 30.

²⁸ IMF, *The Gambia*, p. 46.

²⁹ EIU, *The Gambia Country Profile*, p. 30.

³⁰ *Ibid.*, p. 34.

³¹ WTO, *Trade Policy Review: The Gambia*, p. 65.

³² IMF, *The Gambia*, p. 45.

³³ Embassy of the Republic of The Gambia official, interview by USITC staff, Washington, DC, Feb. 9, 2005.

³⁴ U.S. Department of State telegram, "The Gambia: USITC Study on Export Opportunities and Barriers in AGOA eligible Countries," message reference No. 00119, prepared by U.S. Embassy, Banjul, Feb. 24, 2005.

³⁵ WTO, *Trade Policy Review: The Gambia*, p. 86.

Domestic and International Barriers

Business environment indicators are not available for The Gambia (table GM-5). The Gambia's overall economic freedom indicator improved between 2000 and 2005, ranking on par with the region's overall average score. The Gambia's economic freedom indicators were worse than the regional average in 6 of 10 indicators, but better than the regional average for the trade policy indicator (table GM-6). Nevertheless, high import duties, particularly on agricultural goods, add to the cost of production and limit The Gambia's international competitiveness and export capability by increasing the cost of production for imported inputs. The Gambia's overall simple average tariff rate in 2003 was 12.7 percent, while the average tariff rate for agricultural goods was 16.0 percent.³⁶

Table GM-5
The Gambia: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties
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Country data not available.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table GM-6
The Gambia: Economic freedom

	The Gambia	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(?)	3.6	2.5
2000 Overall score	3.6	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	4.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

The costs generated by inadequate infrastructure, including inadequate electricity, transportation, and telecommunications networks, contribute to The Gambia's inability to

³⁶ Ibid., p. 33.

diversify its economy and make it less resilient to external shocks such as drought or locust infestations. Wood and charcoal are the primary sources of fuel in rural areas and oil-fired electricity generating plants supply most of the nation's electricity to the Banjul area.³⁷ However, electricity supply is unreliable and inefficient, and power outages are frequent.³⁸ Transportation costs in The Gambia are high because of the overall poor condition of roads across the country. Sporadic border closures between The Gambia and Senegal resulting from increasing political tensions have the indirect effect of damaging The Gambia's image as a stable trade gateway to the region, thus decreasing its overall re-export trade competitiveness.³⁹ Furthermore, although the telecommunications sector has been growing, connectivity remains limited, with only 28.0 telephone mainlines per 1,000 people in 2002 (table GM-7).⁴⁰

Table GM-7
The Gambia: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	2,700.0
Roads, paved (percent of total roads, 1999)	35.4
Transport services (percent of service exports, BoP)	(2)
Transport services (percent of service imports, BoP)	(2)
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	100.8
Internet users (per 1,000 people, 2002)	18.2
Mobile phones (per 1,000 people, 2002)	72.9
Telephone mainlines (per 1,000 people, 2002)	28.0
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

The industrial fishing sector, which primarily processes and exports fish to the European Union, faces many constraints, including inadequate factory and fishing boat maintenance facilities, poor marketing and distribution systems, excessive government regulation, lack of trained personnel for management positions, high credit constraints, and the absence of a dedicated fishing port.⁴¹ Expansion of horticultural production is limited by lack of access to credit and insurance programs and the high cost of air cargo facilities to transport fresh horticultural products to Europe.⁴² Within the manufacturing sector, fluctuations in input availability, inadequate infrastructure (including electricity supply, telecommunications, and roads), low managerial and technical expertise, excessive regulations, and lack of credit available to local investors contribute to the sector's underdevelopment. It is because of these capacity constraints that The Gambia has been unable to develop downstream processing opportunities.⁴³

³⁷ EIU, *The Gambia Country Profile*, p. 23.

³⁸ Ibid.

³⁹ IMF, *The Gambia*, p. 40.

⁴⁰ WTO, *Trade Policy Review: The Gambia*, p. 81.

⁴¹ A project financed by the African Development Bank and the Arab Bank for Economic Development in Africa is currently underway to establish a fisheries port to expand the sector's value-adding production capabilities. IMF, *The Gambia*, p. 46.

⁴² Ibid., p. 45.

⁴³ EIU, *The Gambia Country Profile*, p. 31.

The prevalence of aflatoxins in Gambian groundnuts has been a leading export impediment.⁴⁴ Aflatoxins, which are cancer-causing chemicals produced by molds that develop on groundnuts, are usually caused by lack of crop rotation, poor irrigation, untimely planting and harvesting, or inadequate use of pesticides. Proper crop management and good harvesting techniques are some of the best methods for controlling aflatoxin levels and avoiding the high costs associated with product downgrades or the complete banning of the export by import inspectors.⁴⁵ Although a lack of technical expertise and quality control capacity in The Gambia have contributed to these problems, foreign administration of sanitary and phytosanitary regulations related to aflatoxins has been cited as a barrier in export markets.⁴⁶ Lastly, because of the tourism sector's sensitivity to internal and external shocks such as the military coup d'état of 1994 and the 2001 terrorist attacks in the United States, visitor numbers can fluctuate widely.⁴⁷ Limited air access, a weak overall marketing strategy, and poor infrastructure outside the Banjul area are some of the key constraints to tourism sector growth.⁴⁸

⁴⁴ WTO, *Trade Policy Review: The Gambia*, p. 59.

⁴⁵ International Trade Forum, "Controlling Aflatoxins, Healthy Groundnuts," Jan. 2001, found at www.tradeforum.org/news/fullstory.php/aid/138/Controlling_Aflatoxins.html, retrieved Mar. 2, 2005.

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*, p. 41.

⁴⁸ *Ibid.*, p. 47.

Mauritania⁴⁹

Economic Overview

Mauritania, located on the northwest coast of Africa, is mostly desert with a small population and limited economic activity. Mauritania's economy has expanded significantly in the nearly 45 years since it gained its independence, and GDP reached \$1.1 billion in 2003 (table MT-1). GDP growth reached 5.4 percent in 2003,⁵⁰ largely driven by government reforms and growth in sectors such as construction, public works, and services. However, structural weaknesses such as the lack of economic diversification, commodity dependence, and widespread poverty affecting 46 percent of the population leave the economy vulnerable to exogenous shocks.⁵¹ Consequently, there has been constant fluctuation in the performance of the sectors that provide most of Mauritania's foreign exchange—mining, fishing, and agriculture. Desertification, the major constraint to Mauritania's growth and development, has claimed 80 percent of the country and has resulted in less than 1 percent of the land being arable.⁵²

Table MT-1
Mauritania: Basic economic indicators

	MRV¹
GDP (current US\$, millions, 2003)	1,127.6
GDP growth (annual percent, based on local currency, 2003)	5.4
GDP per capita growth (annual percent, based on local currency, 2003)	2.9
Inflation, consumer prices (annual percent, 2003)	5.2
External debt, total (current US\$, millions, 2002)	2,309.0
Total debt service (percent of exports of goods and services, 1999)	27.7
Exports of goods and services (percent of GDP, 2003)	33.5
Trade (percent of GDP, 2003)	108.0
Official exchange rate (local currency unit per US\$, period average, 2003)	263.0
Population, total (millions, 2003)	2.7
Population growth (annual percent, 2003)	2.2
Labor force, total (millions, 2003)	1.3
Labor force participation rate, total (percent, 2002)	44.7
Literacy rate, adult total (percent of people ages 15 and above, 2002)	41.2
Primary school enrollment ratio, total (percent, 2000)	83.0
Secondary school enrollment ratio, total (percent, 2000)	21.0
Land use, arable land (percent of total, 2001)	0.5
Gross capital formation (percent of GDP, 2003)	41.2
Gross fixed capital formation (percent of GDP, 2003)	41.2
Foreign direct investment, net inflows (percent of GDP, 2002)	1.2

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

⁴⁹ Prepared by Seamus O'Connor, Office of Industries.

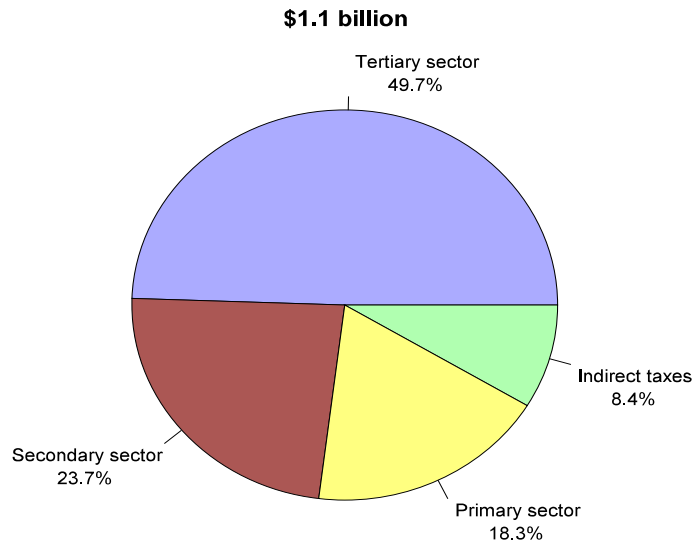
⁵⁰ Economist Intelligence Unit (EIU), *Mauritania Country Profile*, 2004, p. 25; and Integrated Framework (IF), *Diagnostic Trade Integration Study: A Poverty Focused Trade Strategy-Mauritania*, Dec. 10, 2001 p. 2.

⁵¹ EIU, *Mauritania Country Profile*, p. 25.

⁵² *Ibid.*, p. 21; and Central Intelligence Agency (CIA), "Mauritania," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook/geos/mr.html, retrieved Feb. 22, 2005.

In 2002, the tertiary sector, comprised mainly of services, accounted for 49.7 percent of GDP; the secondary sector, comprised mainly of manufacturing, 23.7 percent; and the primary sector, comprised mainly of agriculture and fisheries, 18.3 percent (figure MT-1). The fishing and agriculture sector employs about 60 percent of the workforce in Mauritania. Livestock is the most important part of Mauritania’s agricultural sector and nomadic herders, which represent 10 percent of the population, are found in the semiarid regions of the country. Fishing has developed into a key sector for Mauritania, providing 10 percent of the population with employment and accounting for 4 percent of GDP. The fishing industry is dominated by fish processing located around Mauritania’s two largest cities, Nouakchott and Nouadhibou, although the industry remains relatively undeveloped because Mauritania does not have a developed manufacturing sector to provide downstream processing of fish.⁵³ Mauritians consume relatively little fish, so almost all output is exported, providing more than one-half of total export revenue.⁵⁴

Figure MT-1
Mauritania: Composition of GDP (2002)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying; secondary is defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, “Economic Structure,” found at www.viewswire.com, retrieved Feb. 1, 2005.

⁵³ EIU, *Mauritania Country Profile*, p. 26.

⁵⁴ *Ibid.*, p. 36; and “Mauritania–Sector Analysis,” Arab Data Net, found at www.arabdatanet.com/country/profiles/profile.asp?CtryName=Mauritania&CtryAbrv=ma&NavTitle=Sector%20Analysis, retrieved Mar. 10, 2005.

Mining is an important component of Mauritania's industrial base, accounting for an estimated 12 percent of GDP and more than 40 percent of export earnings. Substantial deposits of iron ore, diamonds, copper, cobalt, sulfur, phosphates, gypsum, and gold have been found. Following a \$120 million investment in 2002 by the country's leading mining company, iron ore output reached 12 million metric tons a year, making Mauritania the primary African supplier to European steelmakers.⁵⁵ Mining companies actively prospect for gold and diamonds throughout Mauritania. In 1999, nine companies were awarded contracts for gold exploration; seven companies received contracts for diamond exploration; and another company contracted to extract copper, cobalt, and gold.⁵⁶

Mauritania's manufacturing sector is very small, consisting of only 84 establishments, mostly in Nouakchott and Nouadhibou.⁵⁷ Six companies account for 57 percent of all investment and 40 percent of the 1,100 jobs in the formal nonfood sector.⁵⁸ The manufacturing sector is composed of food processing, especially fish freezing and processing and sugar refining; petroleum refining; and production of chemicals, plastics, building materials, and paper and packaging materials.

In recent years, foreign direct investment has fluctuated, reaching a high of \$12 million in 2003.⁵⁹ It is estimated that over \$50 million was invested in mining and more than \$200 million was invested in petroleum exploration from 1998-2003.⁶⁰ Twenty-four percent of the investment in mining and 50 percent of the investment in petroleum exploration occurred between 2002-03. Aside from the mining, agriculture, and fishing sectors, investment in Mauritania has been modest.

Export Profile

Mauritania's exports totaled \$578.1 million in 2003 (table MT-2). Fisheries products and iron ore accounted for 95.4 percent of total exports (table MT-3). Exports of these two sectors have also exhibited steady growth over the 1994-2003 period, with compound annual growth rates (CAGR) of 3.6 percent and 3.4 percent, respectively. Although the leading fisheries sector product, molluscs, declined by a 1.4 percent CAGR, other components of the sector experienced increases ranging from 11.7 percent CAGR to 23.1 percent CAGR. Exports of prepared animal feed and certain apparel have increased substantially over the same period, with CAGRs of 37.4 percent and 29.7 percent, respectively.

⁵⁵ EIU, *Mauritania Country Profile*, p. 41; and "Mauritania-Sector Analysis."

⁵⁶ EIU, *Mauritania Country Profile*, p. 42.

⁵⁷ United Nations (UN), "An Investment Guide to Mauritania," Mar. 2004, p. 15.

⁵⁸ EIU, *Mauritania Country Profile*, p. 49; and "Mauritania-Sector Analysis."

⁵⁹ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

⁶⁰ UN, "An Investment Guide to Mauritania," p. 15.

Table MT-2

Mauritania: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
03	Fish and crustaceans, molluscs and other aquatic invertebrates sh & crustacean, mollusc & other	223,181.6	359,155.9	307,388.2	53.2	3.6
26	Ores, slag and ash	179,660.7	256,076.5	243,754.7	42.2	3.4
23	Residues and waste from the food industries; prepared animal feed	951.9	5,663.6	16,595.4	2.9	37.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	398.1	2,062.4	4,123.5	0.7	29.7
88	Aircraft, spacecraft, and parts thereof	42.8	4.3	2,326.0	0.4	55.9
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	717.5	1,999.7	1,093.8	0.2	4.8
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,717.0	10,066.1	1,076.5	0.2	-9.8
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	386.5	58.1	580.0	0.1	4.6
41	Raw hides and skins (other than furskins) and leather raw hides and skins	1,964.4	729.7	547.5	0.1	-13.2
61	Articles of apparel and clothing accessories, knitted or crocheted	184.5	757.2	543.0	0.1	12.7
	Other	8,006.6	7,483.6	55.6	0.0	-42.4
	Total	418,211.7	644,057.2	578,084.2	100.0	3.7

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table MT-3

Mauritania: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2601	Iron ores and concentrates, including roasted iron pyrites	179,660.7	256,076.5	243,754.6	42.2	3.4
0307	Molluscs & other aquatic invertebrates nesoi, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals & pellets of aqua invertebrates fit for human consumption	174,440.3	163,746.9	153,833.8	26.6	-1.4
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	34,376.3	163,167.7	103,886.4	18.0	13.1
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat without bones; fish livers and roes, fresh or chilled	9,979.0	24,382.8	26,983.1	4.7	11.7
2301	Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans etc., unfit for human consumption; greaves (cracklings)	592.1	5,663.6	16,376.4	2.8	44.6
0306	Crustaceans, fresh, chilled or frozen	2,009.4	2,932.1	13,008.9	2.3	23.1
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	1,216.2	2,873.7	5,388.8	0.9	18.0
0305	Fish, dried, salted or in brine; smoked fish; fish meal fit for human consumption	1,157.3	2,049.4	4,284.2	0.7	15.7
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (No swimwear), not knitted or crocheted	21.6	1,242.0	3,348.7	0.6	75.1
8802	Aircraft, powered (for example, helicopters, airplanes); spacecraft (including satellites) and spacecraft launch vehicles	0.0	0.0	2,315.7	0.4	(¹)
	Other	14,758.6	21,922.5	4,903.7	0.8	-11.5
	Total	418,211.7	644,057.2	578,084.2	100.0	3.7

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Mauritania's leading export markets are in Europe and Asia. Exports to the European Union increased from 68 percent to 76 percent of Mauritania's total exports during 2000-01 while Asia's export share decreased from 14 percent to 12 percent. France is Mauritania's largest trading partner, accounting for 16.4 percent of exports in 2003. Spain, Italy, and Belgium are also major EU export destinations (table MT-4). Japan is the leading Asian market for Mauritanian exports, accounting for 13.7 percent of the total in 2003, although in the last few years, demand from Japan has dropped while demand from China has increased rapidly. Exports to China, consisting mostly of iron ore, increased more than sevenfold during the first three quarters of 2004 compared with 2003.⁶¹ Mauritania exports very little regionally; such exports mainly consist of fisheries products to Nigeria and hides to Senegal. Following Mauritania's withdrawal from the Economic Community of West African States at the end of 1999,⁶² regional trade fell significantly.

Table MT-4
Mauritania: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year
	1,000 dollars			of total	CAGR
				Percent	
France	72,339.3	93,421.0	95,001.2	16.4	3.1
Spain	58,373.7	51,812.9	82,734.6	14.3	4.0
Japan	140,745.5	114,683.8	79,249.9	13.7	-6.2
Italy	76,250.6	70,707.2	65,828.6	11.4	-1.6
Belgium	(¹)	40,044.8	52,229.6	9.0	(²)
Germany	12,929.0	23,102.8	47,656.0	8.2	15.6
Russian Federation	0.0	7,801.9	32,537.2	5.6	(²)
Côte d'Ivoire	0.0	27,261.2	26,725.1	4.6	(²)
Cameroon	0.0	8,372.8	18,908.9	3.3	(²)
Portugal	5,862.9	14,001.5	13,851.1	2.4	10.0
Other	51,710.7	192,847.4	63,361.9	11.0	2.3
Total	418,211.7	644,057.2	578,084.2	100.0	3.7

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Revealed comparative advantage (RCA)⁶³ analysis suggests that Mauritania has a comparative advantage in 9 of its top 10 exports (appendix E, table E-21). Notably, six of these products are from the fisheries sector, and rank among the top 10 by RCA index. Other sources suggest that export opportunities for Mauritania include petroleum production, diamonds, iron ore, and to a very limited extent, tourism and certain agricultural items such as bananas, potatoes, and citrus fruits.

⁶¹ U.S. Department of State telegram, "China-Mauritania Trade Surges Seven-Fold," message reference No. 071156, prepared by U.S. Embassy, Nouakchott, Feb. 2005.

⁶² For additional information on regional organizations, see app. C.

⁶³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

In 2001, petroleum was discovered off the coast of Mauritania. Since then, Woodside Petroleum, an Australian company, has been conducting tests to estimate the size of its reserves, which were most recently estimated at 110 million barrels.⁶⁴ According to government officials, Mauritania may be able to export 75,000 barrels per day starting in late 2005,⁶⁵ substantially increasing Mauritania's GDP and its export earnings.

Currently, there are 34 active prospecting licenses for diamonds in Mauritania.⁶⁶ Following studies by the World Bank and the European Union, it is estimated that Mauritania's diamond export receipts could reach as high as \$50 million by 2012.⁶⁷

Mauritania may be able to diversify its agricultural production and exports with various tropical fruits and vegetables. As the closest tropical country to Europe, there is some potential for Mauritania to meet some of the European demand for these products during the winter months. Products such as potatoes, bananas, and citrus fruit have been identified as having export growth potential.⁶⁸ Nevertheless, expansion of the agricultural sector is difficult because of the lack of arable land and unfavorable environmental conditions such as locusts and droughts.

Tourism also offers potential for growth in Mauritania. According to the state tourism office, the number of people visiting Mauritania has increased at a steady rate from 270 in 1996 to several thousand in 2001, doubling during 1999-2001. Other signs of development in the tourism sector include an increase of charter flights from 3 to almost 90, and an increase in hotel beds from approximately 1,400 to 7,000 over the same time period. In 2001-02, tourism generated almost \$4 million in revenue.⁶⁹

Although the European Union and Japan will likely continue to be the predominant markets for Mauritanian goods, rapidly expanding Chinese demand for raw materials such as iron ore offers strong potential for export growth.⁷⁰ Successful petroleum production is also likely to increase exports to the Chinese market.

Domestic and International Barriers

Mauritania ranks below the regional average in a number of business environment indicators, most notably with respect to employment indicators such as the difficulty of firing and hiring, and rigidity of employment (table MT-5). Mauritania is approaching the OECD average on economic freedom, ranking better than the regional average on 70 percent of the factors, and as well or better than the OECD average on 30 percent of the factors that contribute to the overall score (table MT-6).

⁶⁴ EIU, *Mauritania Country Profile*, p. 45.

⁶⁵ Embassy of the Islamic Republic of Mauritania official, interview with USITC staff, Washington, DC, Feb. 23, 2005; and CIA, "Mauritania."

⁶⁶ "Mauritania," Infomine Africa, found at www.infomine-africa.com/Mauritania.asp, retrieved Feb. 10, 2005.

⁶⁷ EIU, *Mauritania Country Profile*, p. 43; and "Mauritania-Sector Analysis."

⁶⁸ UN, "An Investment Guide to Mauritania," p. 32.

⁶⁹ EIU, *Mauritania Country Profile*, p. 51; and UN, "An Investment Guide to Mauritania," p. 39.

⁷⁰ U.S. Department of State telegram, "China-Mauritania Trade Surges Seven-Fold."

Table MT-5
Mauritania: Business environment

	Mauritania	Regional average	OECD average
Closing a business: Cost (percent of estate)	8.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	6.1	17.1	72.1
Closing a business: Time (years)	8.0	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	5.6	41.8	5.2
Getting credit: Credit information Index	1.0	2.1	5.0
Getting credit: Legal rights index	7.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	2.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	29.3	43.0	10.8
Enforcing contracts: Number of procedures	28.0	35.0	19.0
Enforcing contracts: Time (days)	410.0	434.0	229.0
Registering a property: Number of procedures	4.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	8.5	13.2	4.9
Registering a property: Time (days)	49.0	114.0	34.0
Starting a business: Number of procedures	11.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	140.8	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	858.1	254.1	44.1
Starting a business: Time (days)	82.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	89.0	53.2	26.2
Employment: Firing costs (weeks)	31.0	59.5	40.4
Employment: Rigidity of employment index	70.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://ru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table MT-6
Mauritania: Economic freedom

	Mauritania	Regional average ¹	OECD average
	———— Heritage Foundation indicators ————		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	4.0	3.7	2.2
2005 Overall score	2.9	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	3.3	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	2.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Mauritania's lack of export diversification beyond minerals and fishing is largely because of the absence of skilled workers, which prevents it from achieving economies of scale and expanding into more skill-intensive industries. With the exception of the mining sector, there is a shortage of skilled workers and well-trained personnel with technical and managerial skills. However, professional training centers have been established in Mauritania's two largest cities, Nouakchott and Nouadhibou. These training centers are open to both private-sector and government employees interested in improving their skills.⁷¹ The combination of a lack of skilled workers, a small domestic market, inadequate infrastructure, high utility rates, and lack of available credit creates little incentive for investment in a manufacturing sector. Likewise, the lack of human and institutional resources needed for effective participation in both trade negotiations and the multilateral trading system act as obstacles to opening potential new markets.⁷²

Similar to many other countries in Africa, Mauritania suffers from poor infrastructure. Road transportation accounts for roughly 90 percent of traffic and 80 percent of goods movement; however, as of 1999, only 11.3 percent of all roads were paved (table MT-7).⁷³ Transportation costs are high because of poor management in the sector and large distances between centers of economic activity. New construction is sparse and annual spending on roads targets limited maintenance. Existing factors of production constitute another impediment to export growth. Although the cost of labor in Mauritania is low, credit, water, transportation, and energy are expensive. A 1997 survey showed that Mauritania has the second-highest electricity rates and highest water rates in the region—at least 20-percent higher than Senegal and Côte d'Ivoire, and 60-percent higher than Ghana.⁷⁴

Table MT-7
Mauritania: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	7,660.0
Roads, paved (<i>percent of total roads, 1999</i>)	11.3
Transport services (<i>percent of service exports, BoP, 1999</i>)	1.9
Transport services (<i>percent of service imports, BoP, 1999</i>)	31.8
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	103.9
Internet users (<i>per 1,000 people, 2002</i>)	3.7
Mobile phones (<i>per 1,000 people, 2002</i>)	92.2
Telephone mainlines (<i>per 1,000 people, 2002</i>)	11.8
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

⁷¹ U.S. Department of State telegram, "2005 Investment climate Statement," message reference No. 250356, prepared by U.S. Embassy, Nouakchott, Jan. 19, 2005; and IF, *Diagnostic Trade Integration Study: A Poverty Focused Trade Strategy-Mauritania*, p. 21.

⁷² WTO, "Mauritania: September 2002," Trade Policy Review press release, found at www.wto.org/english/tratop_e/tp200_e/tp200_e.htm, retrieved Feb. 2, 2005.

⁷³ EIU, *Mauritania Country Profile*, p. 21.

⁷⁴ IF, *Diagnostic Trade Integration Study: A Poverty Focused Trade Strategy-Mauritania*, p. 27.

Mauritania benefits from tariff preferences in its major export markets. However, sanitary standards and other requirements present an obstacle for exports from Mauritania to Canada, the United States, the European Union, and Japan.⁷⁵ In particular, sanitary and phytosanitary requirements are costly to meet or, for Mauritania, technically impossible. Other impediments include technical requirements, testing standards, and labeling requirements. These standards often require Mauritanian companies to form partnerships with foreign firms to provide the necessary infrastructure for quality control of its products. High tariffs in regional markets also reduce Mauritania's opportunities for increased exports to these markets.⁷⁶

⁷⁵ Ibid., p. 16.

⁷⁶ UN, "An Investment Guide to Mauritania," p. 14.

Economic Overview

Namibia's economy has shown stable and positive growth in recent years. Namibia's GDP grew by 3.7 percent during 2002-03, reaching \$4.7 billion in 2003 (table NM-1). Continued growth is expected to be driven by developments in the mining sector and expansion of manufacturing activities, including base metal smelting and textile manufacturing.⁷⁸ During the 1990s, Namibia established a number of investment schemes for manufacturing and export-oriented activities, including the national export processing zone (EPZ) program in 1995. The EPZ is credited with introducing new industrial activities to Namibia, including textiles production, auto parts manufacturing, bathroomware production, and auto assembly, and new export-oriented manufacturing capacity including the downstream processing of metal ores, such as refined zinc, and gemstone cutting and polishing.⁷⁹

Table NM-1
Namibia: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	4,658.4
GDP growth (annual percent, based on local currency, 2003)	3.7
GDP per capita growth (annual percent, based on local currency, 2003)	-6.7
Inflation, consumer prices (annual percent, 2003)	7.2
External debt, total (current US\$, millions)	(2)
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 2003)	44.3
Trade (percent of GDP, 2003)	98.6
Official exchange rate (local currency unit per US\$, period average, 2003)	7.6
Population, total (millions, 2003)	2.0
Population growth (annual percent, 2003)	1.5
Labor force, total (millions, 2003)	0.8
Labor force participation rate, total (percent, 2002)	39.0
Literacy rate, adult total (percent of people ages 15 and above, 2002)	83.3
Primary school enrollment ratio, total (percent, 2000) ³	112.0
Secondary school enrollment ratio, total (percent, 2000)	62.0
Land use, arable land (percent of total, 2001)	1.0
Gross capital formation (percent of GDP, 2003)	23.7
Gross fixed capital formation (percent of GDP, 2003)	22.2
Foreign direct investment, net inflows (percent of GDP)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

³ Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

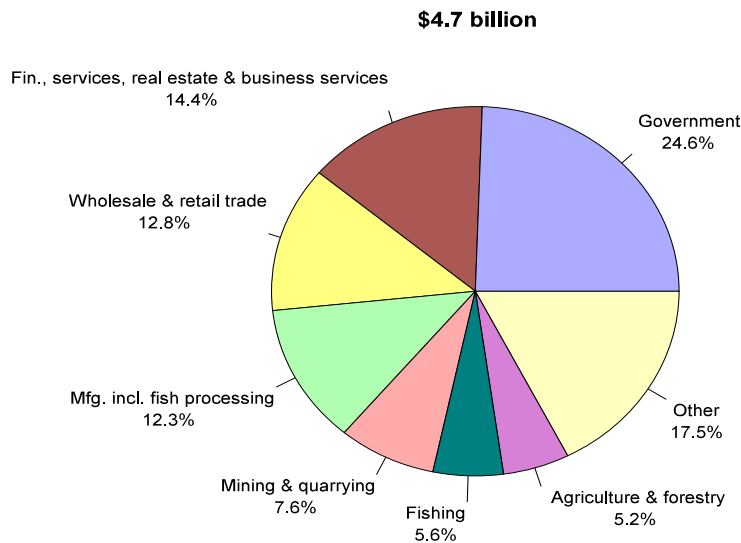
⁷⁷ Prepared by Renee Johnson, Office of Industries.

⁷⁸ South African Marketing Company, "Namibia," *SADC Trade, Industry, Finance and Investment Review*, found at www.sadcreview.com/country_profiles, retrieved Feb. 15, 2005.

⁷⁹ WTO, *Trade Policy Review: Namibia*, Report 98-1319, Apr. 6, 1998, p. 67; and Economist Intelligence Unit (EIU), *Namibia Country Profile*, 2004, p. 57.

Services (including government) accounted for over 50 percent of GDP in 2003 (figure NM-1). Manufacturing, including fish and mineral processing, accounted for 12.3 percent of GDP in 2003; agriculture, forestry, and fisheries accounted for 11.0 percent; and mining and quarrying accounted for 7.6 percent. In 2003, the value of total trade was almost equivalent to GDP.

Figure NM-1
Namibia: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Mining and mineral processing is the largest source of foreign exchange earnings, accounting for approximately 56 percent of total exports in 2003, and is the main source of domestic revenue collected through taxes and royalties.⁸⁰ Namibia has more than 40 active mines that produce about 30 different commodities.⁸¹ Namibia is a leading producer of rough diamonds and uranium oxide.⁸² Other precious and base metals produced in lesser quantities include zinc, copper, gold, fluorspar, pyrite, salt, dimension stone (marble and granite), tin, silver, tungsten, semiprecious stones, and coastal brine salt.

Development of Namibia's manufacturing sector is an economic priority for the country.⁸³ Namibia's manufacturing sector includes processed food, diamonds, metal and precast concrete products, furniture, paint, soap and detergents, paper and plastic packages, and leather products. Food-related industries account for about 80 percent of the sector's value-added, generally covering food processing, onshore fish and meat processing, beer brewing

⁸⁰ EIU, *Namibia Country Profile*, p. 57.

⁸¹ WTO, *Trade Policy Review: Namibia*, p. 64.

⁸² EIU, *Namibia Country Profile*, p. 66.

⁸³ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "Namibia," *African Economic Outlook*, 2002, p. 232.

and soft drinks, dairy products, and other food products.⁸⁴ Fisheries and fish processing make up the majority of Namibia's manufacturing sector, accounting for between 5 percent to 8 percent of GDP, and has become an important contributor to its foreign exchange earnings.⁸⁵

Namibia has a substantial livestock sector. It markets live cattle and sheep, beef and mutton, and has commercial cattle and sheep slaughtering and processing facilities. It produces dairy products, hides and skins, and sheep pelts, and is also expanding into ostrich farming.⁸⁶ Main cereal crops include pearl millet, and white and yellow maize (corn). Output of both livestock and crops tends to be variable, depending on rainfall, and recently has been adversely affected by drought conditions.

The Malaysian-owned Ramatex company began development of a large textiles and garment manufacturing complex in 2001,⁸⁷ followed by a large investment by the Taiwanese company, Rhino Garments, in 2002.⁸⁸ Currently, there are about eight textile operations and eight clothing/cut-make-trim operations in Namibia, operating at about 40 percent capacity utilization.⁸⁹

Export Profile

Namibia's exports totaled \$829.2 million in 2003. The leading export product groupings included fish and crustaceans, precious stones, inorganic chemicals, meat products, copper, and apparel (table NM-2). Within these broad product groupings, the leading products exported by Namibia in 2003 were fresh, frozen, and processed white fish and meat products, which together accounted for approximately 45 percent of the total value of exports in 2003 (table NM-3). Namibia accounts for about one-third of all fish and meat exports from sub-Saharan Africa (SSA).⁹⁰ Other leading exports in 2003 included diamonds (15.4 percent of export value) and minerals and base metals, especially uranium, copper, and

⁸⁴ EIU, *Namibia Country Profile*, p. 60.

⁸⁵ Trade Law Centre for Southern Africa, "Namibian fishing industry growing despite setbacks," May 7, 2004, found at www.tralac.org, retrieved Jan. 31, 2005; U.S. Department of State telegram, "Tough Times for Namibia's Fishing Industry," message reference No. 185, prepared by U.S. Embassy, Windhoek, Mar. 2005; and United Nations (UN), Food and Agriculture Organization (FAO), "Fishery Country Profile: Namibia," Nov. 2002.

⁸⁶ EIU, *Namibia Country Profile*, p. 52.

⁸⁷ U.S. Department of State telegram, "USITC Study on Export Opportunities and Barriers in AGOA-eligible Countries," message reference No. 8455, prepared by U.S. Embassy, Windhoek, Mar. 2005.

⁸⁸ U.S. Department of State telegram, "USITC Study on Sub-Saharan Trade: Namibian Update," message reference No. 137500, prepared by U.S. Embassy, Windhoek, Aug. 2004.

⁸⁹ The Services Group for U.S. Agency for International Development (USAID), "Economic Impact Assessment Study, Background Study, Manufacturing Sector in Southern Africa," Feb. 2004, found at www.satradehub.org, retrieved Mar. 17, 2005, pp. 30 and 33.

⁹⁰ United Nations Conference on Trade and Development (UNCTAD) Commodity Yearbook, 1995-2000, volume II, p. 4 and pp. 2-34.

Table NM-2
Namibia: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
03	Fish and crustaceans, molluscs and other aquatic invertebrates	(¹)	(¹)	336,090.8	40.5	(²)
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	(¹)	(¹)	127,865.1	15.4	(²)
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	(¹)	(¹)	89,089.4	10.7	(²)
02	Meat and edible meat offal	(¹)	(¹)	59,892.9	7.2	(²)
74	Copper and articles thereof.	(¹)	(¹)	56,670.8	6.8	(²)
61	Articles of apparel and clothing accessories, knitted or crocheted	(¹)	(¹)	44,664.9	5.4	(²)
79	Zinc and articles thereof.	(¹)	(¹)	25,882.8	3.1	(²)
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	(¹)	(¹)	14,132.6	1.7	(²)
08	Edible fruit and nuts; peel of citrus fruit or melons	(¹)	(¹)	10,885.7	1.3	(²)
23	Residues and waste from the food industries; prepared animal feed	(¹)	(¹)	10,144.0	1.2	(²)
	Other	(¹)	(¹)	53,868.9	6.5	(²)
	Total	(¹)	(¹)	829,187.9	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Namibia prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

zinc (combined, about 20 percent). Diamonds account for about 70 percent of Namibia's mineral exports⁹¹ and 15 percent of government revenues.⁹²

The leading markets for Namibian exports in 2003 were Spain (29.7 percent), the United Kingdom (20.5 percent), the United States (15.4 percent), France (8.6 percent), and Belize (6.7 percent) (table NM-4). As a region, the European Union has traditionally been the largest market for Namibia's exports, particularly for its processed fish and meat products.

⁹¹ U.S. Department of State telegram, "USITC Study on Export Opportunities."

⁹² U.S. Department of State telegram, "A Conversation with Namibia's Diamond Commission," message reference No. 172371, prepared by U.S. Embassy, Windhoek, Mar. 2005.

Table NM-3
Namibia: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	(¹)	(¹)	211,804.6	25.5	(²)
7102	Diamonds, whether or not worked, but not mounted or set	(¹)	(¹)	127,466.1	15.4	(²)
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	(¹)	(¹)	91,508.3	11.0	(²)
2844	Radioactive chemical elements and isotopes and their compounds; mixtures and residues containing these products	(¹)	(¹)	88,960.2	10.7	(²)
7402	Unrefined copper; copper anodes for electrolytic refining	(¹)	(¹)	56,647.0	6.8	(²)
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	(¹)	(¹)	54,197.2	6.5	(²)
0201	Meat of bovine animals, fresh or chilled	(¹)	(¹)	43,912.2	5.3	(²)
7901	Zinc, unwrought	(¹)	(¹)	25,882.8	3.1	(²)
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	(¹)	(¹)	25,477.7	3.1	(²)
0302	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	(¹)	(¹)	24,175.7	2.9	(²)
	Other	(¹)	(¹)	79,156.2	9.5	(²)
	Total	(¹)	(¹)	829,187.9	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Namibia prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table NM-4
Namibia: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year	
	1,000 dollars			of total	CAGR	
					Percent	
Spain	(¹)	(¹)	246,188.0	29.7	(²)	
United Kingdom	(¹)	(¹)	169,990.4	20.5	(²)	
United States	(¹)	(¹)	127,829.9	15.4	(²)	
France	(¹)	(¹)	71,003.0	8.6	(²)	
Belize	(¹)	(¹)	55,691.1	6.7	(²)	
Italy	(¹)	(¹)	38,800.2	4.7	(²)	
China	(¹)	(¹)	36,951.1	4.5	(²)	
Germany	(¹)	(¹)	35,325.0	4.3	(²)	
Netherlands	(¹)	(¹)	19,182.6	2.3	(²)	
Japan	(¹)	(¹)	15,255.8	1.8	(²)	
Other	(¹)	(¹)	12,970.8	1.6	(²)	
Total	(¹)	(¹)	829,187.9	100.0	(²)	

¹ Not available.

² Undefined.

Note.—Data for Namibia prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

The composition of Namibia's exports will likely continue to be dominated by its traditional export sectors: gem-quality diamonds, unprocessed minerals and metals (zinc, copper, uranium, and lead), and fisheries products.⁹³ These sectors likely also have the greatest potential for growth in merchandise export sales. Revealed comparative advantage⁹⁴ (RCA) analysis supports this assessment of merchandise export potential, particularly with respect to the minerals sector, as 5 of the top 10 products ranked by RCA index are in this sector (appendix E, table E-24). Fresh and processed fish and also meat products are identified as having strong RCA indices (4 of the top 10 ranked products). Other sources show that Namibia has a competitive advantage in the export of minerals and fish and seafood products.⁹⁵ RCA analysis does not, however, support that apparel is likely to offer export growth potential.

In the mining sector, higher output is projected by the Skorpion zinc mine as well as the Ongopolo copper mine and processing plant.⁹⁶ Stronger world prices for uranium and gold are also expected to boost Namibia's mining sector. The expansion of the diamond sector into downstream processing, such as gem cutting and polishing, and continued new investment and joint ventures in this sector, should enhance export potential. Namibia also instituted a certification regime on January 1, 2003, to enforce 1999 laws requiring the monitoring of company systems and procedures to safeguard unpolished diamonds according to international agreements on the Kimberley Process.⁹⁷ In the near term, however, diamond production is expected to decline because of mine closures and the provisional liquidation of Namco, Namibia's second-largest diamond producer.⁹⁸ DeBeers and the Leviev Group, however, are involved in the expansion of Namibia's offshore diamond capacity and other marine recovery investments and joint ventures.⁹⁹ Other recent investments include development of a tantalite mine and processing plant by the UK-based Central African Mining and Exploration Company,¹⁰⁰ and offshore petroleum exploration by Vanco, Shell, Nampower, Eskom, and Texaco.¹⁰¹

In the fisheries sector, despite erratic catch rates, government-imposed total allowable catch (TAC) levels, and declines in output for some fish species, output of fresh and processed white fish such as hake, orange roughy, and monk fish is expected to grow.¹⁰² As part of its efforts to expand and diversify its production and export base, Namibia has been actively developing its onboard and onshore fish-processing capacity. Most of its hake catch is now

⁹³ U.S. Department of State telegram, "USITC Study on Export Opportunities."

⁹⁴ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁹⁵ Charles Krakoff, The Services Group for USAID, "Key Potential Export Markets and the Market Access Barriers Facing Southern African Exporters," Nov. 2004, found at www.satradehub.org, retrieved Mar. 13, 2005.

⁹⁶ South African Marketing Company, "Namibia."

⁹⁷ U.S. Department of State telegram, "A Conversation with Namibia's Diamond Commission."

⁹⁸ EIU, *Namibia Country Profile*, p. 59.

⁹⁹ *Ibid.*, various pages.

¹⁰⁰ U.S. Department of State telegram, "South Africa: Minerals and Energy Newsletter, The Assay," message reference No. 3049, prepared by U.S. Embassy, Pretoria, Aug. 2004.

¹⁰¹ U.S. Department of State telegram, "USITC Study on Sub-Saharan Trade: Namibian Update."

¹⁰² Institute for Public Policy Research, "Namibia's Great White Hope," Aug. 2001, various pages.

processed at onshore factories before export, rather than being exported directly by foreign freezer trawlers; likewise, most midwater mackerel is processed onboard or at shore-based processing facilities.¹⁰³ However, in the near term, growth may be affected by recent market pressures that have contributed to the closing of one fish processing facility (Blue Ocean Products) and the liquidation of another (Namfish).¹⁰⁴ Other companies are also at risk of closing.

Namibia's substantial commercial livestock sector and the ongoing effort to develop processing facilities and to diversify further the sector should continue to have a positive effect on production and export growth. A larger share of commercial cattle and sheep are now slaughtered in EU-approved slaughtering facilities, rather than being exported live to South Africa. Also, in an effort to target specific export markets such as the European Union, the Meat Board of Namibia has implemented a program to ensure that meat supplied to export markets has not received growth hormone injections.¹⁰⁵ Efforts are also underway to improve productivity and diversify the agricultural sector into products such as table grapes, dates, and cotton.

Despite elimination of textile and apparel quotas in 2005,¹⁰⁶ the Namibian government remains optimistic about expanding its textile and apparel industry, mostly because of duty-free access to the U.S. market.¹⁰⁷ Apparel exports to the United States increased from \$6.6 million to \$42 million during 2002-03,¹⁰⁸ increasing again to \$75 million during 2003-04.¹⁰⁹ Projected future exports to the United States are expected to reach more than \$100 million annually.¹¹⁰ Anticipated multiplier effects from recent investments in this sector include opportunities for small, medium, and microenterprise development in areas such as packaging, label printing, button and zipper manufacturing, and other apparel-related light manufacturing.¹¹¹ Namibia is also promoting cotton production as part of its diversification scheme,¹¹² and efforts are underway to establish cotton gins to stimulate cotton growing in Namibia, in part to expand Namibia's textile industry.¹¹³

The European Union and the United States will likely remain Namibia's primary markets. However, developing or emerging countries may become increasingly important markets for Namibia's goods and services. Markets in Asia offer the potential for increased exports,

¹⁰³ Ibid.; and EIU, *Namibia Country Profile*, p. 55.

¹⁰⁴ U.S. Department of State telegram, "Tough Times for Namibia's Fishing Industry," message reference No. 185, prepared by U.S. Embassy, Windhoek, Mar. 2005.

¹⁰⁵ EIU, *Namibia Country Profile*, p. 54.

¹⁰⁶ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹⁰⁷ Trade Law Centre for Southern Africa, "Namibian official plays down impact on textile quota," Jan. 7, 2005, found at www.tralac.org, retrieved Jan. 31, 2005; and Online portal for the Namibian community, "Namibia and the textile industry – Golden fleece or threadbare hope," Apr. 22, 2005, found at www.namibian.com.na, retrieved Apr. 28, 2005.

¹⁰⁸ U.S. Department of State telegram, "Namibia: Textiles and Apparel Employment Data," message reference No. 184238, prepared by U.S. Embassy, Windhoek, Oct. 2004.

¹⁰⁹ U.S. Department of State telegram, "USITC Study on Export Opportunities."

¹¹⁰ Ibid.

¹¹¹ Chemonics International Inc. for USAID, "Trip Report: Namibia Textile Export Visit," Dec. 2003, p. 3.

¹¹² Namibian Economic Policy Research Unit, "Namibia Economic Review and Prospects," Aug. 2001, p. 6.

¹¹³ Online portal for the Namibian community, "Namibia and the textile industry."

particularly China and other southeast Asian nations that have been investing in Namibia. Opportunities also exist for increased regional trade within SSA as regional infrastructure improvements reduce the cost of transportation. For example, ongoing and planned development of the Trans-Kalahari Corridor is expected to improve transborder issues such as border management, customs control, traffic regulations, and road transport policies among Namibia, Botswana, and South Africa.¹¹⁴ This project is also expected to improve Namibia's infrastructure, including extension of, and upgrades to, Namibia's railway.

Domestic and International Barriers

Compared with other SSA countries, Namibia ranks favorably in terms of many business environment indicators. It has a relatively low number of startup procedures and low business startup and closing costs, high coverage of creditors providing credit, and a high recovery rate for closed businesses, roughly comparable to the OECD average (table NM-5). However, the number of days to start a business is reported at more than 85 days, over 22 days longer than the regional average. With respect to the Heritage Foundation's Index of Economic Freedom, Namibia ranks better than the regional average on several indicators, including regulation, banking and finance, and capital flows and foreign investment, but below the regional average with respect to fiscal burden of government and government intervention in the economy (table NM-6). Notably, Namibia's relatively low import duties are reflected in the trade policy score, which was better than regional and OECD averages.

Worker indices suggest that Namibia's labor laws are relatively less restrictive than those in other SSA countries. However, the need for extensive training of the local workforce and low productivity continues to limit development in most sectors.¹¹⁵ Namibia's Affirmative Action Act (1999) requires private- and public-sector employers to establish programs that advance the economic interests of Namibians. Similar to South Africa, new partnerships with foreign private investors contain Black Economic Empowerment guidelines requiring minimum local equity stakes, although specific targets are expected to be progressively set for particular sectors.¹¹⁶ Government-owned or controlled enterprises continue to dominate major sectors of the economy, including electricity (NamPower), telecommunications (Telecom Namibia), water (NamWater), and air transportation (Air Namibia and TransNamib).¹¹⁷ Although the number of state-owned enterprises (SOEs) has been increasing, most SOEs operate along commercial lines and some government functions are being outsourced, such as road maintenance.¹¹⁸

¹¹⁴ USAID, "Trans-Kalahari Corridor Exemplifies Collaboration," found at www.usaid.gov/stories/namibia/ss_namibia_transport.html, retrieved Mar. 13, 2005.

¹¹⁵ Chemonics, "Trip Report: Namibia Textile Export Visit," p. 3; and EIU, *Namibia Country Profile*, p. 44.

¹¹⁶ EIU, *Namibia Country Profile*, p. 44.

¹¹⁷ EIU, *Namibia Country Profile*, various pages.

¹¹⁸ EIU, *Namibia Country Profile*, p. 45.

Table NM-5
Namibia: Business environment

	Namibia	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	4.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	53.7	17.1	72.1
Closing a business: Time (<i>years</i>)	1.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	28.3	41.8	5.2
Getting credit: Credit information Index	5.0	2.1	5.0
Getting credit: Legal rights index	(¹)	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	353.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	28.3	43.0	10.8
Enforcing contracts: Number of procedures	31.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	270.0	434.0	229.0
Registering a property: Number of procedures	9.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	9.7	13.2	4.9
Registering a property: Time (<i>days</i>)	28.0	114.0	34.0
Starting a business: Number of procedures	10.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	19.3	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	85.5	63.0	25.0
Employment: Difficulty of firing index	40.0	50.6	26.8
Employment: Difficulty of hiring index	0.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	26.0	59.5	40.4
Employment: Rigidity of employment index	33.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Namibia, applied rate, 2002)		
All goods			5.8
Agricultural goods			9.1
Nonagricultural goods			5.3

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table NM-6
Namibia: Economic freedom

	Namibia	Regional average ¹	OECD average
	— Heritage Foundation indicators —		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	(²)	3.7	2.2
2005 Overall score	3.1	3.4	2.2
Trade policy score	2.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	3.0	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	3.0	4.1	1.9
2004 Corruption perception index	4.1	2.9	7.1

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Despite Namibia's relatively well-connected transport infrastructure, less than 13 percent of roads are paved (table NM-7) and there are frequent transportation bottlenecks,¹¹⁹ adding to reportedly high transportation costs. In addition, there is limited direct shipping container

Table NM-7
Namibia: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 2001)	62,237.0
Roads, paved (percent of total roads, 2001)	12.9
Transport services (percent of service exports, BoP)	(2)
Transport services (percent of service imports, BoP, 1999)	5.8
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	144.8
Internet users (per 1,000 people, 2002)	26.7
Mobile phones (per 1,000 people, 2002)	80.0
Telephone mainlines (per 1,000 people, 2002)	64.8
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use, 2001)	74.6

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

service for exports.¹²⁰ Spending on transportation and upgrading roads are the government's main infrastructure priorities.¹²¹

Namibia's lack of standards, quality, accreditation, and metrology capacity is a major domestic impediment to increased exports. There is no comprehensive policy and regulatory framework that guides the development and administration of standards and technical regulations; there is limited institutional and human resources capacity in this area; and there is little understanding and technical capacity in order to address Namibia's obligations in the context of international and regional agreements.¹²² The government, however, is in the process of establishing a National Standards Bureau to administer standards, quality assurance, and certification requirements.¹²³

Although customs procedures were cited as an impediment to trade in that they increase the time and cost of trade, Namibia is taking steps to update its customs and excise system to address reports of perceived overly burdensome customs procedures, counterfeit documents, and illicit payments stemming from lack of administrative transparency that hinder the free flow of goods across borders.¹²⁴ As part of this process, the government has implemented a data processing system that has the ability to process data and print out an assessment notice

¹¹⁹ U.S. Department of State telegram, "USITC Study on Export Opportunities."

¹²⁰ Chemonics, "Trip Report: Namibia Textile Export Visit," p. 10; and EIU, *Namibia Country Profile*, p. 44.

¹²¹ EIU, *Namibia Country Profile*, p. 44.

¹²² The Services Group for USAID, "Annex 7: Namibia," *SADC Member States and the Implementation of the WTO Technical Barriers to Trade Agreement: A Benchmark Study*, Feb. 2003, found at www.satradehub.org, retrieved Jan. 12, 2005, p. 4 and p. 13.

¹²³ *Ibid.*, p. 4.

¹²⁴ Trade Law Centre for Southern Africa, "Customs still hinders goods in Eastern and Southern Africa," June 17, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

immediately. This is expected to speed up clearing of customs in Namibia and allow customs officials to more effectively combat illegal goods and collect revenue.¹²⁵

With regard to the fisheries sector, Namibia's fishing and marine resources are controlled by a quota entitlement and TAC levies. The allocation of rights and quotas in Namibia's fisheries sector reportedly is not fully transparent.¹²⁶ Further expansion of Namibia's onboard and onshore fish-processing capacity depends, in part, on new investment, improved technologies and productivity, product innovation, market diversification, and training.¹²⁷

Certain Namibian exports are subject to licensing agreements that may restrict exports, including diamonds and other minerals, meat (to the European Union), canned meat, game, forestry products, horticultural products, and fish products.¹²⁸ In 2003, in an effort to raise local processing and community-owned tanneries, Namibia applied a 15-percent levy on the export of live cattle, sheep, and goats, and a 30-percent levy on the export of unprocessed hides and animal skins.¹²⁹ Namibia's diamond export duty was abolished in 1994.¹³⁰

In general, international impediments to Namibian exports include quality and standards requirements, customs requirements, and tariffs. Namibia is particularly susceptible to strict rules of origin on its diamond exports and on January 1, 2003, instituted a certification regime in accordance with the Kimberley Process.¹³¹ In addition, beef exporters to European markets were forced to adopt some of the highest global antipathogen standards after Norway refused Namibian beef when salmonella was detected. Separately, Namibia's meat processing company, Meatco, suffered market losses over a 2-month period in 2003-04 when a ban was initially imposed on Namibian meat exports after a team of EU experts found that various procedures were not followed, despite renewed export certificates.¹³² Another case involved canned fish exports; cracks detected in the cans resulted in the removal of Namibian fish from some foreign markets. In 1999, Spain issued an alert throughout the EU market alleging bacterial contamination of Namibian fish exported to Spain. Exports may also be affected by high taxes on Namibian products to some markets. For example, in 2004, Namibia's grape farmers appealed to the European Union to remove excessive taxes on imported grapes from Namibia.¹³³

¹²⁵ Trade Law Centre for Southern Africa, "Namibian customs and excise system updated," Mar. 2, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

¹²⁶ EIU, *Namibia Country Profile*, p. 57.

¹²⁷ Trade Law Centre for Southern Africa, "Namibian fishing industry needs to look outside of EU," Apr. 29, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

¹²⁸ WTO, *Trade Policy Review: Namibia*, p. 42.

¹²⁹ Trade Law Centre for Southern Africa, "Nam to impose export levy on hides," Sept. 3, 2003, found at www.tralac.org, retrieved Jan. 31, 2005; and EIU, *Namibia Country Profile*, 2004, p. 56.

¹³⁰ WTO, *Trade Policy Review: Namibia*, p. 66.

¹³¹ U.S. Department of State telegram, "A Conversation with Namibia's Diamond Commission."

¹³² Trade Law Centre for Southern Africa, "Namibian meat making its way to the EU," Feb. 2, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

¹³³ Trade Law Centre for Southern Africa, "Namibian grape farmers not happy with EU import duties," Mar. 30, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

São Tomé and Príncipe¹³⁴

Economic Overview

São Tomé and Príncipe consists of two main islands located off the west coast of Africa. The country has a population of only 157,000 (table ST-1) and a land area of only 960 square kilometers. The terrain is fairly mountainous, making cultivation impossible in most areas, as indicated in the relatively small percentage of arable land. The country's small size and limited resources contribute to a general lack of economic diversification of the economy. Services account for two-thirds of the country's GDP, while agriculture and industry together account for the remaining one-third (figure ST-1). Principal agricultural products for local consumption include palm oil, banana, sugar cane, pineapple, bread fruit, maize (corn), taro, cabbage, tomato, onion, bean, and manioc.¹³⁵ As a former nonmarket economy, the government continues to play a central role; the public sector is by far the largest employer in the economy and accounts for more than 28 percent of GDP.¹³⁶ São Tomé and Príncipe relies heavily on international trade and foreign donor assistance. Domestic consumption largely depends on imported goods and capital and in 2003, total trade represented 153.2 percent of GDP.

Export Profile

Cocoa has been the primary export product of the country for over a century¹³⁷ and accounted for 63.8 percent of total exports from São Tomé and Príncipe in 2003 (table ST-2). Nearly all of the country's cocoa production is exported. Between 1990 and 2000, production of cocoa remained relatively constant at around 3,500 metric tons per year,¹³⁸ although increases in the quantity of cocoa exports in years after 2000 indicate recent growth in production yields. In 2002, a disruption in global supply led to increased global prices for cocoa¹³⁹ and an increase in exports of cocoa from São Tomé and Príncipe.

In addition to cocoa, São Tomé and Príncipe has exported small volumes of other agricultural commodities such as copra (a coconut derivative) and coffee. Data indicate, however, that copra exports ceased in 2000 and coffee exports markedly decreased by

¹³⁴ Prepared by Russell Duncan, Office of Investigations.

¹³⁵ Ministry of the Economy, Division of Statistics, *Agricultural production from 1998-2000*, part of Logistic Capacity Assessment Report in São Tomé and Príncipe.

¹³⁶ International Monetary Fund (IMF), *São Tomé and Príncipe: Statistical Appendix*, Apr. 2004, p. 3, found at www.imf.org, retrieved Mar. 19, 2005.

¹³⁷ Economist Intelligence Unit, (EIU), *São Tomé and Príncipe Country Profile*, 2004, p. 15.

¹³⁸ Steven Kyle, *We're rich!! Or are we?? Oil and development in Sao Tome and Principe*, May 2003, table 2, p. 26, from Ministerio de Plano e Financas and the IMF.

¹³⁹ In 2002, an armed insurgency negatively affected cocoa production in Côte d'Ivoire, the world's largest cocoa producer. Global Policy Forum, *War Inflates Cocoa Prices but Leaves Africans Poor*, Oct. 2002, found at www.globalpolicy.org/soecon/develop/africa/2002/1030cocoa.htm, retrieved Apr. 21, 2005; and International Cocoa Organization, *Monthly and Annual Averages of Daily Prices of Cocoa Beans, 1960-2004*, Oct. 2004, found at www.icco.org/prices/pricesave.htm, retrieved Apr. 21, 2005.

Table ST-1
São Tomé & Príncipe: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	53.7
GDP growth (annual percent, based on local currency, 2003)	4.5
GDP per capita growth (annual percent, based on local currency, 2003)	2.5
Inflation, consumer prices (annual percent)	(²)
External debt, total (current US\$, millions, 2002)	333.4
Total debt service (percent of exports of goods and services, 2002)	31.8
Exports of goods and services (percent of GDP, 2003)	43.7
Trade (percent of GDP, 2003)	153.2
Official exchange rate (local currency unit per US\$, period average, 2003)	9,347.3
Population, total (millions, 2003)	0.2
Population growth (annual percent, 2003)	1.9
Labor force, total (millions)	(²)
Labor force participation rate, total (percent, 2002)	45.9
Literacy rate, adult total (percent of people ages 15 and above)	(²)
Primary school enrollment ratio, total (percent)	(²)
Secondary school enrollment ratio, total (percent)	(²)
Land use, arable land (percent of total, 2001)	6.3
Gross capital formation (percent of GDP, 2003)	31.2
Gross fixed capital formation (percent of GDP, 2003)	31.2
Foreign direct investment, net inflows (percent of GDP, 2002)	6.0

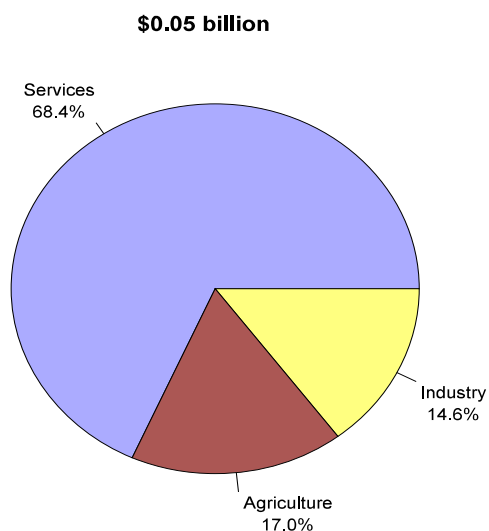
¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure ST-1
São Tome & Príncipe: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Table ST-2
São Tomé & Príncipe: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
18	Cocoa and cocoa preparations.	2,927.7	4,808.8	7,644.3	63.8	11.3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	395.8	494.3	721.2	6.0	6.9
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	102.9	1,014.9	519.6	4.3	19.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	278.9	309.1	517.0	4.3	7.1
29	Organic chemicals.	197.9	107.8	391.1	3.3	7.9
34	Soap etc.; lubricating products; waxes, polishing or scouring products; candles etc., modeling pastes; dental waxes and dental plaster preparations	0.0	4.7	273.2	2.3	(¹)
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	49.1	86.4	194.2	1.6	16.5
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	91.8	451.3	189.0	1.6	8.3
03	Fish and crustaceans, molluscs and other aquatic invertebrates	122.9	5,373.0	135.7	1.1	1.1
10	Cereals	0.0	0.0	123.6	1.0	(¹)
	Other	2,915.0	4,282.3	1,273.2	10.6	-8.8
	Total	7,082.1	16,932.5	11,982.2	100.0	6.0

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

2003.¹⁴⁰ São Tomé and Príncipe also exports deep-sea fish caught by a European fleet through a fisheries contract with the European Union. Frozen fish was the eighth-largest export in 2003 (table ST-3). The fisheries contract, which provides for exclusive rights to operate a fleet of 68 boats in the country's exclusive economic zone,¹⁴¹ was signed in June 2002 and is set to expire at the end of May 2005.¹⁴²

Because of arrangements such as the fisheries contract and the country's colonial past, the islands maintain strong commercial and trading links with the European Union. The EU market accounted for more than 60 percent of the country's exports in 2003 (table ST-4), consisting primarily of cocoa and fish. The second-largest market for the islands in 2003 was Canada.¹⁴³

¹⁴⁰ IMF, *São Tomé and Príncipe: Statistical Appendix*, p. 30.

¹⁴¹ European Union (EU), *The European Commission on Fisheries: Sao Tome and Principe*, Feb. 2004, found at http://europa.eu.int/comm/fisheries/doc_et_publ/factsheets/facts/en/pcp4_2s15.htm, retrieved Apr. 9, 2005.

¹⁴² According to the contract, the European Union paid 2.2 million euros for exclusive rights to operate a fleet of 68 boats in the islands' exclusive economic zone. EU, *The European Commission on Fisheries: Bilateral Agreements*, 2004, http://europa.eu.int/comm/fisheries/doc_et_publ/factsheets/facts/en/pcp4_2.htm, retrieved Apr. 9, 2005.

¹⁴³ Department of Agriculture and Agri-Food Canada, *Canada's Agri-food: Imports from all countries*, Jan. 2005, found at http://atn-riac.agr.ca/stats/AllCountries_country_m12.pdf, retrieved Apr. 11, 2005.

Table ST-3

São Tomé & Príncipe: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
1801	Cocoa beans, whole or broken, raw or roasted	2,865.3	4,808.8	7,644.3	63.8	11.5
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (No swimwear), not knitted or crocheted	7.5	25.7	510.0	4.3	59.8
2933	Heterocyclic compounds with nitrogen heteroatom(s) only	0.0	0.0	245.5	2.0	(¹)
3402	Organic surface-active agents (other than soap); surface active, washing, and cleaning preparations, whether or not containing soap, neso	0.0	0.0	244.7	2.0	(¹)
8519	Turntables, record players, cassette players and other sound reproducing apparatus, not incorporating a sound recording device	0.0	0.0	231.5	1.9	(¹)
8508	Electromechanical tools for working in hand with self-contained electric motor; parts thereof	26.3	13.8	152.7	1.3	21.6
8703	Motor cars and other motor vehicles	0.0	58.6	137.9	1.2	(¹)
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	122.9	4,081.2	132.7	1.1	0.9
1005	Maize (corn)	0.0	0.0	123.6	1.0	(¹)
2902	Cyclic hydrocarbons	0.0	0.0	111.7	0.9	(¹)
	Other	4,060.1	7,944.4	2,447.6	20.4	-5.5
	Total	7,082.1	16,932.5	11,982.2	100.0	6.0

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ST-4

São Tomé & Príncipe: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Netherlands	1,668.3	2,465.7	2,971.8	24.8	6.6
Canada	2,701.8	159.1	1,957.1	16.3	-3.5
France	97.7	1,108.4	1,257.6	10.5	32.8
Austria	151.7	165.7	1,064.7	8.9	24.2
Germany	648.0	337.0	1,011.0	8.4	5.1
Philippines	78.6	114.8	909.9	7.6	31.3
Belgium	(¹)	307.2	655.7	5.5	(²)
United Kingdom	5.2	18.8	513.4	4.3	66.7
Portugal	179.4	4,450.8	339.1	2.8	7.3
Thailand	25.4	34.4	255.6	2.1	29.2
Other	1,526.0	7,770.7	1,046.3	8.7	-4.1
Total	7,082.1	16,932.5	11,982.2	100.0	6.0

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

There is potential for a variety of agricultural exports. Cocoa exports could increase because the current smallholder system of production¹⁴⁴ does not yield the volume of production once achieved under colonial rule.¹⁴⁵ In the 1920s and 1930s, São Tomé and Príncipe exported nearly 9,500 metric tons of cocoa annually,¹⁴⁶ which is approximately 3 times as much cocoa as the islands produced in 2000. Additionally, potential exists for the diversification of agricultural exports while maintaining and improving upon existing cocoa production. For example, other exploitable trees could reasonably be grown among cocoa trees to serve as both an alternative crop and as shade-providers for the low-growing cocoa trees. Such dual-purpose trees could include rubber trees and banana trees (currently present on the islands). Both of these shade-providing trees could provide viable potential exports, resulting in diversification in agricultural production, without negatively impacting the country's current revealed comparative advantage¹⁴⁷ (RCA) in cocoa (appendix E, table E-29). Recent increases in the production of bananas for domestic consumption indicate that some diversification of agricultural production has already begun.¹⁴⁸

Chocolate, coffee, sugar, other cocoa-derived products, and coffee-derived products are potential exports considering the factor endowments of climate, soil, labor, and the existing cocoa and coffee crops in São Tomé and Príncipe. In addition to cocoa, the islands can produce sugar and milk as additional inputs. While the country's annual rainfall may not provide for high-quality, exportable sugar, the climate in São Tomé and Príncipe could support sugar production of a quality suitable for further processing. In terms of pure production capability, the viability of a sugar crop is manifest in the fact that the country once supported a sugar industry in the 1500s and early 1600s.¹⁴⁹ Milk could also be produced locally, as the Dutch have reportedly re-introduced cattle herds to the islands.¹⁵⁰ Donor financial support and technical assistance, targeted reinvestment of state petroleum revenues, and possible Brazilian investment and oversight could provide the impetus for the development of such an industry.

São Tomé and Príncipe could develop fishing as a potential export. While the country does not currently have the technical knowledge or fleet capacity to extract deep-sea fish for

¹⁴⁴ Production of the crop dates back to the colonial cocoa estates run by the Portuguese, which were nationalized after independence and then broken into parcels for smallholder tenants with support from the World Bank and the IMF in the late 1990s under a privatization initiative. Varela da Silva, Afonso, Minister of Plan, Finance, and Cooperation, *IMF Memorandum of Economic and Financial Policy for 1999*, Mar. 1999, found at www.imf.org/external/np/loi/1999/o32299.htm, retrieved Apr. 28, 2005.

¹⁴⁵ Jedrez Frynas et al., *Business and Politics in Sao Tome and Principe: From Cocoa Monoculture to Petro-State*, Jan. 2003, p. 3.

¹⁴⁶ *Ibid.*, p. 4.

¹⁴⁷ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁴⁸ Kyle, *We're rich!!* table 2, p. 26. Banana production increased from 10,000 metric tons in 1991 to 38,200 metric tons in 2000.

¹⁴⁹ Frynas et al., *Business and Politics in Sao Tome and Principe*, p. 3.

¹⁵⁰ *Ibid.*, p. 4.

export to Europe or other Northern markets, it does have a thriving artisanal fishing industry that currently operates for the most part in the islands' informal economy.¹⁵¹

Considering the inherent limitations of small island economies, São Tomé and Príncipe recognizes the need to consider nontraditional sources of local productivity, mainly in the services sector. The islands are ideally located in the Gulf of Guinea, some 200 to 300 km from the coasts of larger African countries such as Nigeria, Cameroon, Equatorial Guinea, Gabon, and Angola. The country could take advantage of its location by becoming an entrepôt for the shipment of goods from Africa to the Americas (especially Brazil) or to Europe by ocean freight. São Tomé and Príncipe has already created a free trade zone (FTZ) on the island of Príncipe.¹⁵²

Tourism is another service that could provide increased exports. The two islands have an abundance of beautiful, mostly unexploited countryside, as well as over 269 km of tropical coastline to offer potential visitors.¹⁵³ Local plantations, churches, and colonial palaces add to the country's rich history as a former Portuguese colony. The government of São Tomé and Príncipe is attempting to promote ecotourism as an export growth sector.¹⁵⁴ Additionally, the private sector has in recent years expressed an interest in developing the country's tourism potential.¹⁵⁵

There is also potential for exports of crude petroleum. In 2005, Exxon Mobil signed the first deep-sea exploration contract for one of nine blocks in the joint development zones between São Tomé and Príncipe and Nigeria.¹⁵⁶ If resources are discovered, the United States will likely become a major trading partner for São Tomé and Príncipe. However, revenue from the project is estimated to be at least 2 years from realization.¹⁵⁷

Domestic and International Barriers

Business environment and economic freedom indicators are not available for São Tomé and Príncipe (tables ST-5 and ST-6). However, a major issue facing São Tomé and Príncipe is the lack of diversification of the country's economy, which has left it vulnerable to price volatility. Raw cocoa prices in world markets have been highly volatile within an overall

¹⁵¹ Integrated Framework (IF), *Sao Tome and Principe: Diagnostic Trade Integration Study Draft Concept Paper*, June 2004, para. 44, found at www.integratedframework.org, retrieved Mar. 7, 2005.

¹⁵² U.S. Department of State, "Investment Climate Statement, Fiscal Year 2000," found at <http://usembassy.state.gov/libreville/wwwwhstpinvest.html>, retrieved Apr. 27, 2005.

¹⁵³ Government of São Tomé Tourism Site, found at www.saotome.st, retrieved Apr. 11, 2005.

¹⁵⁴ Ministère du Commerce, de l'Industrie et du Tourisme, *Table Ronde sur le développement du tourisme a Sao Tome et Principe: Dossier de presentation*, May 2004.

¹⁵⁵ World Travel & Tourism Council, *Sao Tome and Principe: Travel & Tourism Forging Ahead*, 2004, found at www.wttc.org, retrieved Apr. 27, 2005.

¹⁵⁶ ExxonMobil, *Exxonmobil Signs PSC For Exploration Activities In Nigeria And Sao Tome And Principe Joint Development Zone*, press release, Feb. 1, 2005, found at www.exxonmobil.com, retrieved Mar. 17, 2005.

¹⁵⁷ The Government of São Tomé has contracted out only one of its 19 zones and foreign direct investment for that zone has not yet begun.

Table ST-5
São Tomé & Príncipe: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties
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Country data not available.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table ST-6
São Tomé & Príncipe: Economic freedom

Country data not available.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

downward trend since the early 1970s.¹⁵⁸ The degree to which São Tomé and Príncipe as a small island economy can diversify its export markets is constrained by the islands' limited production capacity and the commodity nature of its current major exports. The country's small size and capacity constraints also hinder its ability to compete against larger mainland African economies. São Tomé and Príncipe competes with large regional economies along the west coast of Africa in each of its potential export sectors. For example, the development of a regional entrepôt on São Tomé and Príncipe would compete with Equatorial Guinea's newly constructed Luba Freeport on the island of Bioko.¹⁵⁹ Additionally, it has been only recently that the Government of São Tomé and Príncipe has actively canvassed regional support for political and economic initiatives.

The current smallholder structure of cultivation acts as a domestic barrier to increasing the country's production and export of agricultural products, including cocoa. Currently, the government owns all the former plantation land and either leases parcels out to smallholders or runs its own mini-plantations.¹⁶⁰ Under this system, the lack of ownership interest in the land provides the lessees with little incentive to properly maintain the cocoa crops or employ sustainable, ecofriendly production methods.

The small size of São Tomé and Príncipe's labor pool and the scarcity of skilled labor also limit or slow economic development and the growth and diversification of exports. In 2002, the country's labor force numbered fewer than 86,000 adults between the ages of 15 and 65.¹⁶¹ While education coverage and quality have improved because of national reform efforts since independence, there is still a 20 percent national illiteracy rate that impedes increased trade in skilled-labor intensive products.¹⁶² Additionally, the continued existence of virulent strains of malaria and other tropical diseases reduces domestic labor productivity and dissuades potential travelers. The government is aware of the importance of both health

¹⁵⁸ Chocolate Manufacturers Association, *The Cocoa Tree: Price Cycle*, 2003, found at www.cocoatree.org/thecocoatree/animportantcashcrop.asp, retrieved Apr. 11, 2005.

¹⁵⁹ Luba Freeport slide show, *Deepwater Gateway to the West African Oil Industry*, 2004.

¹⁶⁰ World Bank officials, interview with USITC staff, Washington, DC, Mar. 11, 2005.

¹⁶¹ Kyle, *We're rich!!* p. 15.

¹⁶² Taiwanese Council for Economic Planning and Development, *Comprehensive Economic Development Plan for the Democratic Republic of Sao Tome and Principe*, Jan. 2004, pp. 10-11.

and education services and is actively seeking engagement with donor partners such as Taiwan to further develop its national health and education services.¹⁶³

Political uncertainty also hampers export growth.¹⁶⁴ In 2003, the extent of the political instability became apparent as the democratically elected government was ousted by a military coup that lasted for 1 week.¹⁶⁵ Additionally, recent agitations related to high unemployment in the country impede the domestic stability necessary for the development of industries such as tourism.¹⁶⁶

The lack of appropriate physical and regulatory infrastructure also inhibits the development of export-oriented businesses. Although the country has a relatively well-developed road network as compared with the region (table ST-7), transportation is a major barrier to exports from São Tomé and Príncipe, as the country has no deep-sea port, and therefore cannot berth most international shipping vessels¹⁶⁷ or handle large-scale flow of goods in its FTZ.¹⁶⁸

Table ST-7
São Tomé & Príncipe: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	320.0
Roads, paved (percent of total roads, 1999)	68.1
Transport services (percent of service exports, BoP, 2002)	1.9
Transport services (percent of service imports, BoP, 2002)	52.8
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	54.4
Internet users (per 1,000 people, 2002)	72.8
Mobile phones (per 1,000 people, 2002)	13.1
Telephone mainlines (per 1,000 people, 2002)	41.3
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Other transportation infrastructure constraints limit export development growth. For example, the country’s airport cannot currently handle the types of commercial flights that would be necessary for growth of the tourism sector.¹⁶⁹ Additionally, poor maintenance of transportation infrastructure, frequent power shortages, and limited water sanitation coverage

¹⁶³ Taiwan Government Information Office, *Taiwan helps Sao Tome eradicate malaria*, Feb. 2005, found at <http://publish.gio.gov.tw/FCJ/past/05022581.html>, retrieved Apr. 9, 2005. See also Africa Taiwan Economic Forum, *Sao Tome and Principe Economic Profile*, 2003, found at www.africa.org.tw/country_english_1_4.asp?C=6, retrieved Apr. 11, 2005.

¹⁶⁴ EIU, *Sao Tome and Principe Country Profile*, pp. 8-9, 13.

¹⁶⁵ *Sao Tome President*, BBC, Dec. 14, 2004, found at <http://news.bbc.co.uk/1/hi/world/africa/3107443.stm>, retrieved Apr. 27, 2005.

¹⁶⁶ World Bank officials, interview with USITC staff, Washington, DC, Mar. 11, 2005.

¹⁶⁷ IF, *Sao Tome and Principe: Diagnostic Trade Integration Study Draft Concept Paper*, para. 44.

¹⁶⁸ Capital Energy, Inc., *Definitional Mission for Africa Regional Multi-Sector in Gabon/Sao Tome & Principe: Contract No.: 2003-10050A, Final Report for USTDA*, Dec. 2003.

¹⁶⁹ IF, *Sao Tome and Principe: Diagnostic Trade Integration Study Draft Concept Paper*, paras. 43-47.

further inhibit the development of export-oriented businesses.¹⁷⁰ As São Tomé and Príncipe is a small island country, international trade is inhibited by the lack of cost effective transportation infrastructure into neighboring countries.

In addition to infrastructure constraints, São Tomé and Príncipe lacks a sufficiently developed finance industry to provide financial and logistical services to those that might take advantage of the country's FTZ.¹⁷¹ While recent prudential reforms have allowed for several commercial banks to begin operations in the country,¹⁷² the financial sector remains weak and there is limited access to microfinance and other credit arrangements.

¹⁷⁰ U.S. Trade and Development Agency official, interview by USITC staff, Apr. 27, 2005.

¹⁷¹ U.S. State Department, *International Narcotics Control Strategy Report: Country Report on Sao Tome and Principe*, 2005, found at www.state.gov/g/inl/rls/nrcrpt/2005/vol2/html/42395.htm, retrieved Apr. 8, 2005.

¹⁷² Ibid.

Economic Overview

Senegal lies on the western coast of Africa and has a tropical climate. Its land area is approximately 196,190 square kilometers, with 1,327 kilometers of coastline and a maritime claim to 12 contiguous nautical miles of territorial sea.¹⁷⁴ These resources are important to Senegal's fishing industry. Dakar, the westernmost port in Africa, is an important regional and international transit hub.¹⁷⁵ Senegal is considered to be one of the most stable and industrialized countries in West Africa.¹⁷⁶ Senegal's economy has been relatively stable over the past 5 to 6 years, with GDP growth at approximately 6.5 percent in 2003 (table SN-1). Senegal's exports of goods and services accounted for about 30 percent of GDP during 1999-2003, and total trade represented between 69 percent and 72 percent of Senegal's GDP during 1999-2003.

Senegal's service sector, which accounted for 62.0 percent of Senegal's GDP in 2003 (figure SN-1), consists largely of tourism. Compared with other French-speaking West African countries, Senegal's tourism industry is relatively large.¹⁷⁷ Senegal's beach resorts are its main attraction; other tourist interests include scuba diving, big-game fishing, a wildlife reserve, bird watching along the Senegal River delta, and a rich traditional culture in a relatively stable and crime-free environment.¹⁷⁸

Senegal's agricultural sector, the largest employer of the country's labor force, accounted for approximately 70 percent of the workforce¹⁷⁹ and almost 17 percent of GDP in 2003. Agriculture is the main activity and source of income for most of Senegal's rural population. A relatively new trend towards agroprocessing for export has also emerged. Senegal's agricultural sector continues to be based mostly on its production of groundnuts (peanuts) and groundnut oil (peanut oil). Senegal is one of the world's largest producers and exporters of peanut oil. The government is encouraging the cultivation and exports of other agricultural products, including fresh fruits and vegetables, to ship to markets such as the European Union.¹⁸⁰ The fishing industry accounted for slightly over 2 percent of Senegal's total GDP in 2002,¹⁸¹ and is also an important employer in Senegal, employing about 15 percent of the country's employable population in 2003-04.¹⁸²

¹⁷³ Prepared by Jackie Jones, Office of Industries.

¹⁷⁴ "Senegal's Geography," TravelBlog, found at www.travelbog.org/World/sg.econ.html, retrieved Mar. 8, 2005, p. 2.

¹⁷⁵ Economist Intelligence Unit (EIU), *Senegal Country Profile*, 2004, p. 23.

¹⁷⁶ *Ibid.*, p. 44.

¹⁷⁷ *Ibid.*, p. 28.

¹⁷⁸ *Ibid.*, p. 47.

¹⁷⁹ Integrated Framework (IF), *Senegal: Diagnostic Trade Integration Study Report*, vol. 1, Mar. 12, 2003, p. 79.

¹⁸⁰ IF, *Senegal: Diagnostic Trade Integration Study Report*, vol. 1, Mar. 12, 2003, pp. 79-80.

¹⁸¹ IDDRA (UK) Ltd., commissioned by CTA and the Commonwealth Secretariat, "Executive Summary," *Analysis of the Impact on ACP Countries of Opening Up the EU Import Market for Canned Tuna*, Feb. 2004, p. 8.

¹⁸² *Ibid.*; and EIU, *Senegal Country Profile*, p. 43.

Table SN-1
Senegal: Basic economic indicators

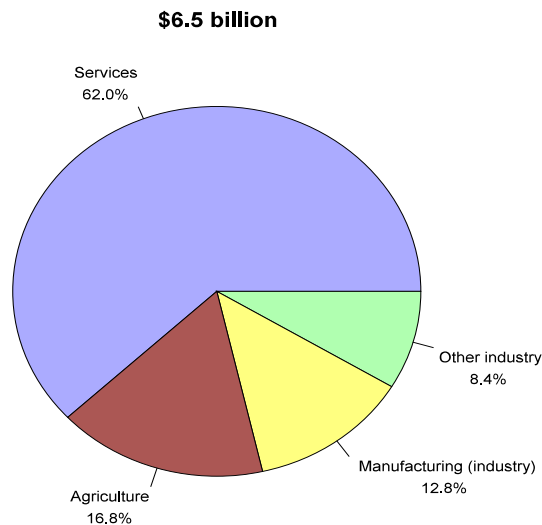
	MRY¹
GDP (current US\$, millions, 2003)	6,496.4
GDP growth (annual percent, based on local currency, 2003)	6.5
GDP per capita growth (annual percent, based on local currency, 2003)	6.0
Inflation, consumer prices (annual percent, 2003)	0.0
External debt, total (current US\$, millions, 2002)	3,918.2
Total debt service (percent of exports of goods and services, 1999)	14.3
Exports of goods and services (percent of GDP, 2003)	30.2
Trade (percent of GDP, 2003)	69.9
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	10.0
Population growth (annual percent, 2003)	2.2
Labor force, total (millions, 2003)	4.5
Labor force participation rate, total (percent, 2002)	44.8
Literacy rate, adult total (percent of people ages 15 and above, 2002)	39.3
Primary school enrollment ratio, total (percent, 2000)	75.0
Secondary school enrollment ratio, total (percent, 2000)	18.0
Land use, arable land (percent of total, 2001)	12.8
Gross capital formation (percent of GDP, 2003)	20.1
Gross fixed capital formation (percent of GDP, 2003)	19.8
Foreign direct investment, net inflows (percent of GDP, 2002)	1.9

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure SN-1
Senegal: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Senegal's mining and industry sector accounted for approximately 21 percent of GDP in 2003, with industrial activity accounting for the majority of this sector. Mining alone accounted for less than 2 percent of GDP in 2002, but accounted for approximately 17 percent of merchandise exports that year.¹⁸³ Senegal has reserves of phosphates and other derived minerals, and there appears to be increasing foreign interest in potentially large deposits of gold, copper, and other minerals in Senegal's eastern regions.¹⁸⁴

Senegal's economy suffers from a lack of capital. Gross fixed capital formation as a share of GDP was almost 20 percent in 2003, and averaged approximately 19 percent during 1999-2003. France traditionally has been and remains the largest foreign investor. French companies account for 25 percent of all Senegal's formal enterprises and are invested in the import-export, shipping, banking, food production, mechanical engineering, tobacco, agribusiness, petroleum distribution, industrial equipment, vehicles, chemicals and pharmaceuticals, tourism, insurance, telecommunications, and water sectors.¹⁸⁵

Export Profile

Senegal's major foreign exchange earners continue to be fishing, phosphates, tourism, and groundnuts and groundnut oil.¹⁸⁶ Total merchandise exports from Senegal were almost \$659.0 million in 2003 (tables SN-2 and SN-3). Although the fishing sector accounted for only about 2 percent of Senegal's GDP in 2003, it is the country's largest export earner, representing 39 percent of the total value of Senegal's exports in 2003. Exports of phosphates and other derived minerals were the next-largest group of exports, accounting for almost 19 percent of total export value in 2003. Traditionally one of Senegal's largest exports, peanut oil and its derivatives, was the third-largest product group exported in 2003, accounting for 8.2 percent of total export value that year. These three groups of products together accounted for almost two-thirds of the value of products exported in 2003.

Overall export growth during the 1994-2003 period was fueled primarily by Senegal's traditional exports of fish and phosphates, which together accounted for 61.6 percent of Senegal's total value of commodity exports in 2003. Exports of fresh and frozen fish and crustaceans fluctuated, but rose overall by 67 percent during 1994-2003. With a compound annual growth rate (CAGR) of 65.9 percent, exports of phosphates and phosphoric acids also increased overall during the period.

Senegal's overall agricultural exports peaked in 1990 before falling to a low of \$146 million in 2000. Reportedly, more than one-half of this decline was attributed to a sharp decline in the quantity of relatively high value-added exports of confectionery groundnuts and declining volumes and values of exports of groundnut oil.¹⁸⁷ Fluctuating downward,

¹⁸³ EIU, *Senegal Country Profile*, p. 43.

¹⁸⁴ Ibid.

¹⁸⁵ U.S. Department of State telegram, "Senegal: USITC Study on Export Opportunities and Barriers in AGOA-Eligible Countries," message reference No. 008545, prepared by U.S. Embassy, Dakar, Feb. 16, 2005.

¹⁸⁶ U.S. Department of State telegram, "Senegal: USITC Study on Export Opportunities."

¹⁸⁷ IF, *Senegal: Diagnostic Trade Integration Study Report*, p. 79.

Table SN-2
Senegal: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
03	Fish & crustaceans, mollusc & other aquatic invertebrates	151,969.7	275,709.7	253,814.2	38.5	5.9
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	1,402.6	51,831.7	124,698.3	18.9	64.6
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	75,995.7	64,216.9	55,079.4	8.4	-3.5
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	32,659.3	50,809.4	52,017.8	7.9	5.3
16	Preparation of meat, fish, crustaceans, molluscs, or other aquatic invertebrates	54,520.5	33,144.1	31,818.9	4.8	-5.8
24	Tobacco and manufactured tobacco substitutes	133.1	665.7	18,606.5	2.8	73.1
07	Edible vegetables and certain roots and tubers	7,629.5	13,416.8	16,389.8	2.5	8.9
52	Cotton, including yarns and woven fabrics thereof.	21,010.4	10,136.3	16,303.5	2.5	-2.8
41	Raw hides and skins (other than furskins) and leather	3,957.8	5,412.7	12,597.9	1.9	13.7
29	Organic chemicals.	26.3	804.2	11,776.1	1.8	97.0
	Other	67,645.8	170,561.7	65,854.6	10.0	-0.3
	Total	416,950.7	676,709.0	658,957.0	100.0	5.2

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SN-3
Senegal: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2809	Diphosphorus pentaoxide; phosphoric acid and polyphosphoric acids	1,310.5	49,556.9	124,653.1	18.9	65.9
0307	Molluscs & oth aquatic invertebrates nesoi, live, frsh, chilld, frzn, dried, saltd or in brine; flours, meals & pellets of aqua inverteb hum consumptn	45,086.1	100,765.6	98,620.1	15.0	9.1
1508	Peanut (ground-nut) oil and its fractions, whether or not refined, but not chemically modified	73,804.2	62,997.7	53,884.6	8.2	-3.4
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat without bones; fish livers and roes, fresh or chilled	37,976.1	56,592.7	48,187.9	7.3	2.7
2501	Salt (incl table & denaturd salt) & pure sodium chloride, wheth/not in aqueous solution or contain added anticaking/free flowing agents; sea water	961.4	10,862.3	37,745.4	5.7	50.4
0306	Crustaceans, live, frsh, chilled, frzn etc.; crustaceans, in shell, cookd by stm or boiling watr; flours, meals, & pellets of crustaceans, human consumption	22,887.4	44,345.1	36,391.7	5.5	5.3
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	24,488.0	37,273.6	36,063.7	5.5	4.4
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	13,262.5	32,019.9	32,302.1	4.9	10.4
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	54,436.6	30,596.8	29,448.2	4.5	-6.6
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	133.1	310.0	18,606.5	2.8	73.1
	Other	142,604.8	251,388.4	143,053.8	21.7	0.0
	Total	416,950.7	676,709.0	658,957.0	100.0	5.2

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Senegal's exports of groundnut oil and its derivatives had a CAGR of -3.4 percent during 1994-2003. Nonetheless, exports of groundnut oil and groundnut cake used in animal feed continued to dominate Senegal's agricultural exports in 2003. Senegal's exports of fresh fruit and vegetables grew by 41 percent in quantity terms during 1998-2001. The growth in exports of these products may largely be due to intervention by the World Bank's Agricultural Export Promotion Project and investment by several international companies in the domestic supply chain.

Leading EU markets accounted for 55.9 percent of the total value of exports in 2003 (table SN-4). The European Union is a major market for Senegalese exports of fresh and frozen fish and crustaceans and, more recently, nontraditional exports of fresh and semiprocessed fruits and vegetables. In addition, most of Senegal's exports of groundnut oil go to the European Union, with 50 percent of that amount going to France.¹⁸⁸ Much of Senegal's exports of phosphates and other phosphoric acids and almost one-half of Senegal's exports of salt and cement go to India. Neighboring Côte d'Ivoire and Nigeria were the fifth- and sixth-largest markets in 2003, accounting for 6.5 and 4.8 percent, respectively, of total exports. These countries are important markets for some of Senegal's nontraditional exports such as cosmetics, perfumes, and soaps.¹⁸⁹

Table SN-4
Senegal: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year
	1,000 dollars			of total	CAGR
				Percent	
India	12,782.3	87,271.5	143,218.9	21.7	30.8
France	181,903.1	128,275.1	127,812.8	19.4	-3.8
Italy	59,493.4	128,249.7	114,576.4	17.4	7.6
Spain	25,682.9	41,031.6	52,601.0	8.0	8.3
Côte d'Ivoire	0.0	20,759.9	42,954.8	6.5	(¹)
Nigeria	0.0	1,301.2	31,364.0	4.8	(¹)
Belgium	(²)	13,198.7	24,148.0	3.7	(¹)
Greece	2,224.2	22,749.5	22,750.8	3.5	29.5
United Kingdom	11,686.6	16,621.5	12,928.5	2.0	1.1
Portugal	5,043.7	13,758.8	12,416.0	1.9	10.5
Other	118,134.6	203,491.6	74,185.9	11.3	-5.0
Total	416,950.7	676,709.0	658,957.0	100.0	5.2

¹ Undefined.

² Not available.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Two of Senegal's leading exports products, phosphates and groundnut oil, ranked fourth and second in terms of the revealed comparative advantage (RCA) index.¹⁹⁰ Other exports with strong RCA indices include certain fresh, chilled, frozen, and semiprocessed fish;

¹⁸⁸ Ibid., p. 29.

¹⁸⁹ Ibid., p. 28.

¹⁹⁰ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

crustaceans; molluscs; and leguminous vegetables (peas and beans) (appendix E, table E-30). In general, major potential exports in the short to medium term are in the agricultural and fish products, services, and energy sectors.

The potential for export growth in the agricultural sector lies primarily with further processed traditional agricultural products such as confectionery groundnuts and completely processed groundnut oil, and nontraditional agricultural exports such as fresh and further processed fruits and vegetables. Although small as compared with traditional exports, growth in Senegal's nontraditional exports, including edible fruits and vegetables, outpaced Senegal's traditional exports (except for fresh, frozen, or preserved fish or crustaceans) during 2000-03. For example, exports of edible vegetables and certain roots increased substantially to \$16 million in 2003. With sufficient FDI, diversifying Senegal's exports into new areas such as fresh fruits and vegetables and further processed agricultural products could boost agricultural exports.¹⁹¹

Without FDI to further the processing of the groundnut oil or to diversify into other processed groundnut products, this sector is likely to expand only in the short term. Reportedly, about 80 percent of Senegal's exports of groundnut oil consists of semirefined groundnut oil, with the remainder of the refining process performed in the European Union, indicating potential for further processing in Senegal.¹⁹² In addition, Senegal could increase its processing of groundnuts into groundnuts for confectionery use or groundnut candy. As these products had a strong RCA index during 2000-03, it appears that Senegal's exports of groundnut oil have the comparative advantage to continue supplying almost one-third of the world market for these products as it did in 2003, and to potentially increase its share of the global market. In addition, these products have the opportunity for export growth, as the data indicate that the world markets for groundnut oil are expanding. Because Senegal's exports of these products went primarily to the EU and U.S. markets, there is potential for Senegal to diversify into other markets such as Australia and Canada, and some of the developing countries such as India, that may have some demand for these products.

There appears to be potential for growth of nontraditional exports of fresh and processed fruits and vegetables,¹⁹³ as there is a market for these products in the European Union (where they would be largely counterseasonal). Senegal has shown the potential to increase its production of certain fresh fruits and vegetables, primarily green beans, cherry tomatoes, melons, mangoes, papaya, and asparagus.¹⁹⁴ Although production of these products has been small, it grew to 10,000 tons in 2004 from approximately 6,000 tons 10 years ago, and is projected to rise to 13,000 tons in 2005.¹⁹⁵ The successful export of these products requires exporters to meet quality and sanitary and phytosanitary standards (SPS) in export markets, reduce shipping times, and develop a local port with the necessary infrastructure for packing and cold storage.¹⁹⁶

Exports of fresh, frozen, or preserved fish and crustaceans from Senegal have been increasing since 2001 and are believed to have the potential to increase further in the short run based on RCA analysis. The extent of this potential largely depends on the available

¹⁹¹ IF, *Senegal: Diagnostic Trade Integration Study Report*, pp. 26-30.

¹⁹² U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

¹⁹³ IF, *Senegal: Diagnostic Trade Integration Study Report*, p. 80.

¹⁹⁴ Association official, interview with USITC staff, Dakar, Senegal, Mar. 14, 2005.

¹⁹⁵ Association official, interview with USITC staff, Dakar, Senegal, Mar. 14, 2005.

¹⁹⁶ IF, *Senegal: Diagnostic Trade Integration Study Report*, p. 82.

supply of fish and the availability of FDI needed to provide the infrastructure for further processing, such as refrigeration and freezing facilities at Senegal's port. Senegal's fishing sector might then be able to diversify its export markets to the United States, Canada, Japan, and Australia. Two of the fish products, molluscs and aquatic invertebrates, and fresh or chilled fish, were in the top 10 products when ranked by average RCA index, indicating that Senegal has some comparative advantage in these products. Senegal accounts for only a small portion of the EU and the U.S. import markets for these products, indicating the potential for Senegal's fish sector to expand in these markets, especially if Senegal improves its infrastructure at Dakar and focuses on niche products such as "dolphin-safe" tuna or "line-caught" fish.¹⁹⁷ There are currently two companies in Senegal that produce canned tuna.¹⁹⁸ These companies have the competitive advantage of proximity to the European market;¹⁹⁹ shipments by sea to Europe may take from 5 to 12 days, while shipments by sea from Thailand take as much as 45 days. One of the canned tuna producers also processes frozen fish. Shipping advantages also exist for frozen fish; fish caught on Sunday may be shipped frozen to Paris on Monday night by Air France and be available to French grocery stores or restaurants by Tuesday morning.²⁰⁰ There is concern, however, that the lack of regulations over fishing rights is causing a crisis in the fishing sector, leading to depletion of fishing resources and declining industrial fishing.²⁰¹

Two potential service sector exports are tourism and information technology services. The tourism sector has potential for growth, as Senegal's beach resorts, natural African habitats, and stable economy and government make Senegal a relatively attractive tourist destination. Efforts have also been made to diversify into information technology outsourcing services exports. With its several universities, Senegal could be a location for call centers, especially for French-speaking EU countries. Reportedly, Senegal has good infrastructure in place to support the information technology services sector.²⁰²

Another identified potential export is energy-related products, specifically petroleum. There has been active exploration for gas and petroleum off the shores of Senegal. Several companies have showed considerable interest in exploring for petroleum off the coast of Senegal and there are studies currently underway to determine the potential supply.²⁰³

Domestic and International Barriers

A major constraint for Senegal's economy is the lack of technically skilled labor necessary for diversification into more skill-intensive industries, especially services such as information technology outsourcing. The country's relatively high illiteracy rate of approximately 60 percent (2002), with secondary school enrollment of only 18 percent (2003), contributes to the country's high unemployment rate. Lack of trained labor, especially relating to international business, hampers export growth. For example, exporters

¹⁹⁷ Industry official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

¹⁹⁸ Industry official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

¹⁹⁹ Industry official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²⁰⁰ Industry official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²⁰¹ IF, *Senegal: Diagnostic Trade Integration Study Report*, "Executive Summary," p. vi.

²⁰² U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²⁰³ Government official, interview by USITC staff, Dakar, Senegal, Mar. 16, 2005.

suffer from a lack of knowledge of U.S. markets and business practices and the lack of production capacity to meet large orders.²⁰⁴

Senegal has trouble attracting FDI despite the government's recent efforts. Factors deterring FDI include increased congestion in and around Dakar and the port's outdated infrastructure, indirect costs associated with government regulations such as "cumbersome labor laws,"²⁰⁵ a nontransparent judiciary,²⁰⁶ general banking sector problems, and over-reliance on taxing large corporations.²⁰⁷ The current lack of FDI also may result from the civil unrest in Côte d'Ivoire. Government bureaucracy and inadequate government support for exporters have been noted as major barriers to investing in Senegal.²⁰⁸

The business environment indicators for Senegal are, on average, similar to those of the region though below OECD averages (table SN-5). For example, it reportedly takes 485 days to enforce a business contract in Senegal, compared with 434 days for the region and 229 days for OECD countries. Several of the indicators where Senegal fared worse than the regional average relate to labor market rigidity, including difficulty in hiring and firing. Although Senegal ranked as economically more free than the regional average in 2005, it ranked below the region in fiscal burden of government, regulations, wages and prices, and regulation (table SN-6). Businesses in Senegal are hampered by a lack of easily-accessible credit; credit access is not a problem for large companies, but is generally unavailable to small and medium enterprises (SMEs) to expand production into downstream products.²⁰⁹ In addition, the cost of electricity in Senegal is high—reportedly double the cost of electricity in Côte d'Ivoire—because Senegal relies on thermal or diesel power generators.²¹⁰

Inadequate infrastructure also hampers export growth. As the country's major port, Dakar does not have the capacity or infrastructure to accommodate additional container traffic and to process the shipping of fresh, frozen, and processed fish and crustaceans. Some of the trade that formerly went through Côte d'Ivoire's port of Abidjan now passes through Dakar because of the civil unrest and political instability in Côte d'Ivoire.²¹¹ Although there are efforts to expand facilities, Dakar's port has been considered less competitive than Abidjan, which is considered to be faster, easier, and less expensive to use than neighboring ports. In addition, traffic congestion²¹² causes delays in transporting products to and from ships. A solution has been proposed to build an industrial zone outside of Dakar for SMEs.²¹³

²⁰⁴ Nongovernmental organization official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²⁰⁵ U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²⁰⁶ U.S. Department of State telegram, "Senegal: USITC Study on Export Opportunities."

²⁰⁷ U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²⁰⁸ Industry official and association official, interviews by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²⁰⁹ Researcher, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005; and association official, interview by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²¹⁰ U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²¹¹ EIU, *Senegal Country Profile*, p. 23.

²¹² U.S. Embassy official, industry official, and government official, interviews by USITC staff, Dakar, Senegal, Mar. 15-16, 2005.

²¹³ U.S. Embassy official, interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

Table SN-5
Senegal: Business environment

	Senegal	Regional average	OECD average
Closing a business: Cost (percent of estate)	8.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	18.8	17.1	72.1
Closing a business: Time (years)	3.0	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	16.5	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	3.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	3.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	23.8	43.0	10.8
Enforcing contracts: Number of procedures	36.0	35.0	19.0
Enforcing contracts: Time (days)	485.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	34.0	13.2	4.9
Registering a property: Time (days)	114.0	114.0	34.0
Starting a business: Number of procedures	9.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	112.9	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	270.4	254.1	44.1
Starting a business: Time (days)	57.0	63.0	25.0
Employment: Difficulty of firing index	70.0	50.6	26.8
Employment: Difficulty of hiring index	61.0	53.2	26.2
Employment: Firing costs (weeks)	38.0	59.5	40.4
Employment: Rigidity of employment index	64.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Senegal, applied rate, 2002)		
All goods			12.0
Agricultural goods			13.9
Nonagricultural goods			11.7

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table SN-6
Senegal: Economic freedom

	Senegal	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(²)	3.6	2.5
2000 Overall score	3.3	3.7	2.2
2005 Overall score	3.0	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.4	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	3.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Although Senegal has a relatively advanced road network for the region with about 29 percent of Senegal's roads paved (table SN-7),²¹⁴ the roads are in need of repair, consist of three primary routes that are not interconnected, and do not connect with roads in neighboring countries.²¹⁵ For example, the transport of groundnuts from Senegal's rural areas to Dakar is hindered by the country's infrastructure, which, although relatively advanced for that region, is still problematic. Senegal's railways are also inefficient and slow because of aging infrastructure. Senegal's national airline, Air Senegal International, however, has domestic, regional, and international service to Paris, providing easy access to EU markets.²¹⁶ The government is seeking private investors to finance a new international airport and expansion of Senegal's roads and the port at Dakar.²¹⁷

Table SN-7
Senegal: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	14,575.0
Roads, paved (percent of total roads, 2000)	29.3
Transport services (percent of service exports, BoP, 1999)	8.6
Transport services (percent of service imports, BoP, 1999)	58.8
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	77.2
Internet users (per 1,000 people, 2002)	10.4
Mobile phones (per 1,000 people, 2002)	54.9
Telephone mainlines (per 1,000 people, 2002)	22.3
Electric power transmission and distribution losses (percent of output, 2001)	19.1
Energy imports, net (percent of commercial energy use, 2001)	44.5

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Resource depletion limits the long-term viability of Senegal's fishing sector. The government has developed a restructuring plan to revive the fishing sector.²¹⁸ Despite these plans, however, industry sources in Senegal emphasized that the fishing sector is declining in the long term and there is very little activity in place to prevent the decline.²¹⁹ The basic problem is that "the capacity to fish exceeds the availability of resources."²²⁰ Only allocating future catches of fish and enforcing these allocations, along with "regenerating the fish stocks," can help this sector.²²¹

Senegal's nontraditional exports of fresh fruits and vegetables also face barriers such as the lack of technical capacity to meet export markets' quality standards and requirements. Senegal's agricultural and fish exports, namely exports of fresh, chilled, and frozen fish and fish products, and fresh fruits and vegetables, must meet EU and U.S. SPS requirements. Exporters of these products need to be familiar with these requirements and have the capability to meet them in order to increase sales in these markets. This sector also needs to

²¹⁴ EIU, *Senegal Country Profile*, p. 23.

²¹⁵ Ibid.

²¹⁶ U.S. Department of State telegram, "Senegal: USITC Study on Export Opportunities."

²¹⁷ EIU, *Senegal Country Profile*, p. 31.

²¹⁸ African Development Bank/Organization for Economic Cooperation and Development, "Senegal," *African Economic Outlook*, 2004, p. 268.

²¹⁹ Industry officials, interviews by USITC staff, Dakar, Senegal, Mar. 14, 2005.

²²⁰ IF, *Senegal: Diagnostic Trade Integration Study Report*, p. 75.

²²¹ IF, *Senegal: Diagnostic Trade Integration Study Report*, Executive Summary, p. vi.

reduce shipping times to its markets and suffers from a lack of packing and cooling centers in Dakar.²²²

A factor constraining expansion of Senegal's tourist sector is the inability to maintain the infrastructure of the resorts and beach areas.²²³ Consequently, the sector relies on lower-end vacations.²²⁴ The sector is in need of considerable and consistent FDI to enable it to compete with other African tourist sites. The overall business environment constraints that hamper FDI also inhibit expansion of the tourism sector. Other problems with Senegal's tourist sector include an "excessive dependence on beach tourism,"²²⁵ and poor communication between the government and the private sector.²²⁶

Given Senegal's access to various preferential market access initiatives, the reviewed literature has not identified international barriers as major barriers to export growth. Lack of required certification to access the U.S. market was, however, cited as hampering exports. One potential impediment is that Senegal needs U.S. Federal Aviation Administration Category One status to allow direct flights from Senegal to the United States, which it has not obtained.²²⁷

²²² IF, *Senegal: Diagnostic Trade Integration Study Report*, p. 82.

²²³ U.S. Embassy official, Interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²²⁴ U.S. Embassy official, Interview by USITC staff, Dakar, Senegal, Mar. 15, 2005.

²²⁵ IF, *Senegal: Diagnostic Trade Integration Study Report*, Executive Summary, p. viii.

²²⁶ Ibid.

²²⁷ U.S. Agency for International Development official, interview by USITC staff, Dakar, Senegal, Mar. 16, 2005. Category one certification is required by the FAA for direct flight access to the United States (app. C).

Economic Overview

Tanzania is located in East Africa and includes the islands of Pemba, Mafia, and Zanzibar in the Indian Ocean. Tanzania's GDP increased steadily from \$8.6 billion in 1999 to \$9.9 billion in 2003 (table TZ-1). However, GDP growth slowed to 5.6 percent in 2003 compared with 6.3 percent in 2002. The growth in GDP can be attributed to the government's focus on improving the agricultural sector and the achievement of macroeconomic stability. Trade represents 45.0 percent of GDP, and exports of goods and services represent 17.6 percent of GDP.

Table TZ-1
Tanzania: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	9,871.8
GDP growth (annual percent, based on local currency, 2003)	5.6
GDP per capita growth (annual percent, based on local currency, 2003)	3.5
Inflation, consumer prices (annual percent, 2003)	4.4
External debt, total (current US\$, millions, 2002)	7,243.7
Total debt service (percent of exports of goods and services, 2002)	8.9
Exports of goods and services (percent of GDP, 2003)	17.6
Trade (percent of GDP, 2003)	45.0
Official exchange rate (local currency unit per US\$, period average, 2003)	1,038.4
Population, total (millions, 2003)	35.9
Population growth (annual percent, 2003)	2.0
Labor force, total (millions, 2003)	18.5
Labor force participation rate, total (percent, 2002)	51.1
Literacy rate, adult total (percent of people ages 15 and above, 2002)	77.1
Primary school enrollment ratio, total (percent, 2000)	63.0
Secondary school enrollment ratio, total (percent, 2000)	6.0
Land use, arable land (percent of total, 2001)	4.5
Gross capital formation (percent of GDP, 2003)	17.8
Gross fixed capital formation (percent of GDP, 2003)	17.7
Foreign direct investment, net inflows (percent of GDP, 2002)	2.6

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Tanzania's economy is highly dependent on agriculture, which accounts for approximately 50 percent of GDP, 75 percent of exports, and 80 percent of employment.²²⁹ However, only 4 percent of the land area is used to cultivate crops because of topography and climatic conditions.²³⁰ Tanzania has abundant natural resources and extensive water resources that

²²⁸ Prepared by Angela Calarco, Office of Industries.

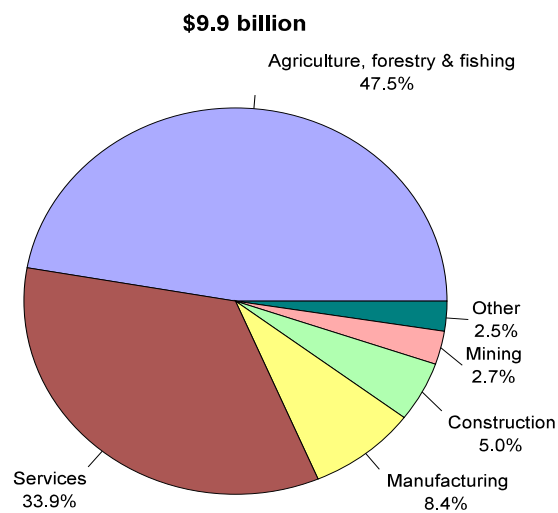
²²⁹ "SADC Trade, Industry and Investment Review 2004," found at www.sadcreview.com, retrieved Jan. 14, 2005.

²³⁰ Central Intelligence Agency (CIA), "Tanzania," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook/, retrieved Jan. 4, 2005

include parts of three of the largest inland lakes in Africa, a diverse river system, and a coastline stretching approximately 800 km.²³¹

Tanzania’s agricultural sector is the largest contributor to GDP, accounting for 47.5 percent (figure TZ-1). Cash crops account for a slightly larger percentage of GDP than subsistence crops. Tanzania’s main cash crops are coffee, tea, cotton, tobacco, cashew nuts, and sisal. Most cash crops, excluding tea and sisal, are primarily grown by small-scale farmers. Major subsistence crops include maize (corn), sorghum, millet, cassava, rice, plantains, wheat, and pulses.²³² Yields for subsistence crops are generally low because they are produced by small independent farmers who do not have access to modern technology or fertilizers.²³³ Livestock accounts for approximately 30 percent of Tanzania’s agricultural GDP.²³⁴ Tanzania has the fourth-largest cattle population in Africa, consisting of 13 million head of cattle.²³⁵ More than 80 percent of fish are caught in fresh-water fisheries.²³⁶ The main fish species include sardines, Nile perch, haplochromis, catfish, and tilapia. However, production is not close to its potential because of a shortage of modern fishing equipment.²³⁷

Figure TZ-1
Tanzania: Composition of GDP (2002)



Source: EIU, “Economic Structure,” found at www.viewswire.com, retrieved Feb. 1, 2005.

²³¹ “Supply Survey on Tanzania’s Fish and Fish Products,” Subregional Trade Expansion in Southern Africa, sponsored by the UNCTAD/WTO International Trade Centre, July-Aug. 1999, found at www.intracen.org/sstp/Survey/fish/fishtan.html, retrieved Feb. 3, 2005.

²³² Economist Intelligence Unit (EIU), *Tanzania Country Profile*, 2004, p. 27.

²³³ Ibid.

²³⁴ “SADC Trade, Industry and Investment Review 2004.”

²³⁵ Embassy of United Republic of Tanzania, “Basic Facts of Tanzania,” found at www.tanzaniaembassy-us.org/government/facts.html, retrieved, Jan. 12, 2005.

²³⁶ “SADC Trade, Industry and Investment Review 2004.”

²³⁷ EIU, *Tanzania Country Profile*, p. 29.

The services sector is improving its growth performance. In 2002, the sector accounted for 33.9 percent of GDP. Financial services are growing steadily; 20 licensed banks were operating in Tanzania in 2003.²³⁸ Another major contributor to this sector is tourism, with activity in hotels and associated retail activities growing by 7 percent in 2002.²³⁹ The dozen national parks, including one of the world's most famous, the Serengeti, and Africa's highest mountain, Kilimanjaro, make tourism one of the fastest-growing foreign exchange earning sectors in Tanzania.²⁴⁰ Tourism continues to grow, both in number of tourists and revenue, despite recent travel advisories for East Africa and the events of September 11, 2001.²⁴¹

Manufacturing, construction, and mining contribute 16.1 percent to GDP. Although mining only contributes 2.7 percent of GDP, it is the fastest-growing sector of the economy.²⁴² Tanzania's minerals and energy resources include gold, diamonds, salt, gypsum, gemstones, tanzanite (found only in Tanzania), iron ore, natural gas, phosphates, coal, nickel, and cobalt. In 1997, the Parliament approved the New Mining Policy and a new special fiscal package that eliminated import duties and value-added tax on equipment related to mineral exploration, development, and production.²⁴³ However, only gold has reaped notable benefits from this amendment. Tanzania may become the third-largest gold producer in Africa as more gold mines open.²⁴⁴ The government estimates that mining will account for 10 percent of GDP by 2025.²⁴⁵

Tanzania's manufacturing sector accounts for 8.4 percent of the GDP. The dominant industrial activities include raw materials processing and agroprocessing.²⁴⁶ The manufacturing sector is expanding as a result of the privatization of many state-owned factories, increased foreign direct investment in the sector, improved water and electricity supplies, and overall economic growth.²⁴⁷

Export Profile

In 2003, Tanzania's total exports were \$799.6 million. The leading export products were fish and crustaceans; coffee, tea, mate, and spices; ores, slag and ash; edible fruit and nuts; and tobacco (table TZ-2). Within these categories, the leading export products were fish fillets and other fish meat, coffee, copper ores and concentrates, cashew nuts, and tobacco (table TZ-3). Tanzania's exports of goods and services have been an important source of economic growth since 1990. Between 1990 and 2003, almost 60 percent of the country's

²³⁸ Ibid., p. 32.

²³⁹ African Development Bank (AfDB)/Organization for Economic Cooperation and Development (OECD), "Tanzania," *African Economic Outlook*, 2004, p. 300.

²⁴⁰ U.S. & Foreign Commercial Service, (US&FCS), "Tanzania Country Commercial Guide FY 2004," July 25, 2003, found at www.stat-usa.gov, retrieved Feb. 18, 2005.

²⁴¹ AfDB/OECD, "Tanzania," p. 300.

²⁴² US&FCS, "Tanzania Country Commercial Guide, FY 2004."

²⁴³ Ibid.

²⁴⁴ Ibid.

²⁴⁵ Ibid.

²⁴⁶ U.S. Department of State, "Background Notes: Tanzania," Jan. 2005, found at www.stat-usa.gov, retrieved Jan. 5, 2005.

²⁴⁷ EIU, *Tanzania Country Profile*, p. 30.

Table TZ-2
Tanzania: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
03	Fish & crustaceans, molluscs & other aquatic invertebrates . . .	25,453.3	66,717.8	153,844.8	19.2	22.1
09	Coffee, tea, mate and spices.	107,783.6	118,162.2	83,591.8	10.5	-2.8
26	Ores, slag and ash	1,148.6	4,438.1	64,979.5	8.1	56.6
08	Edible fruit and nuts; peel of citrus fruit or melons	43,325.5	98,877.4	59,903.6	7.5	3.7
24	Tobacco and manufactured tobacco substitutes	23,815.8	74,182.2	59,674.5	7.5	10.7
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	12,471.1	38,749.3	59,299.0	7.4	18.9
52	Cotton, including yarns and woven fabrics thereof	90,237.9	33,661.0	49,635.7	6.2	-6.4
07	Edible vegetables and certain roots and tubers	8,290.4	8,326.9	28,835.3	3.6	14.9
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder . . .	7,165.9	16,404.5	23,439.7	2.9	14.1
44	Wood and articles of wood; wood charcoal	7,069.2	5,287.3	22,204.6	2.8	13.6
	Other	120,900.0	153,644.4	194,192.2	24.3	5.4
	Total	447,661.2	618,451.1	799,600.9	100.0	6.7

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table TZ-3
Tanzania: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	9,864.3	48,230.8	121,537.6	15.2	110.6
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	99,665.5	94,801.7	61,781.9	7.7	-5.2
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	43,275.7	98,723.0	59,830.1	7.5	3.7
2401	Tobacco, unmanufactured (whether or not threshed or similarly processed); tobacco refuse	23,815.8	74,082.8	59,635.4	7.5	10.7
5201	Cotton, not carded or combed	79,182.1	31,605.2	43,580.9	5.5	-6.4
2603	Copper ores and concentrates	0.0	4,246.3	38,552.8	4.8	(¹)
7103	Precious and semiprecious stones (not diamonds), not strung, mounted etc.; ungraded precious and semi- precious stones (not diamonds) strung for transport	8,842.1	28,298.6	29,781.5	3.7	14.4
7102	Diamonds, whether or not worked, but not mounted or set	335.5	8,243.8	27,398.8	3.4	63.1
0713	Leguminous vegetables, dried shelled	6,395.1	7,898.6	26,032.6	3.3	16.9
2616	Precious metal ores and concentrates	0.0	0.0	25,983.3	3.2	(¹)
	Other	176,285.1	222,320.1	305,486.0	38.2	21.3
	Total	447,661.2	618,451.1	799,600.9	100.0	6.7

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

GDP growth can be attributed to exports.²⁴⁸ Agricultural products are predominately traditional exports such as coffee, cotton, sisal, cashew nuts, cloves, tea, and tobacco.²⁴⁹

Tanzania's largest export product is fish. Exports of fish have grown significantly, from \$48.2 million in 1999 to \$121.5 million in 2003, largely because the European Union lifted its ban on imports of Tanzanian fish in June 2000.²⁵⁰ Tanzania's government plans to lift a ban imposed in 2002 on exporting certain fish by foreign trawlers in an attempt to reduce illegal fishing in Tanzanian waters; currently licensed foreign trawlers are only permitted to export prawns, crabs, and lobsters.²⁵¹

Tanzania's second-largest export product is coffee. The value of coffee exports declined each year during 1995-2002 because of the decrease in world market prices. Exports increased in 2003, reaching \$61.8 million. This growth is attributed to government reform of the sector, which began in 1990 and included allowing the private sector to participate in marketing and processing coffee, and allowing private buyers to purchase and process coffee in their own factories.²⁵² In recent years, tea and tobacco have been more stable exports.

Although gold, diamonds, gemstones, and industrial minerals are currently being mined for export, a new mining policy liberalizing the sector could increase the potential for minerals and metals export growth.²⁵³ Gold exports have already responded to changes in sector regulations, and have driven the overall increase in minerals exports from \$26.4 million in 1998 to an estimated \$540.2 million in 2003.²⁵⁴

India and Japan accounted for approximately 26 percent of Tanzania's exports in 2003 (table TZ-4). Another 32 percent were sent to the European Union. Markets with the highest 9-year compound annual growth rates (CAGRs) are China and the Netherlands, with CAGRs of 12.9 percent and 11.5 percent, respectively. Most of Tanzania's exports to the European Union consist of raw agricultural and mineral products.²⁵⁵ Tanzania's biggest export market in Africa is Kenya.²⁵⁶

²⁴⁸ Integrated Framework (IF), "Concept Paper, Tanzania Diagnostic Integration Study," p. 6, found at www.integratedframework.org, retrieved Mar. 1, 2005.

²⁴⁹ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

²⁵⁰ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

²⁵¹ Trade Law Centre for Southern Africa, "Tanzania Ban on Fish Exports to be Lifted," Oct. 3, 2004, found at www.tralac.org, retrieved Jan. 31, 2005.

²⁵² World Bank, "Tanzania's Coffee Sector," *Constraints and Challenges in a Global Environment*, Apr. 2004.

²⁵³ Trade Point, found at www.tptanzania.co.tz, retrieved Feb. 3, 2005.

²⁵⁴ EIU, *Tanzania Country Profile*, p. 35.

²⁵⁵ Trade Law Centre for Southern Africa, "Trade Relations Between Tanzania and the EU," Feb. 21, 2003, found at www.tralac.org, retrieved Jan. 14, 2005.

²⁵⁶ Charles Krakoff, The Services Group for USAID, "Key Potential Export Markets and the Market Access Barriers Facing Southern African Exporters," Nov. 2003, p. 5.

Table TZ-4

Tanzania: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
India	54,340.0	124,447.6	108,004.4	13.5	7.9
Japan	48,959.5	67,322.8	100,872.6	12.6	8.4
Netherlands	23,212.8	42,445.8	62,007.3	7.8	11.5
United Kingdom	34,412.8	29,768.8	55,743.4	7.0	5.5
Germany	51,153.0	57,470.3	55,482.0	6.9	0.9
Belgium	(¹)	18,562.6	43,154.4	5.4	(²)
China	9,225.3	5,743.9	27,567.1	3.4	12.9
United States	16,432.8	37,361.7	26,169.2	3.3	5.3
France	14,790.0	10,938.3	23,699.7	3.0	5.4
Spain	10,090.9	13,824.4	21,410.0	2.7	8.7
Other	185,044.3	210,564.8	275,490.9	34.5	4.5
Total	447,661.2	618,451.1	799,600.9	100.0	6.7

¹ Not available.² Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

The major economic sectors with the greatest potential for growth in export sales are agriculture and agroprocessing, apparel, mining and energy, and tourism. Tanzania's leading exports are agricultural, fisheries, or mining products, and most have high revealed comparative advantage²⁵⁷ (RCA) indices (appendix E, table E-35). Several mining products are also among the top products in terms of an increase in the RCA index.

The potential for growth in the coffee sector is considerable. Coffee factories are operating at approximately one-quarter of installed capacity.²⁵⁸ Recent changes in regulations allow coffee growers to bypass the country's state-run national coffee auction and export directly to buyers.²⁵⁹ This change could help increase coffee exports. Tanzania has a potential to increase its exports of a wide range of fruit, vegetables, and flowers. The climate and growing conditions are ideal for fruits such as pineapples, passion fruit, citrus, mangoes, peaches, pears, and bananas; and vegetables such as green beans, tomatoes, spinach, cabbage, and okra. Potential export markets include regional countries, the Middle East, and Europe.²⁶⁰ Unprocessed cashew nuts are considered a nontraditional export. The government is promoting this product for export and is trying to acquire updated technology from China and India for its 12 processing plants.²⁶¹ Tanzania's Board of External Trade has identified pepper, chili, paprika, cardamom, cinnamon, vanilla, turmeric, and ginger as potential export

²⁵⁷ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²⁵⁸ World Bank, "Tanzania's Coffee Sector."

²⁵⁹ TechnoServe, "TechnoServe and the Coffee Industry," found at <http://technoserve.org/africa/tanzan-coffee.html>, retrieved Feb. 18, 2005.

²⁶⁰ "SADC Trade, Industry and Investment Review 2004."

²⁶¹ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

growth products.²⁶² Potential markets for expanded spice production are the European Union, the United States, Japan, and the Middle East;²⁶³ however, government representatives note that quality and packaging standards would have to improve to meet market requirements.²⁶⁴

Tanzania's abundant water resources present potential for fisheries industries. Approximately 6 percent of Tanzania's total mainland area is covered by fresh-water lakes with significant fish resources. Captured fish and aquaculture have potential yields of 730,000 metric tons; however, very little of this potential is being exploited.²⁶⁵ Currently, the only fresh-water fish allowed to be exported are Dagaa, Nile perch, and aquarium fish; rescinding the above-mentioned export ban on foreign trawlers could increase fish exports.²⁶⁶ Opportunities also exist to increase offshore fisheries that could result in additional export capacity.

The majority of Tanzania's agricultural exports are not processed. However, the government is starting to focus on the downstream processing of agricultural products and great potential reportedly exists for growth in agroprocessing.²⁶⁷ For example, most coffee exports are beans. Processing coffee beans and the final packaging of tea would result in downstream exports, which garner higher prices.²⁶⁸ Opportunities also exist in processing and packaging fruit and vegetables, dairy products, and meats, as well as manufacturing spirits from molasses produced by sugar processing factories.²⁶⁹

Various mineral and energy products have potential for export growth. Tanzania's mining sector is expanding; as previously noted, Tanzania is expected to become the third-largest gold producer in Africa.²⁷⁰ The government has eliminated many impediments that restricted foreign ownership of mineral production enterprises. The government anticipates that petroleum will be discovered off the coast of Tanzania, although it is unclear if the deposits will be commercially viable.²⁷¹ The government is seeking investors for 7 of 12 exploration blocks with potential gas and petroleum deposits.²⁷²

Tourism, one of the fastest-growing sectors in Tanzania and the largest foreign currency earner, has potential for increased growth.²⁷³ An increasing number of travelers from East Asia, India, the United States, and Europe are drawn to Tanzania's wildlife safaris, deep-sea

²⁶² United Republic of Tanzania, International Trade Center and Board of External Trade, "Spices Export Development Strategy," Nov. 2002, p. 7.

²⁶³ Ibid.

²⁶⁴ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁶⁵ "Supply Survey on Tanzania's Fish and Fish Products," Subregional Trade Expansion in Southern Africa, sponsored by the UNCTAD/WTO International Trade Centre, July-Aug. 1999, found at www.intracen.org/sstp/Survey/fish/fishtan.html, retrieved Feb. 3, 2005.

²⁶⁶ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005; and Board of External Trade, "The Fish Sector Export Development Strategy," Nov. 2003, p. 8.

²⁶⁷ U.S. Department of State telegram, "Tanzania: 2005 Investment Climate Statement," message reference No. 250356, prepared by U.S. Embassy, Dar Es Salaam, Jan. 14, 2005.

²⁶⁸ Government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁶⁹ Multilateral Investment Guarantee Agency (MIGA), World Bank, *Shedding New Light on Africa's Investment Opportunities*, June 2003, p. 10.

²⁷⁰ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

²⁷¹ EIU, *Tanzania Country Profile*, p. 17

²⁷² Trade Law Centre for Southern Africa, "Oil and Gas Prospects in Africa," Mar. 8, 2005, found at www.tralac.org, retrieved Mar. 11, 2005.

²⁷³ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

fishing, mountain climbing, and nature treks.²⁷⁴ The growth in this sector has stimulated significant investment in hotels, restaurants, and ground service facilities.²⁷⁵

Textiles and apparel, processed wood products, and leather products are manufactured items that have been identified as export growth sectors. The government has supported the export of textiles and apparel as one of the major sectors for growth, and Tanzania has begun to export apparel to the United States under AGOA.²⁷⁶ The identification of textiles and apparel as a potential export sector is, however, dampened by the increasing international competition stemming from the removal of quotas in 2005.²⁷⁷ Wood exports increased significantly, from \$2.4 million in 2001 to \$18.9 million 2003; the government is encouraging the sale of processed wood products such as handicrafts, instead of timber or logs.²⁷⁸ Tanzania's livestock numbers have been growing consistently in recent decades, and opportunities reportedly exist for the export of leather and leather products.²⁷⁹

Regarding potential export growth markets, Southern African Development Community (SADC)²⁸⁰ countries offer potential for growth in Tanzanian exports.²⁸¹ Growth in exports is likely to be in downstream processing and expanding the volume of products that Tanzania currently exports, including beans, tobacco, cotton, cottonseed residue, raw hides and skins.²⁸² As a member of SADC, Tanzania benefits from a 5-15 percent tariff preference. Tanzania can further process its exports by washing, sorting, and grading beans, and by using technical innovation in its cotton production.²⁸³

Domestic and International Barriers

Although Tanzania has many potential exports, the country lacks policies, incentives, supporting information, and infrastructure to encourage exports.²⁸⁴ These challenges affect numerous products across sectors. Investors wanting to start and maintain a business in Tanzania are faced with several obstacles. When registering property, investors face twice as many procedures as other countries in the region and three times as many procedures as OECD countries (table TZ-5). Most of Tanzania's employment indicators are also worse than the regional average. However, Tanzania scores better than the regional average on enforcing contracts. Although Tanzania's economic freedom score is on par with the regional average, the trade policy score is notably worse than the regional or OECD averages (table TZ-6).

²⁷⁴ The East and Central Africa Global Competitiveness Trade Hub (ECAHUB), "National AGOA Strategy Report," submitted to the ECA Hub by Kathleen Charles, USAID, Aug. 24, 2004.

²⁷⁵ Ibid.

²⁷⁶ Tanzania Chamber of Commerce official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁷⁷ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

²⁷⁸ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁷⁹ Tanzania Chamber of Commerce representatives, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005; and government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁸⁰ For additional information on regional organizations, see app. C.

²⁸¹ MIGA, *Shedding New Light on Africa's Investment Opportunities*, p. 10.

²⁸² Ibid.

²⁸³ Ibid.

²⁸⁴ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

Table TZ-5
Tanzania: Business environment

	Tanzania	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	23.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	21.3	17.1	72.1
Closing a business: Time (<i>years</i>)	3.0	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	21.3	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	5.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	35.3	43.0	10.8
Enforcing contracts: Number of procedures	21.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	242.0	434.0	229.0
Registering a property: Number of procedures	12.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	12.6	13.2	4.9
Registering a property: Time (<i>days</i>)	61.0	114.0	34.0
Starting a business: Number of procedures	13.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	186.9	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	6.8	254.1	44.1
Starting a business: Time (<i>days</i>)	35.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	56.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	38.0	59.5	40.4
Employment: Rigidity of employment index	65.0	56.0	34.4
Employment: Rigidity of hours index	80.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Tanzania, applied rate, 2003)		
All goods			13.6
Agricultural goods			18.5
Nonagricultural goods			12.8

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table TZ-6
Tanzania: Economic freedom

	Tanzania	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.8	3.6	2.5
2000 Overall score	3.6	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.6	3.9	3.6
Government intervention in the economy score	2.5	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

The government's policymaking and implementation process can be slow. For example, an industry representative that potentially could have benefitted from access to AGOA tariff preferences noted that as a result of government delays, Tanzania did not become eligible for AGOA until 1 year after the AGOA legislation passed.²⁸⁵ There is also an inconsistency in government decisions, especially in the handicrafts sector. For example, at the same time the government is trying to promote an increase in downstream production, the taxes on handicrafts have increased.²⁸⁶ According to an industry representative, the government also does not effectively promote investment in the export processing zone (EPZ).²⁸⁷ The EPZ faces many challenges, including poor infrastructure and lack of space.²⁸⁸ Industry representatives also noted that the process of exporting through Tanzanian Customs is tedious and discourages formal export.²⁸⁹ Other industry participants raised concerns about local governments' imposition of (unofficial) taxes as products transit between regions and districts, which raise the cost of production and cause shipping bottlenecks.²⁹⁰

The financial services sector is not well developed. Even though the financial sector has been liberalized, only 5 percent of farmers have access to bank credit.²⁹¹ There are few banks and interest rates are 20-25 percent.²⁹² Because the government owns all of the land in Tanzania, small-scale farmers and other borrowers are unable to use land as collateral.²⁹³ Instead, land can be leased for 33, 66, or 99 years, depending on its use,²⁹⁴ and the president can revoke leases, increasing investment risk.²⁹⁵

Tanzania's packaging industry is of poor quality. Investments are needed to develop and improve packaging to meet quality, strength, and environmental-friendly requirements.²⁹⁶ Government officials commented that although some packaging companies are emerging, they are unable to fill the demand or to provide adequate quantities for export to certain markets, including the United States, or for certain sectors, such as horticulture and spices.²⁹⁷ Consequently, packaging is typically imported from South Africa.²⁹⁸

Production costs in Tanzania are high. Raw materials are expensive, and the average import tariff in 2003 was 13.6 percent (table TZ-5). Among East African Community members,²⁹⁹ electricity costs are the highest in Tanzania³⁰⁰ and service is sporadic. The high cost of

²⁸⁵ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁸⁶ Government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁸⁷ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁸⁸ Government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁸⁹ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁹⁰ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁹¹ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

²⁹² Embassy of the United Republic of Tanzania official, interview by USITC staff, Washington, DC, Mar. 2, 2005; African Development Bank (AfDB), "United Republic of Tanzania: Country Strategy Paper 2002-2004," May 2003, p. 6; and government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁹³ US&FCS, "Tanzania Country Commercial Guide, FY 2004;" and association official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁹⁴ U.S. Department of State telegram, "Tanzania: 2005 Investment Climate Statement."

²⁹⁵ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁹⁶ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

²⁹⁷ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁹⁸ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

²⁹⁹ For additional information on regional organizations, see app. C.

³⁰⁰ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

electricity is a serious impediment to attracting new businesses. Other deterrents to business development include a weak legal system, obsolete labor laws, and the tax regime.³⁰¹ Another significant impediment is the inability of foreign investors to own land,³⁰² which may be alleviated by the new land law that would allow the government to sell government land to the private sector, including foreign investors.³⁰³ Foreign investors also face difficulties in obtaining documentation such as town planning certificates and building permits.³⁰⁴

Export production capacity is limited.³⁰⁵ Productivity in the rural sectors is low because of the limited access to modern technology, manufacturing equipment, and inputs,³⁰⁶ and a government official noted that producers are generally slow to change their operational practices to increase efficiency.³⁰⁷ Industry representatives have lamented that producers cannot satisfy large quantities demanded by certain export markets,³⁰⁸ and transportation costs increase when producers are unable to fill containers for shipments.³⁰⁹ For example, handicrafts producers are fragmented and not centrally located, making it difficult to fill orders and educate producers about management.³¹⁰ Individual carvers produce minimum volumes and use traditional materials that are not conducive to mass production.³¹¹ A number of industry representatives commented that exporters face many regulations in procuring wood and are required to have a certificate to export, and cutting fees associated with forests increase costs.³¹² Tanzanian producers also lack a clear understanding of overseas quality requirements³¹³ and consumer preferences,³¹⁴ the cost of traveling to foreign market trade shows and sending samples overseas is expensive for Tanzanian producers.³¹⁵ There is also a lack of skilled labor and managerial skills, which hampers expansion into more skill-intensive industries.³¹⁶ For example, an impediment to trading with the United States is that Tanzania's exporters do not have information about the U.S. market or how to make U.S. business contacts.³¹⁷

An important factor hampering export growth is inadequate infrastructure, both transportation (air and road) and communications. For example, to develop horticulture in

³⁰¹ AfDB, "United Republic of Tanzania," p. 6.

³⁰² U.S. Department of State telegram, "Tanzania: 2005 Investment Climate Statement."

³⁰³ U.S. Trade Representative, "Tanzania," *National Trade Estimate of Foreign Trade Barriers 2004*, p. 408, found at www.ustr.gov, retrieved Feb. 16, 2005.

³⁰⁴ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

³⁰⁵ WTO, "Trade Policy Features," *Trade Policy Review*, Report by the Secretariat, found at www.wto.org, retrieved Feb. 2, 2005; and industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³⁰⁶ AfDB, "United Republic of Tanzania," p. 10.

³⁰⁷ Government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³⁰⁸ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³⁰⁹ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³¹⁰ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³¹¹ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³¹² Various industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³¹³ Various industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³¹⁴ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³¹⁵ Industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³¹⁶ ECAHUB, "National AGOA Strategy Report;" and government official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³¹⁷ U.S. Department of State telegram, "Tanzania: 2005 Investment Climate Statement."

Arusha, the airport needs to be improved as it does not have the necessary storage and refrigeration facilities to support such exports.³¹⁸ The road network suffers from 25 years of neglect and decay.³¹⁹ Only 4.2 percent of the total road network is paved (table TZ-7), and only 8 percent and 20 percent of district and regional roads, respectively, were in good condition in 2000.³²⁰ Feeder roads are inaccessible from production sites to distribution centers and ports,³²¹ making it difficult for businesses to operate outside of Dar es Salaam. For example, an industry representative noted that the Mwanza area has mineral production potential (e.g., uranium); however, the city cannot be reached by air or rail transportation, and bus transportation requires 2 days.³²² Because of poor road conditions, the cost of transportation is high. A local industry participant noted that the cost to ship a 20-foot container from Arusha to Dar es Salaam is an estimated \$900-\$950, the same amount as shipping from Dar es Salaam to the European Union.³²³ Although communication with producers in rural areas has improved with the increased use of mobile phones, the inadequate transport infrastructure hampers the retrieval of products from remote areas.³²⁴ Postal and fixed line phone services are weak; fixed line telephone services are unreliable and international service is expensive and inconsistent.³²⁵

Table TZ-7
Tanzania: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	88,200.0
Roads, paved (<i>percent of total roads, 1999</i>)	4.2
Transport services (<i>percent of service exports, BoP, 2002</i>)	9.2
Transport services (<i>percent of service imports, BoP, 2002</i>)	24.8
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	24.1
Internet users (<i>per 1,000 people, 2002</i>)	2.3
Mobile phones (<i>per 1,000 people, 2002</i>)	19.5
Telephone mainlines (<i>per 1,000 people, 2002</i>)	4.7
Electric power transmission and distribution losses (<i>percent of output, 2001</i>)	25.0
Energy imports, net (<i>percent of commercial energy use, 2001</i>)	6.6

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

The agriculture and agroprocessing sectors face sector-specific challenges such as the lack of cold storage facilities and warehouses for perishable goods. Limited technology transfer hinders the growth in downstream production.³²⁶ Despite its lakes and rivers, Tanzania has a very low level of irrigation.³²⁷ Even though Tanzania has comparative advantages in agricultural products, the country faces challenges exporting to the U.S. market. Industry representatives commented that export impediments include the lack of technical capacity to meet strict customs procedures; sanitary, phytosanitary, and U.S. Food and Drug

³¹⁸ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³¹⁹ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

³²⁰ AfDB, "United Republic of Tanzania," p. 10.

³²¹ ECAHUB, "National AGOA Strategy Report."

³²² Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³²³ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³²⁴ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³²⁵ US&FCS, "Tanzania Country Commercial Guide, FY 2004."

³²⁶ ECAHUB, "National AGOA Strategy Report."

³²⁷ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

Administration standards;³²⁸ and requirements similar to those in the European Union such as the traceability of products.³²⁹ Tanzania competes with Kenya and South Africa, which have more capacity to meet U.S. standards requirements.³³⁰ One of the most significant impediments to growth in the coffee sector is taxation. Taxes are high, 50 to 70 percent, and the tax code is complicated.³³¹ In addition, the Coffee Board limits the number of export licenses applicants can obtain.

Mineral sector export growth is hindered by pervasive smuggling of tanzanite into Kenya; for example, Kenya is the leading exporter despite the fact that tanzanite can only be found in Tanzania.³³² Government officials conceded that smuggling is induced by the porous borders and burdensome licensing and regulations applied to the export of tanzanite.³³³

International impediments to trade were rarely cited as major factors inhibiting export growth. One factor that was identified is the lack of direct transport to the United States. One industry representative asserted that all freight is directed through the European Union, causing delays of at least 7 weeks to reach the U.S. market.³³⁴

³²⁸ Embassy of the United Republic of Tanzania official, interview by USITC staff, Washington, DC, Mar. 2, 2005; and various industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10-11, 2005.

³²⁹ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³³⁰ Industry official, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³³¹ World Bank, "Tanzania's Coffee Sector."

³³² Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005; and industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 10, 2005.

³³³ Government officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

³³⁴ Industry officials, interview by USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

CHAPTER 7

Coffee, Tea, and Spice-Exporting Countries: Ethiopia, Kenya, and Uganda

The East African countries in this group all contain similar elevated semiarid regions along the Great Rift Valley that are suitable for coffee production. The arabica coffee tree is native to the semiarid highland forests of southwestern Ethiopia and has been diffused around the world. Table 7-1 summarizes the pattern of exports for these countries. The region also includes ecological niches that support significant cultivation and exports of tea (Kenya), cut flowers (Kenya and Uganda), and vanilla (Uganda). A summary of findings for each of the three countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 7-1
Ethiopia, Kenya, and Uganda, 1999-2003 average share of total exports, by sector

Sector	Ethiopia	Kenya	Uganda
	—— Shares of total exports, 1999-2003 (percent) ——		
Fish and related products	1.0	4.8	17.8
Coffee, tea, and spices	52.8	24.6	47.8
Cocoa	(¹)	0.1	0.8
Other agriculture	34.3	31.9	21.0
Forest-based products	0.2	2.5	0.5
Minerals, metals, and metal products	2.2	8.0	2.9
Fuels and electrical energy	0.3	11.9	0.9
Textiles and fibers	2.5	1.2	4.7
Apparel and related articles	0.5	5.8	0.3
Other manufactures	6.1	9.3	3.2

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Ethiopia

Ethiopia has an agrarian economy that is dependent on coffee, oilseeds, animal skins, and cotton exports. Continuous armed conflicts, diseases, and chronic food shortages have hampered Ethiopian economic progress. Coffee has long dominated Ethiopian exports to the EU market. There are a variety of potential export sectors in Ethiopia, with agricultural products, light manufacturing, energy, and services having the most potential. The main barriers to trade for Ethiopia are lack of technology, market information, adequate transportation infrastructure, social stability, and security. Difficulty in complying with sanitary and phytosanitary standards was identified as an international impediment to export growth.

Kenya

Kenya has significant potential for export development in the horticultural, tourism, and manufacturing sectors. The potential for increasing exports of horticultural products, especially cut flowers, is high both in traditional export markets such as the European Union and in relatively unexploited markets such as the United States, South Africa, and Japan. The principal barriers to export development are poor infrastructure, a lack of regulatory transparency, and lack of security. Difficulty in complying with sanitary and phytosanitary standards and the lack of certification required for direct flight access to the U.S. market were identified as international impediments to export growth.

Uganda

Uganda has been touted as one of Africa's success stories. Following the social disruption and economic mismanagement of the 1970s and early 1980s, almost 20 years of reform have culminated in relative political stability and dynamic and stable economic growth. There is a variety of potential export sectors in Uganda, with agribusiness and nontraditional exports such as fish, vanilla, gold, cut flowers, and livestock products having the most potential. A main barrier to trade for Uganda is poor infrastructure, both within the country and across the continent, particularly its inefficient and expensive regional transportation network, which constrains the land-locked country's competitiveness and comparative advantage. Difficulty in complying with sanitary and phytosanitary standards and agricultural support programs in developed countries were identified as international impediments to export growth. Regional instability and high transport costs associated with being land locked were also cited as geographic trade-related barriers.

Ethiopia¹

Economic Overview

Ethiopia, the second-most populous country in sub-Saharan Africa (SSA), is a land-locked country located in the northeast horn of Africa. Ethiopia's GDP increased steadily during 1999-2001, reaching a growth rate of 8.8 percent in 2001, before slowing to 1.9 percent in 2002 and contracting by 3.9 percent in 2003 (table ET-1). In 2003, trade represented more than 50 percent of GDP. Over the last 40 years, regional instability and natural disasters have hindered Ethiopia's economic progress.² Famine, HIV/AIDS, and other diseases are also limiting factors. In recent years, the frequency of droughts and the number of people affected by them have increased. Remittances have become an increasingly important source of foreign currency for Ethiopia.³

Table ET-1
Ethiopia: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	6,637.8
GDP growth (annual percent, based on local currency, 2003)	-3.9
GDP per capita growth (annual percent, based on local currency, 2003)	-5.7
Inflation, consumer prices (annual percent, 2003)	17.8
External debt, total (current US\$, millions, 2002)	6,522.5
Total debt service (percent of exports of goods and services, 2002)	9.7
Exports of goods and services (percent of GDP, 2003)	17.2
Trade (percent of GDP, 2003)	53.8
Official exchange rate (local currency unit per US\$, period average, 2003)	8.6
Population, total (millions, 2003)	68.6
Population growth (annual percent, 2003)	2.1
Labor force, total (millions, 2003)	29.5
Labor force participation rate, total (percent, 2002)	43.7
Literacy rate, adult total (percent of people ages 15 and above, 2002)	41.5
Primary school enrollment ratio, total (percent, 2000)	64.0
Secondary school enrollment ratio, total (percent, 2000)	18.0
Land use, arable land (percent of total, 2001)	10.7
Gross capital formation (percent of GDP, 2003)	21.2
Gross fixed capital formation (percent of GDP, 2003)	21.2
Foreign direct investment, net inflows (percent of GDP, 2002)	1.2

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

¹ Prepared by Selamawit Legesse, Office of Economics.

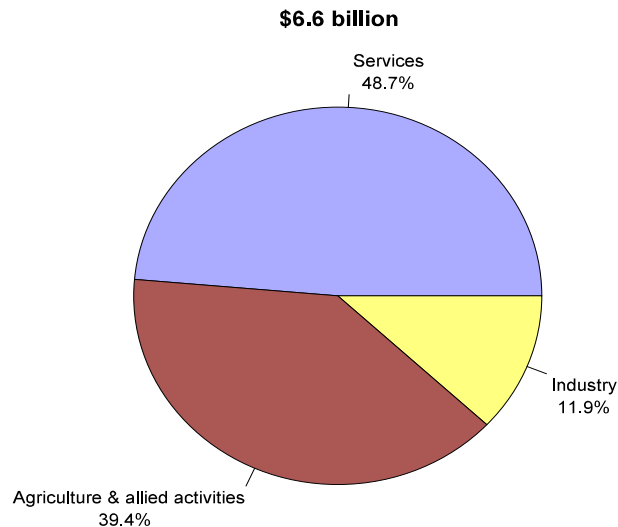
² World Bank, "A Strategy to Stimulate and Balance Growth in Ethiopia," found at www.worldbank.org, retrieved Feb. 3, 2005.

³ International Organization for Migration, "Reversed Brain Drain and Remittances," found at www.ethiopiandiaspora.info/articles.asp?id=44, retrieved Mar. 2005.

In 1991, after 17 years of a centrally planned economy, the government began pursuing a market-oriented economic development strategy, including privatization of state enterprises and rationalization of government regulation.⁴ These reforms have stimulated economic activity and increased investment in the country. The momentum of the reforms and economic progress, however, was interrupted by war with Eritrea in May 1998, which lasted until the end of 2000.⁵

The services sector accounted for 48.7 percent of GDP in 2002/03, and is dominated by wholesale, retail, and other general services (figure ET-1).⁶ Agricultural and related activities represented 39.4 percent of GDP in 2002/03, and accounted for 85 percent of total employment.⁷ A large part of this sector remains state owned, and the government remains the sole owner of land. Limited access to investment, technology, and water has resulted in limited productivity in the agricultural sector. Recurring famines, dependency on food aid, and armed conflicts have also reduce productivity.

Figure ET-1
Ethiopia: Composition of GDP (2002/03)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

⁴ U.S. Department of State telegram, "Ethiopia: 2005 Investment Climate Statement," message reference No. 221111, prepared by U.S. Embassy, Addis Ababa, Feb. 2005.

⁵ World Bank, "Ethiopia: Country Brief," found at www.worldbank.org, retrieved Mar. 13, 2005.

⁶ U.S. Department of State telegram, "USITC AGOA Study on Export Opportunities and Barriers Information Request: Ethiopia" message reference No. 000545, prepared by U.S. Embassy, Addis Ababa, Feb. 2005.

⁷ World Bank, "Ethiopia's Recent Growth Performance: A Survey of the Literature," found at www.worldbank.org, retrieved Mar. 13, 2005.

Among the largest livestock producers in Africa,⁸ Ethiopia has an estimated 75 million head of livestock: 35 million cattle, 23 million sheep, and 17 million goats.⁹ Ethiopian livestock and animal-related production accounts for about 20 percent of the GDP and employs over 30 percent of the agricultural labor force.¹⁰ State-owned and some private companies process most of the agricultural products.¹¹

Industrial production accounted for 11.9 percent of GDP in 2002/03. The main industrial products are food and beverages, textiles, chemicals, processed metals, and cement, mostly for the domestic market. More than 40 percent of manufacturing output is in food and beverage processing, particularly vegetable oil, flour products, and soft drinks and beer.¹² State ownership is prevalent in the manufacturing sector as well. Ethiopia's mineral and petroleum deposits remain unexplored and underdeveloped. Lack of investment, inadequate technology use, and lack of a comprehensive geological survey limit expansion of the mining sector. In 1997, the government awarded the Saudi Arabian-owned conglomerate Midroc a license to operate the country's largest existing gold deposit, at Lega Dembi, for \$175 million. A government study asserts that Ethiopia's gold output could reach 30 short tons per year.¹³

Foreign direct investment (FDI) into Ethiopia has fluctuated substantially since 1997. Among FDI-funded projects licensed as of 2003, 46.6 percent are in manufacturing and agroprocessing; 40.7 percent are in trade, hotels, and tourism; and 12.7 percent are in agriculture and mining.¹⁴ A history of government appropriation of private property has inhibited increased investment. Since 1994, however, Ethiopia has privatized approximately 220 businesses worth \$405 million, mostly small enterprises in trade and other service sectors.¹⁵ The government also plans to privatize 115 state enterprises in fiscal year 2004-05.¹⁶ The 1996 investment code was implemented in an attempt to increase investment by providing fiscal incentives such as tax exemptions to prospective investors.¹⁷ Ethiopia's primary investment sources include Saudi Arabia, South Korea, Kuwait, and Italy.

Export Profile

In 2003, Ethiopia's exports totaled \$422.8 million (table ET-2). The leading export product was coffee (45.5 percent of total exports), followed by oilseeds (15.5 percent), and raw skins

⁸ Government official, interview with USITC staff, Dar Es Salaam, Tanzania, Mar. 11, 2005.

⁹ U.S. & Foreign Commercial Service (US&FCS), "Ethiopia Country Commercial Guide, FY 2004," found at www.stat-usa.gov, retrieved Mar. 13, 2005.

¹⁰ EIU, *Ethiopia Country Profile*, p. 19.

¹¹ Following liberalization, the private sector has also become the dominant player in the vital leather industry, owning some of the country's 20 tanneries. U.S. Department of State telegram, "USITC AGOA Study."

¹² Ethiopian Economic Association official, e-mail communication to USITC staff, Mar. 23, 2005.

¹³ Lega Dembi started production in August 1998, and in 2001, output reached 3.4 metric tons. Midroc initiated a new \$51.6 million gold mining venture in 2003, probably to fund the purchase of the 300-kilogram-per-year Adola gold project that is scheduled for privatization. EIU, *Ethiopia Country Profile*, p. 46.

¹⁴ U.S. Department of State telegram, "USITC AGOA Study."

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

Table ET-2
Ethiopia: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1,000 dollars			2003 share	9-year
		1994	1999	2003	of total	CAGR
					Percent	
09	Coffee, tea, mate and spices	201,695.8	253,568.6	194,337.9	46.0	-0.4
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	8,464.4	43,297.1	65,738.2	15.5	25.6
41	Raw hides and skins (other than furskins) and leather	52,739.3	30,962.8	59,480.1	14.1	1.3
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	15,713.5	13,293.0	18,028.8	4.3	1.5
52	Cotton, including yarns and woven fabrics thereof	440.9	2,921.5	17,561.8	4.2	50.6
07	Edible vegetables and certain roots and tubers	10,518.8	20,479.2	16,588.1	3.9	5.2
17	Sugars and sugar confectionery	1,654.6	737.3	9,768.8	2.3	21.8
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	1,261.4	379.5	4,944.0	1.2	16.4
02	Meat and edible meat offal	882.2	5,261.5	3,819.3	0.9	17.7
23	Residues and waste from the food industries; prepared animal feed	35.2	1,522.6	2,380.6	0.6	59.7
	Other	20,385.3	29,885.0	30,108.5	7.1	4.4
Total		313,791.2	402,308.0	422,756.3	100.0	3.4

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

of sheep or lambs (7.2 percent) (table ET-3). Agricultural and animal-related products represented approximately 90 percent of Ethiopia's exports in 2003. Coffee production contributes 5 percent to Ethiopia's GDP and provides nearly 10 percent of government revenue.¹⁸ Although cotton represents less than 5 percent of exports, Ethiopian cotton is well-known for its high quality. The major vegetable export products are potatoes, green beans, okra, white and red onions, shallots, cabbage, leeks, beetroot, carrots, green chilies, tomatoes, and lettuce.¹⁹ The main exportable fruits are oranges, mandarins, grapefruit, melons, mangoes, guavas, lemons, and limes. Cut flower exports include statice, allium, roses, and carnations. Although unreported by UN trade data because it is classified as an illicit drug, kat has become an important export product.²⁰

Ethiopia's leading export markets are Germany (18.1 percent of total 2003 exports), Japan (10.7 percent), Italy (10.3 percent), Saudi Arabia (8.0 percent), and the United States (8.0 percent) (table ET-4). Overall, one-half of Ethiopia's exports go to the European Union, consisting primarily of coffee. Since the 1998 Ethiopian-Eritrean war, Ethiopia's increased exports to Djibouti are believed to reflect kat exports and the rerouting of shipments from the Eritrean port to Djibouti's port.

Between 1994 and 2003, Ethiopia's exports increased at a compound annual growth rate (CAGR) of 3.4 percent. At the 4-digit HS-classification level, woven fabrics of cotton experienced the greatest growth, registering a 9-year CAGR of 122.6 percent. At the HS 2-digit level, residues and waste from the food industries registered the largest CAGR of 59.7 percent. Other HS 2-digit exports with large 9-year CAGRs include cotton

¹⁸ U.S. Department of State telegram, "USITC AGOA Study."

¹⁹ Ethiopian Export Agency, "Fruits, Vegetables, and Flowers," found at www.ethioexport.org, retrieved Jan. 21, 2005.

²⁰ U.S. Department of State telegram, "USITC AGOA Study."

Table ET-3

Ethiopia: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	201,529.8	252,459.0	192,309.5	45.5	-0.5
1207	Oil seeds and oleaginous fruits nesoi, whether or not broken	8,439.9	40,865.4	65,510.9	15.5	25.6
4102	Raw skins of sheep or lambs, other than astrakhan, broadtail, caracul or similar skins (fresh or preserved, but not tanned or further prepared)	25,251.3	19,781.9	30,408.2	7.2	2.1
8411	Turbojets, turbopropellers and other gas turbines, and parts thereof	13,521.1	12,394.8	17,100.7	4.0	2.6
4106	Tanned or crust skins of animals nesoi, without wool or hair on, whether or not split, but not further prepared	13,454.5	5,046.4	15,127.8	3.6	1.3
5201	Cotton, not carded or combed	435.5	1,292.6	9,427.2	2.2	40.7
1701	Cane or beet sugar and chemically pure sucrose, in solid form	0.0	0.0	8,726.5	2.1	(¹)
0713	Leguminous vegetables, dried shelled	5,532.4	14,937.6	8,456.7	2.0	4.8
4105	Tanned or crust skins of sheep or lamb, without wool on, whether or not split, but not further prepared	5,747.6	3,886.8	7,389.6	1.7	2.8
5208	Woven fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 200 g/m ²	5.4	1,009.0	7,232.6	1.7	122.6
	Other	39,873.9	50,634.4	61,066.5	14.4	4.9
	Total	313,791.2	402,308.0	422,756.3	100.0	3.4

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table ET-4

Ethiopia: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year	
	1,000 dollars			of total	CAGR	
					Percent	
Germany	88,244.0	82,463.0	76,329.0	18.1	-1.6	
Japan	64,692.4	64,399.3	45,178.1	10.7	-3.9	
Italy	36,121.4	34,303.7	43,459.4	10.3	2.1	
Saudi Arabia	3,904.6	34,567.7	33,972.2	8.0	27.2	
United States	36,278.3	32,039.6	33,638.0	8.0	-0.8	
United Kingdom	20,120.9	16,163.8	25,145.6	5.9	2.5	
Turkey	1,254.2	291.2	20,130.8	4.8	36.1	
Israel	282.6	12,785.0	16,023.0	3.8	56.6	
France	16,690.2	21,925.9	14,589.0	3.5	-1.5	
Belgium	(¹)	15,675.2	13,635.1	3.2	(²)	
Other	46,202.7	87,693.6	100,656.0	23.8	9.0	
Total	313,791.2	402,308.0	422,756.3	100.0	3.4	

¹ Not available.² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

(50.6 percent), oilseeds (25.6 percent), and sugar and related products (21.8 percent). Ethiopia's primary export product, coffee, experienced a small decline over the same period. Total exports to Israel, Turkey, and Saudi Arabia increased the most during 1994-2003, with CAGRs of 56.6 percent, 36.1 percent, and 27.2 percent, respectively. During the same period, leading export markets for Ethiopia, Germany and Japan, declined slightly, with CAGRs of -1.6 percent and -3.9 percent, respectively.

Sectors with the Greatest Export Growth Potential

Exports with the greatest potential for growth in the short to medium term are primarily in the agricultural (including livestock), light manufactures, energy, and services sectors. Based on revealed comparative advantage²¹ (RCA) analysis, Ethiopia's leading export products are relatively internationally competitive, especially in the agricultural and animal-related sectors (appendix E, table E-10). Of the top 10 exports, 4 are animal-related products and 4 are agricultural products. Of the top 10 products ranked on RCA index, 7 are agricultural products and 3 are animal-related products. In addition, the animal-related products have experienced moderate to above average growth in international trade. The majority of products registering a substantial recent increase in RCA index are in the light manufacturing sector. Although, in general, these products have not exhibited a strong RCA index, export growth potential exists.

Ethiopia's diverse ecology supports the potential for a number of agricultural product exports.²² Although coffee's share of total trade has been declining, coffee products continue to have strong export potential. Ethiopian coffee enjoys a good reputation in the international market.²³ Moreover, because Ethiopia only processes a small portion of the coffee that is exported, there is potential for the country to increase export earnings by developing the resources to process and package coffee for export.

Another potential export is herbal plant products. Ethiopia's herbal product exports are limited mainly to tea. Similar to coffee, there is potential for increased processing, packaging, and branding of tea. Many plants in Ethiopia are traditionally used for medicine and cosmology such as thyme (tosign).²⁴ These herbal cosmetic and pharmaceutical products may offer export potential. Tropical fruits, nuts, beans and other pulses (legumes), and medicinal plants are found throughout the country but have not been extensively developed for international markets. Ethiopia has a natural comparative advantage in oilseeds, honey, and flowers, but exports have not developed to their potential because of limited technology, low capacity utilization, and high input costs for domestic processing plants. The livestock and animal-related products industry is also underexploited and has export growth potential.²⁵ In an attempt to increase investment and production, the government is currently establishing a 20-year livestock development plan in conjunction with the African Development Bank.

²¹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has a comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²² Some of the fruits that could be commercially produced and exported include mangoes, papayas, bananas, citrus fruits, guava, tangerines and grapes. Recently, the Ethiopian highlands were found suitable for growing apples, which also could be exported. Ethiopian Economic Association official, e-mail communication to USITC staff, Mar. 23, 2005.

²³ Jason Bauer, OTF Group, "Find pathways out of Africa's commodity trap," 7th Annual Africa Business Conference, The Africa Business Club of Harvard Business School, Feb. 12, 2005.

²⁴ Ethiopian research organization official, e-mail communication to USITC staff, Mar. 30, 2005.

²⁵ FAO Prevention of Food Losses Programme, "Milk and Dairy Products, Post-harvest Losses and Food Safety in Sub-Saharan Africa and the Near East," found at <http://fao.org/ag/againfo/projects/en/pfl/docs/P1assessmentuganda.pdf>, retrieved Mar. 2, 2005.

According to government officials, Ethiopia has the potential to produce light manufactured goods for export, including textiles, apparel, and leather products such as wallets, handbags, coats, and shoes.²⁶ The potential for textile and apparel products is dampened, however, by increasing international competition stemming from removal of quotas in 2005.²⁷ In addition, with ample gold reserves estimated between 60 to 200 short tons, and prospects for increased output, downstream jewelry products exhibit export potential if manufacturing constraints are overcome.

In the energy sector, Ethiopia has promising hydropower and geothermal energy resources. According to World Energy Council, Ethiopia's potential for hydropower generation is the second largest in Africa. Although Ethiopia currently has only 450 megawatts of installed hydroelectric capacity, it has a potential to develop over 30,000 megawatts of hydroelectric power.²⁸ In 1999, hydropower output was only 1.6 million megawatt hours, which provided 97 percent of Ethiopia's electricity. Ethiopia's geothermal energy capacity is estimated to have 24 prospects with a potential output level of 700 megawatt equivalent.²⁹

The major services sectors with greatest potential for growth are tourism, air transportation, and publishing. Ethiopia is an area of great interest for archeologists, and close proximity to other tourist destinations such as Djibouti, Egypt, Eritrea, and Kenya provides a springboard from which the tourism sector could develop. In addition, the diverse ecological resources and vast archeological sites provide a strong base for expansion of tourism as well as plant, animal, and medical research services. Increased trade in tourism services will in turn drive demand for air transport services. Indeed, while some African airlines have been decreasing flight frequency and shutting down services, Ethiopian Airlines recently purchased several Boeing aircraft to expand services. With respect to publishing, the outsourcing of printing and publishing services exhibit potential for increased export earnings.³⁰ Ethiopians living abroad are increasingly outsourcing magazine and book printing services to Ethiopia to take advantage of lower cost structures.

Domestic and International Barriers

In general, Ethiopia's business environment indicators are better than the regional average though far below OECD averages (table ET-5). Business environment indicators for which Ethiopia scored worse than the regional average include the number of procedures to register a property and the minimum capital required to start a business. According to most indicators of economic freedom, however, Ethiopia, on average, lags other countries in the region (table ET-6). This discrepancy between assessments of Ethiopia's business environment may reflect better-than-average regulation at the individual business level, but an overall more difficult macroeconomic environment for business.

²⁶ Ethiopian government representative, interview by USITC staff, Washington, DC, Feb. 23, 2005.

²⁷ For additional information on the Multifiber Arrangement and the removal of textile and apparel quotas in 2005, see app. C.

²⁸ US&FCS, "Ethiopia Country Commercial Guide, FY 2004."

²⁹ World Energy Council, "Extract from the Survey of Energy Resources 2001," found at www.worldenergy.org/wec-geis/publications/reports/ser/geo/geo.asp, retrieved Mar. 2004.

³⁰ *Digest Newspaper* official, telephone interview by USITC staff, Mar. 25, 2005.

Table ET-5
Ethiopia: Business environment

	Ethiopia	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	8.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	40.0	17.1	72.1
Closing a business: Time (<i>years</i>)	2.4	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	10.6	41.8	5.2
Getting credit: Credit information index	0.0	2.1	5.0
Getting credit: Legal rights index	5.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	14.8	43.0	10.8
Enforcing contracts: Number of procedures	30.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	420.0	434.0	229.0
Registering a property: Number of procedures	15.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	11.0	13.2	4.9
Registering a property: Time (<i>days</i>)	56.0	114.0	34.0
Starting a business: Number of procedures	7.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	77.4	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	1821.9	254.1	44.1
Starting a business: Time (<i>days</i>)	32.0	63.0	25.0
Employment: Difficulty of firing index	20.0	50.6	26.8
Employment: Difficulty of hiring index	50.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	48.0	59.5	40.4
Employment: Rigidity of employment index	43.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://ru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table ET-6
Ethiopia: Economic freedom

	Ethiopia	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	3.9	3.6	2.5
2000 Overall score	3.7	3.7	2.2
2005 Overall score	3.7	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	4.3	3.9	3.6
Government intervention in the economy score	3.0	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Ethiopian government officials and private business owners identify the main domestic impediments as a lack of access to international buyer information, limited technology, lack of skilled labor to facilitate diversification into more skill-intensive industries, and inadequate physical infrastructure.³¹ For example, a leather and shoe company representative mentioned that his company would expand production capacity, and even invest in air cargo, if he could find a reliable buyer for his leather products.³² In addition, diversification is hampered because Ethiopian farmers are unable to access information on high-yield varieties, cost-effective inputs, better agronomic practices, and management skills. Inadequate transportation impedes both domestic and international trade (see discussion of infrastructure impediments below). Structural problems in the banking and finance sector also contribute to limited access to credit and foreign exchange, inhibiting investment and development of export industries.

In addition, while Ethiopia has a large labor force estimated at 30 million,³³ social instability, civil unrest, recurring famines, HIV/AIDS, and population displacement have continuously depleted human resources and reduced productivity. These factors have contributed to the migration of much of the educated population, exacerbating the lack of skilled labor.³⁴

Most of the agricultural product processing facilities utilize outdated technology and most products do not meet U.S. and EU quality standards. Consequently, products are shipped to third-party countries for processing and packaging and subsequent export to the United States or the European Union.³⁵ Furthermore, the horticultural sectors in Ethiopia are constrained by monopolies that reduce efficiency and industry expansion. The major constraints to agroprocessing are the lack of packaging technology, inadequate facilities, lack of investment, and limited access to production inputs.³⁶ In the manufacturing sectors, the high cost of imports is also a barrier to increased exports. For example, a printer in Ethiopia reported that if he did not have to pay the 40-percent tariff on paper, his company could be more internationally competitive in exporting printing products. Delays in customs clearances also remain an impediment to trade. Insufficient textile and accessories suppliers in Ethiopia limit apparel sector expansion. Lack of government transparency as well as security issues deter potential foreign investors and may also encourage local entrepreneurs to leave the country.

The infrastructure necessary to foster an export-oriented environment is lacking. Only 12.0 percent of roads are paved (table ET-7). The communications infrastructure is poor, with less than 1 in 1,000 people having mobile phones or access to the Internet.

The Ethiopian government and exporters report that sanitary and phytosanitary measures and other requirements in potential markets represent impediments for Ethiopian exporters. These markets include the European Union, the United States, Canada, Japan, and increasingly, the middle-income countries. These requirements reportedly affect important

³¹ Ambassador Kassahun Yele, Embassy of Ethiopia, Washington, DC, written submission in connection with USITC inv. No. 332-464, *Export Opportunities and Barriers in African Growth and Opportunity Act-Eligible Countries*, Feb. 14, 2005.

³² Industry official, telephone interview by USITC staff, Mar. 22, 2005.

³³ US&FCS, "Ethiopia Country Commercial Guide, FY 2004."

³⁴ *Ibid.*

³⁵ Ethiopian industry official, e-mail communication to USITC staff, Mar. 24, 2005.

³⁶ Ethiopian association official, e-mail communication to USITC staff, Mar. 23, 2005.

Table ET-7

Ethiopia: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 2001</i>)	31,663.0
Roads, paved (<i>percent of total roads, 2000</i>)	12.0
Transport services (<i>percent of service exports, BoP, 2002</i>)	42.8
Transport services (<i>percent of service imports, BoP, 2002</i>)	54.8
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	6.0
Internet users (<i>per 1,000 people, 2002</i>)	0.7
Mobile phones (<i>per 1,000 people, 2002</i>)	0.7
Telephone mainlines (<i>per 1,000 people, 2002</i>)	5.3
Electric power transmission and distribution losses (<i>percent of output, 2001</i>)	10.0
Energy imports, net (<i>percent of commercial energy use, 2001</i>)	6.1

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Ethiopian agriculture and livestock-related exports.³⁷ These sources also report that these requirements are too complex and difficult to implement for the average exporter.³⁸ According to the U.S. Department of State, Ethiopia's exports are generally subject to relatively higher tariffs in foreign markets.³⁹

³⁷ U.S. Department of State telegram, "USITC AGOA Study."

³⁸ Ambassador Kassahun Yele, written submission.

³⁹ "Ethiopia's export bundle is generally subject to higher import tariffs. On average, across the whole spectrum of countries, tariffs imposed on products exported by Ethiopia are 25 percent higher." U.S. Department of State telegram, "USITC AGOA Study."

Economic Overview

Kenya's GDP totaled \$13.8 billion in 2003 (table KN-1), making it the third-largest of the AGOA-eligible countries. GDP increased by 1.3 percent during 2003, the highest rate since 1999 but well below population growth, causing GDP per capita to decrease each year during 1999-2004.⁴¹ Economic growth in recent years has been sluggish, hampered by poor governance, the slow pace of economic reforms, low savings and investment, intermittent shortages and high cost of electricity, and poor physical and telecommunications infrastructure.⁴² HIV/AIDS has also had a damaging effect on the economy, reducing savings, labor productivity, and the number of experienced workers.⁴³

The economy remains largely agrarian, although the manufacturing and services sectors represent a steadily increasing share of total output. Although Kenya has an abundant supply of well-educated and skilled labor in most sectors,⁴⁴ about 75 percent of the workforce is engaged in agriculture, mainly as subsistence farmers. Kenya is endowed with rich agricultural land that yields a wide variety of crops; access to Lake Victoria and the Indian Ocean that provides for a productive fishing industry; and a scenic coastline and game parks that provide major tourist attractions. The agriculture, forestry, and fishing sector is the largest component of GDP, accounting for more than 25 percent (figure KN-1). Kenya's principal crops are sugarcane, corn, wheat, coffee, and tea, although horticultural production, especially fresh fruit, vegetables, and cut flowers, has increased steadily in recent years.⁴⁵ Food production varies widely as a result of climatic conditions, and Kenya is regularly subject to floods and droughts. About one-half of all agricultural output is for subsistence.

Kenya is the most industrially developed country in East Africa, although manufacturing accounts for a relatively modest share of Kenya's economy. Manufacturing's share of GDP was 14.0 percent in 2003,⁴⁶ and consisted largely of food-processing activities such as grain milling, beer production, and sugarcane crushing. There is a substantial, informal, small-scale manufacturing sector making products such as household goods, auto parts, and farming implements; this activity may account for as much as 18 percent of GDP.⁴⁷ AGOA has spurred the growth of the apparel industry, providing the greatest boost to Kenya's

⁴⁰ Prepared by John Davitt, Office of Industries.

⁴¹ World Bank, "World Development Indicators 2004," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

⁴² International Monetary Fund, *Kenya: Poverty Reduction Strategy Paper*, Jan. 2005, p. 8.

⁴³ U.S. & Foreign Commercial Service (US&FCS), "Doing Business in Kenya: A Country Commercial Guide for U.S. Companies," Mar. 7, 2005, found at www.stat-usa.gov, retrieved Feb. 28, 2005.

⁴⁴ U.S. Department of State, "Background Notes: Kenya," Feb. 2005, found at www.stat-usa.gov, retrieved Feb. 28, 2005; and US&FCS, "Doing Business in Kenya."

⁴⁵ Economist Intelligence Unit (EIU), *Kenya Country Profile*, 2004, p. 39.

⁴⁶ World Bank, "World Development Indicators 2004."

⁴⁷ EIU, *Kenya Country Profile*, p. 21.

Table KN-1
Kenya: Basic economic indicators

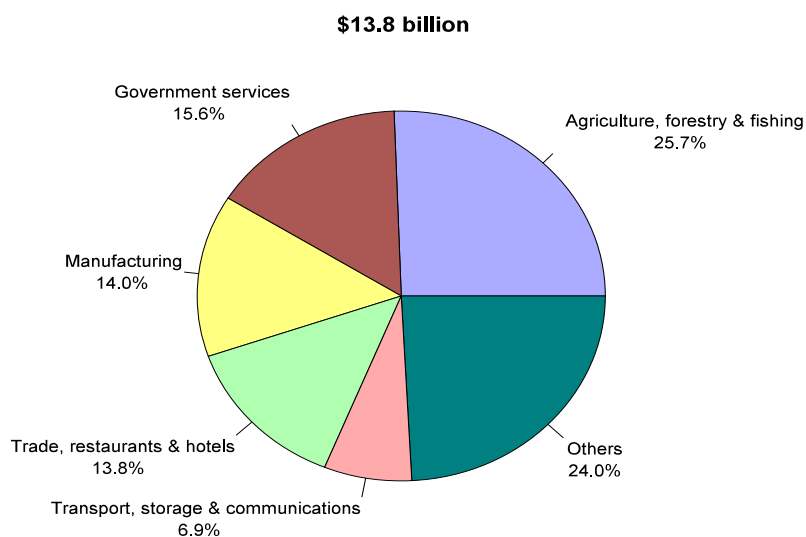
	MRY¹
GDP (current US\$, millions, 2003)	13,841.6
GDP growth (annual percent, based on local currency, 2003)	1.3
GDP per capita growth (annual percent, based on local currency, 2003)	-0.7
Inflation, consumer prices (annual percent, 2003)	9.8
External debt, total (current US\$, millions, 2002)	6,031.2
Total debt service (percent of exports of goods and services, 2002)	14.1
Exports of goods and services (percent of GDP, 1999)	26.5
Trade (percent of GDP, 2003)	57.6
Official exchange rate (local currency unit per US\$, period average, 2003)	75.9
Population, total (millions, 2003)	31.9
Population growth (annual percent, 2003)	1.8
Labor force, total (millions, 2003)	16.7
Labor force participation rate, total (percent, 2002)	52.1
Literacy rate, adult total (percent of people ages 15 and above, 2002)	84.3
Primary school enrollment ratio, total (percent, 2000)	94.0
Secondary school enrollment ratio, total (percent, 2000)	38.0
Land use, arable land (percent of total, 2001)	8.1
Gross capital formation (percent of GDP, 2003)	15.6
Gross fixed capital formation (percent of GDP, 2003)	13.9
Foreign direct investment, net inflows (percent of GDP, 2002)	0.4

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure KN-1
Kenya: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

manufacturing sector in recent years. The apparel industry consists of 40-50 firms that are mostly foreign owned and operate in export processing zones (EPZs).⁴⁸

The services sector increased from 58.7 percent to 64.2 percent of Kenya's GDP during 1999-2003.⁴⁹ Tourism, a major component of this share, is Kenya's third-largest foreign exchange earner after tea and horticulture. Kenya's minerals sector accounts for a relatively small share of GDP and consists primarily of soda ash and fluorspar production. Kenya is in the process of expanding its soda ash production.⁵⁰ The sluggish economy has failed to provide enough jobs in the formal economy, causing an expansion in the informal sector, which currently employs an estimated 34 to 40 percent of the labor force, and continues to grow.⁵¹

Kenya attracted relatively little foreign direct investment (FDI) during recent years prior to the introduction of the latest set of government reforms in 2004. Although FDI tripled from \$42 million to \$127 million during 1999-2000,⁵² this increase largely reflected the construction of a cellular telephone network. FDI decreased to \$50 million in 2001 and 2002. In contrast, East African neighbors Tanzania and Uganda received annual FDI inflows averaging \$387 million and \$149 million, respectively, during 1999-2002, despite having economies less than one-half the size of Kenya's.

Most foreign investment in Kenya has gone into EPZs, while investment in the rest of the economy has stagnated because of the high cost of doing business associated with uncertain energy supplies, cumbersome government regulations, and a deteriorating infrastructure.⁵³ Foreign investors are attracted to EPZs by tax incentives and more reliable support services such as power and water. The number of firms operating in EPZs increased from 54 to 69 during 2002-03.⁵⁴ Much of the increased investment is attributable to access to the AGOA textile and apparel provisions. An increasing number of firms in EPZs are engaged in agroprocessing, especially in cotton, horticulture, and tea processing.⁵⁵ Other sectors represented in EPZs include chemicals, pharmaceuticals, and computers and electrical components.

⁴⁸ Ibid., p. 43.

⁴⁹ World Bank, "World Development Indicators 2004."

⁵⁰ EIU, *Kenya Country Profile*, p. 41.

⁵¹ U.S. Department of State telegram, "Kenya: USITC Study on Export Opportunities and Barriers for AGOA," message reference No. 666, prepared by U.S. Embassy, Nairobi, and supplemental email correspondence to USITC staff, Feb. 14, 2004; and World Bank, "Snapshot Of Business Environment – Kenya," p. 1, found at <http://rru.worldbank.org/InvestmentClimate/ExploreEconomies/Snapshot>, retrieved Mar. 26, 2005.

⁵² World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

⁵³ U.S. Department of State telegram, "Kenya: USITC Study," and supplemental email correspondence.

⁵⁴ Ibid.

⁵⁵ US&FCS, "Doing Business in Kenya."

Export Profile

Although Kenya has tried to follow an export-led growth strategy since the early 1990s,⁵⁶ exports of goods and services as a share of GDP remained relatively stable during 1999-2003, representing between 25.4 percent and 26.6 percent. Total exports were \$2.3 billion in 2003 (table KN-2). Tea, refined petroleum products, cut flowers, coffee, and vegetables accounted for 48.0 percent of total exports in 2003 (table KN-3). The value of Kenya's exports of tea and petroleum oils each increased by slightly over 30 percent during 2000-03, and exports of cut flowers increased by 63 percent during the same period. Kenya's coffee exports decreased sharply following the decline in world coffee prices during the 2000/01 season. Kenya's exports of horticultural products (primarily cut flowers, fresh fruit, and vegetables) increased by 23 percent in 2004 to 149,000 tons.⁵⁷ Kenya's rapidly growing floriculture sector alone generated \$120 million in 2004.

Apparel exports, which account for a large and growing share of Kenya's exports, have benefited substantially from the AGOA program and the incentives provided in EPZs. Kenya's apparel exports to the United States nearly tripled during 2001-03 and accounted for over 75 percent of the total value of Kenya's EPZ production and more than 95 percent of EPZ employment.⁵⁸

Table KN-2
Kenya: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
09	Coffee, tea, mate and spices	492,623.2	482,247.5	524,469.4	23.1	0.7
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	91,860.0	162,429.3	282,124.8	12.4	13.3
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	21,833.5	168,553.0	263,324.5	11.6	31.9
07	Edible vegetables and certain roots and tubers	58,573.9	120,172.9	167,542.8	7.4	12.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	42,865.7	45,003.3	151,845.1	6.7	15.1
03	Fish and crustaceans, molluscs and other aquatic invertebrates	49,317.7	63,330.7	83,584.6	3.7	6.0
20	Preparations of vegetables, fruit, nuts, or other parts of plants	64,565.0	94,577.7	82,528.6	3.6	2.8
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	64,470.3	48,962.5	61,257.5	2.7	-0.6
08	Edible fruit and nuts; peel of citrus fruit or melons	26,173.1	38,178.3	57,559.1	2.5	9.2
61	Articles of apparel and clothing accessories, knitted or crocheted	5,967.5	1,710.1	56,526.3	2.5	28.4
	Other	388,061.0	488,323.2	537,872.1	23.7	3.7
	Total	1,306,310.9	1,713,488.4	2,268,634.8	100.0	6.3

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

⁵⁶ World Bank, "World Development Indicators 2004."

⁵⁷ U.S. Department of State telegram, "Kenya: USITC Study," and supplemental email correspondence.

⁵⁸ Ibid.

Table KN-3
Kenya: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
0902	Tea, whether or not flavored	232,486.6	282,248.2	378,655.5	16.7	5.6
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	18,567.8	163,054.6	257,775.2	11.4	34.0
0603	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	85,216.3	145,490.6	241,389.3	10.6	12.3
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	259,863.1	198,120.6	111,567.6	4.9	-9.0
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	36,340.6	88,320.9	98,923.0	4.4	11.8
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	1,438.8	19,290.8	92,609.7	4.1	58.8
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	33,177.0	46,916.1	64,849.6	2.9	7.7
0709	Vegetables nesoi, fresh or chilled	19,449.3	26,415.3	57,925.7	2.6	12.9
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sweetening or spirit, nesoi	38,623.1	52,919.1	51,065.2	2.3	3.2
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	14,629.8	12,246.2	45,649.1	2.0	13.5
	Other	566,518.7	678,465.9	868,224.9	38.3	4.9
	Total	1,306,310.9	1,713,488.4	2,268,634.8	100.0	6.3

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The principal markets for Kenya's exports are in Africa and the European Union (table KN-4). African countries, principally Rwanda, Tanzania, and Uganda, accounted for 24.2 percent of Kenya's exports in 2003, while exports to the European Union accounted for more than 30 percent of total exports. The United States was the third-largest single-country market for Kenya's exports, accounting for 11.7 percent of the total. The vast majority of exports from EPZs are destined for the United States, with the remainder going to Europe and other Common Market for Eastern and Southern Africa (COMESA) countries.⁵⁹

Kenya's exports to Uganda, its largest single-country market, increased at a compound annual growth rate (CAGR) of 7.5 percent during 1994-2003, although most of this growth occurred during the second half of this period. The entry into force of the COMESA in 2000 contributed significantly to the growth of trade between Kenya and Uganda. Kenya's exports to the United Kingdom increased at a CAGR of 3.7 percent during 1994-2003, reflecting increased exports of tea and horticultural products, which offset decreasing coffee exports. The value of Kenya's products shipped to the U.S. market decreased by \$4 million between 1994 and 1999, before rising at a CAGR of 24.2 percent during 1999-2003. AGOA preferences, combined with the incentives provided by EPZs, boosted apparel exports during that period. The steady growth of Kenya's cut flower industry explains the rapid growth of the Netherlands as one of Kenya's major export markets during 1994-2003. Kenya is the European Union's leading supplier of flowers, and although Kenya ships directly to France,

⁵⁹ For additional information on regional organizations, see app. C.

Table KN-4

Kenya: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Uganda	186,958.6	241,878.5	357,326.6	15.8	7.5
United Kingdom	256,194.8	318,338.6	354,960.9	15.6	3.7
United States	116,264.0	111,915.7	266,247.8	11.7	9.6
Netherlands	94,482.4	146,101.7	227,115.8	10.0	10.2
Pakistan	96,657.9	153,199.6	145,449.8	6.4	4.6
Tanzania	0.0	106,285.3	116,322.0	5.1	(¹)
Germany	155,011.0	122,208.2	92,697.0	4.1	-5.6
France	64,254.0	76,750.8	80,872.6	3.6	2.6
Rwanda	0.0	54,598.1	74,112.8	3.3	(¹)
Egypt, Arab Rep.	52,664.8	78,992.2	60,419.7	2.7	1.5
Other	283,823.3	303,219.7	493,109.8	21.7	6.3
Total	1,306,310.9	1,713,488.4	2,268,634.8	100.0	6.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Germany, and other European countries, the Netherlands is home to one of the world's largest international flower markets.

Sectors with the Greatest Export Growth Potential

The export growth potential for Kenya's horticultural products in nontraditional markets such as Canada, United States, South Africa, and Japan has been noted by Kenyan government officials and other sources,⁶⁰ and analysis of export statistics provides evidence of such potential. The vast majority of Kenya's horticultural exports are presently shipped to markets in the European Union and, although Kenya's share of the global market for cut flowers is 4.3 percent, it holds less than 1 percent of the U.S. and Canadian markets (appendix E, table E-16). Kenya's world market share of leguminous vegetables (e.g., peas, beans, and lentils) is 15.1 percent, whereas it supplies 22.3 percent of the EU market and has virtually no exports to the United States or Japan. Much of this market concentration can be explained by transportation costs that allow Kenya to be more competitive in proximate markets. However, these costs are less likely to create a significant competitive disadvantage for products with a relatively low weight-to-value ratio such as cut flowers, especially if the products have an advantage over the competing product. In this case, Kenya's cut flowers are reported by Kenyan government officials as having a longer shelf life than the comparable South American flowers that supply much of the North American market.⁶¹ Kenya is already a leading supplier of horticultural products to the European Union and is likely to continue increasing these exports as the European Union expands. According to government officials, Kenya is also pursuing a diversification strategy with the intention of entering new markets such as the United States, Japan, and South Africa. These officials also report that Kenya has begun exporting a small number of flowers to Japan and the United

⁶⁰ U.S. Department of State telegram, "Kenya: USITC Study," and supplemental email correspondence; and Kenyan government officials, interview by USITC staff, Washington, DC, Mar. 10, 2005.

⁶¹ Kenyan government officials, interview by USITC staff, Washington, DC, Mar. 10, 2005.

States, and is actively working to develop these and other markets in North America, the Middle East, and South Africa.⁶²

Kenya also exhibits strong revealed comparative advantage⁶³ (RCA) indices in its top exports, most of which have remained stable during 2000-03. In addition, the top 10 export products reflect relative diversity, including products in the agriculture, apparel, energy, and fish sectors. Eight of the top 10 products ranked by change in RCA index are in the metals sector. International trade growth in most of these metal-related products has been above average. Although the metals sector represents an attractive potential export sector based on world market growth and increasing RCA indices, the attractiveness is dampened by the negative RCA index exhibited by some of the products in this sector.

Pyrethrum, a natural herbicide, used to be one of Kenya's major exports and has strong export potential given the demand for effective low toxicity pesticides. Flooding associated with the El Niño weather patterns in 1997-98 destroyed a large number of plants that have yet to be replaced. The government is currently trying to attract investment by liberalizing the pyrethrum sector and restricting the pyrethrum board to regulatory functions.

Although coffee prices decreased by 70 percent during 1997-2003,⁶⁴ coffee remains a major export for Kenya. Reforms that would increase efficiency and provide greater returns to coffee growers may provide potential for expansion of the sector. The government is considering reforms that would include legislative amendments to the Coffee Act that eliminate the requirement that growers sell only to the Coffee Board, and establish an agency to operate processing, marketing, and inputs distribution.

The potential for tourism sector growth has increased with government efforts to revitalize the sector following the smooth political transition in December 2002, which alleviated concerns about Kenya's ability to control political violence. If the government can maintain a secure environment for tourists and the United States removes its travel advisory, the number of tourists visiting Kenya's beaches and parks could increase.

As stated above, the European Union and other African countries are the principal destinations for Kenya's exports. There is potential to further develop these markets, especially with the recent expansion of the European Union, and to develop new markets such as the United States, Japan, and Canada. If Kenya can obtain "Category 1" certification,⁶⁵ which is required to establish direct flights with the United States, Kenya will likely be able to reduce its shipping costs and increase its competitiveness with South and Central American suppliers.

⁶² Ibid.

⁶³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has a comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁶⁴ African Development Bank/Organization for Economic Cooperation and Development, "Kenya," *African Economic Outlook*, 2004, p. 183.

⁶⁵ Category 1 certification is required by the Federal Aviation Administration for direct flight access to the United States. For additional information, see app. C.

The East African Community (EAC) customs union,⁶⁶ which entered into force on January 1, 2005, is likely to boost Kenya's exports to Uganda and Tanzania and could provide new opportunities for light manufacturing and agroprocessing because Kenya is the most technologically developed of the three countries. EAC members accounted for 25 percent of Kenya's exports in 2003, and this share is likely to increase as a result of the EAC customs union agreement, which is designed to eliminate all tariffs and nontariff barriers among the members by January 1, 2010.

Domestic and International Barriers

The principal domestic impediments to exports in Kenya are largely the same factors that have restricted the growth of the economy as a whole, including lack of government transparency, incomplete implementation of reforms and projects, crime, and poor transportation infrastructure. Lack of transparency, particularly in government procurement and dispute settlement, has been cited by U.S. and other foreign firms as a major obstacle to FDI.⁶⁷ Kenyan firms pay more unofficial fees, provide more of their own infrastructure, and face more regulation than competitors in countries such as China and India.⁶⁸

Although Kenya's business environment indicators are, in general, better than regional averages, they continue to lag those of the OECD (table KN-5). Kenya fared worse than the regional averages in six business environment indicators: recovery rate when closing a business, time required to close a business, private bureau credit coverage, public credit registry coverage, number of procedures to register a property, and number of procedures to start a business. Employment market indicators were similar to or surpassed OECD averages.

Another, more recent World Bank survey presents a mixed picture, indicating a more favorable climate in Kenya relative to others in the region but far less favorable compared to the OECD countries. That survey found that the time required to start a business in Kenya averaged 47 days at a cost equal to 53 percent of per capita income. The comparable indicators for the sub-Saharan region as a whole were 63 days and 225 percent, but only 25 days and 8 percent for the OECD average.⁶⁹ Similarly, the average number of procedures and days required to enforce a commercial contract in Kenya was substantially less than the regional average and substantially greater than the OECD average.⁷⁰ The survey also reported that corruption was cited most frequently as a major or severe obstacle to the operation and growth of their businesses. Other major obstacles include high finance costs and tax rates, anticompetitive or informal practices, and economic and regulatory policy uncertainty.⁷¹

⁶⁶ For additional information on regional organizations, see app. C.

⁶⁷ Transparency International, "Corruption Perceptions Index," found at www.transparency.org, retrieved Feb. 11, 2005.

⁶⁸ U.S. Department of State telegram, "Kenya: USITC Study," and supplemental email correspondence.

⁶⁹ World Bank, "Snapshot Of Business Environment – Kenya," found at <http://rru.worldbank.org/InvestmentClimate/ExploreEconomies/Snapshot>, retrieved Mar. 26, 2005, pp. 1-3.

⁷⁰ Ibid.

⁷¹ Ibid.

Table KN-5
Kenya: Business environment

	Kenya	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	18.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	14.7	17.1	72.1
Closing a business: Time (<i>years</i>)	4.5	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	3.3	41.8	5.2
Getting credit: Credit information Index	4.0	2.1	5.0
Getting credit: Legal rights index	8.0	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	1.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	41.3	43.0	10.8
Enforcing contracts: Number of procedures	25.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	360.0	434.0	229.0
Registering a property: Number of procedures	7.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	4.0	13.2	4.9
Registering a property: Time (<i>days</i>)	39.0	114.0	34.0
Starting a business: Number of procedures	12.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	53.4	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	47.0	63.0	25.0
Employment: Difficulty of firing index	30.0	50.6	26.8
Employment: Difficulty of hiring index	22.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	47.0	59.5	40.4
Employment: Rigidity of employment index	24.0	56.0	34.4
Employment: Rigidity of hours index	20.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Kenya, applied rate, 2001)		
All goods			17.1
Agricultural goods			20.1
Nonagricultural goods			16.6

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Kenya's economic freedom score improved between 1995 and 2000, but deteriorated between 2000 and 2005 (table KN-6). Notably, the trade policy component fared worse than all other indicators of economic freedom. The Index of Economic Freedom score was 3.3 in 2005 on scale of 1 to 5, which means that Kenya's economic environment was characterized as "mostly unfree." This characterization was primarily because of shortcomings in a few areas, most notably Kenya's protectionist trade policies and its large informal sector, rather than a general lack of economic freedom.⁷² Kenya scored in the moderate or better range for indicators such as level of government consumption, monetary policy, foreign investment, and property rights. The large informal sector has been blamed for distortions, reduced tax revenues, and the exclusion of many people from basic protections.⁷³

Crumbling transport infrastructure (table KN-7), inadequate marketing, and increased competition from Mauritius, South Africa, and Tanzania have hurt the tourist industry in recent years. Terrorist acts, such as the U.S. Embassy bombing in 1998, the Paradise Hotel suicide bombing in November 2002, and another terrorist threat in 2003 caused several Western countries to issue negative travel advisories that have had a significant adverse

⁷² The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved May 26, 2005.

⁷³ World Bank, the International Finance Corporation, and Oxford University Press, "Doing Business in 2005: Removing Obstacles to Growth," found at <http://rru.worldbank.org/Documents/DB-2005-overview.pdf>, retrieved Mar. 28, 2005, p. 7.

Table KN-6
Kenya: Economic freedom

	Kenya	Regional average ¹	OECD average
— <i>Heritage Foundation indicators</i> —			
1995 Overall score	3.4	3.6	2.5
2000 Overall score	3.1	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.3	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

Table KN-7
Kenya: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 2000</i>)	63,942.0
Roads, paved (<i>percent of total roads, 2000</i>)	12.1
Transport services (<i>percent of service exports, BoP, 2002</i>)	42.0
Transport services (<i>percent of service imports, BoP, 2002</i>)	42.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	51.8
Internet users (<i>per 1,000 people, 2002</i>)	12.5
Mobile phones (<i>per 1,000 people, 2002</i>)	41.5
Telephone mainlines (<i>per 1,000 people, 2002</i>)	10.3
Electric power transmission and distribution losses (<i>percent of output, 2002</i>)	21.3
Energy imports, net (<i>percent of commercial energy use, 2002</i>)	17.8

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

impact on tourism.⁷⁴ Most countries have rescinded these warnings, although the U.S. advisories were still in place as of May 2005.

High wage rates for unskilled workers relative to other African and Asian countries such as China, India, Nigeria, Thailand, Zambia, and Uganda put Kenya at a competitive disadvantage, particularly because the higher wages do not reflect greater productivity. According to a World Bank study, Kenya’s high wages reflect: 1) an increase in public-sector wages, which causes a comparable rise in the private sector that competes for the same workers; 2) pressure for higher wages from donors, tourists, and large foreign commercial banks that pay high salaries to their expatriate staff; and 3) labor market rigidity that does not allow a reduction in employment commensurate with reduced productivity.⁷⁵

⁷⁴ U.S. Department of State telegram, “Kenya: USITC Study,” and supplemental email correspondence; and EIU, *Kenya Country Profile*, 2004, p. 41.

⁷⁵ “Wages in Kenya Are Among the Highest in Africa,” AllAfrica.com, found at <http://allafrica.com/stories/200502220120.html>, retrieved Feb. 23, 2005.

Other factors raising the cost of doing business in Kenya include relatively high import duties, high interest rates, and high-priced, unreliable utilities. Moreover, the Business Software Alliance lists Kenya among the top 25 worst piracy offenders.⁷⁶ Kenya's average applied ad valorem tariff in 2001 was 20 percent for agricultural goods and nearly 17 percent for nonagricultural goods (table KN-5). Both imports and exports are further hampered by customs procedures that are detailed and rigidly implemented, and inefficient procedures at Kenya's principal port, Mombasa.⁷⁷

Kenya's export taxes on certain products such as hides, skins, and scrap metal discourage raw material exports. The government is considering a further ban on raw cashew exports to encourage roasting and other processing in Kenya.⁷⁸ According to government officials and representatives of development organizations, export taxes and bans have been justified in many African countries as necessary for the development of local or infant industries and downstream processing sectors.⁷⁹ These export taxes and bans, however, limit the export of these products by raising export costs and encourage industries for which Kenya may not have a comparative advantage.

The U.S. Federal Aviation Administration does not allow direct flights between the United States and any country that does not meet the safety and security standards required for a Category 1 certification. Kenya does not qualify for this type of certification and, consequently, air-freighted exports destined for U.S. markets must first be shipped to third-party countries that qualify. The current arrangement requires additional time and expense and reduces the competitiveness of Kenyan exports of flowers, fresh fruit, and vegetables in the U.S. market. Lack of certification also prevents Kenya Airways from transporting tourists directly to and from the United States. Attaining Category 1 status would require significant refurbishing of airport facilities, investment in security equipment and safety facilities, and training, but would ultimately enhance export potential. In addition, the horticultural sector faces increased environmental and safety standards in the EU and U.S. markets, and producers have limited capacity to meet these standards.⁸⁰

⁷⁶ US&FCS, "Doing Business in Kenya."

⁷⁷ U.S. Department of State telegram, "Kenya: USITC Study," and supplemental email correspondence.

⁷⁸ Ibid.

⁷⁹ Zambian government officials, interview by USITC staff, Lusaka, Zambia, Mar. 15, 2005; and development organization representative, interview by USITC staff, Kampala, Uganda, Mar. 7, 2005.

⁸⁰ EIU, *Kenya Country Profile*, p. 40.

Economic Overview

Uganda is a land-locked country in East Africa that faces continuing regional and internal security problems, primarily in the north and west of the country. These problems hamper economic growth and have caused economic activity to be concentrated in the south. In 2003, trade represented 39.9 percent of GDP, with exports representing 7.1 percent (table UG-1). The country faces a large trade deficit (financed by donor assistance) and foreign debt of about 60 percent of GDP. The economy suffers annual fluctuations linked to weather conditions, changes in international petroleum and coffee prices, and variations in donor funding that affect consumer demand. Except for a few sectors such as rail transport and postal services, no state-owned companies maintain monopoly positions that affect trade.⁸²

Table UG-1
Uganda: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	6,197.7
GDP growth (annual percent, based on local currency, 2003)	4.9
GDP per capita growth (annual percent, based on local currency, 2003)	0.8
Inflation, consumer prices (annual percent, 2003)	7.8
External debt, total (current US\$, millions, 2002)	4,100.4
Total debt service (percent of exports of goods and services, 2002)	7.1
Exports of goods and services (percent of GDP, 2003)	7.1
Trade (percent of GDP, 2003)	39.9
Official exchange rate (local currency unit per US\$, period average, 2003)	1,963.7
Population, total (millions, 2003)	25.3
Population growth (annual percent, 2003)	2.7
Labor force, total (millions, 2003)	12.4
Labor force participation rate, total (percent, 2002)	48.0
Literacy rate, adult total (percent of people ages 15 and above, 2002)	68.9
Primary school enrollment ratio, total (percent, 2000) ²	140.9
Secondary school enrollment ratio, total (percent, 1999)	12.0
Land use, arable land (percent of total, 2001)	25.9
Gross capital formation (percent of GDP, 2003)	22.7
Gross fixed capital formation (percent of GDP, 2003)	22.4
Foreign direct investment, net inflows (percent of GDP, 2002)	2.6

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

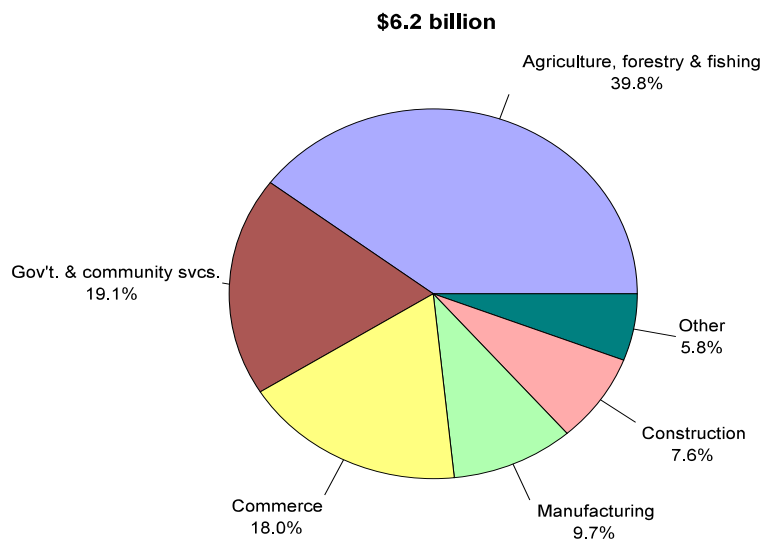
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

⁸¹ Prepared by Kelly Clark, Office of Economics.

⁸² World Trade Organization (WTO), *Trade Policy Review: Uganda*, Report by the Secretariat, WT/TPR/S/93, Nov. 2001, "Part III, Trade Policies and Practices by Measure," p. 31.

Almost 40 percent of GDP is represented by the agriculture, forestry, and fishing sector, and the sector employs 80 percent of the labor force (figure UG-1). The agricultural sector's importance has declined as the economy has diversified. Given the country's large public sector, government and community services account for almost 20 percent of GDP, and these services are growing in importance. Commerce, manufacturing, and construction activities make up an additional 35.3 percent of GDP. Overall, additional processing of manufactured goods appears limited and usually involves only repackaging.

Figure UG-1
Uganda: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Agriculture is dominated by subsistence farming, with food crops accounting for 65 percent of agricultural output, and cash crops, consisting mostly of coffee, cotton, tea, tobacco, vanilla, cut flowers, and cocoa, accounting for 10 percent of agricultural output. Crop cultivation is dominated by smaller holdings with low input technology. There is grazing in drier areas, and livestock products are major nontraditional outputs. Although a land-locked country, nearly 20 percent of the total area of Uganda is open water or swampland, providing substantial fish resources.

Mining contributes a negligible amount to Uganda's total exports.⁸³ Despite the fact that many minerals and metals can be found in Uganda, including copper, cobalt, gold, tin, tungsten, beryllium, columbite, iron ore, limestone, phosphates, salt, clay, kaolin, feldspar, glass sand, diatomite, gypsum, marble, and chromite, the country lacks significant large-scale mining activity.

⁸³ U.S. & Foreign Commercial Service (US&FCS), "Uganda Country Commercial Guide, Fiscal Year 2004," July 30, 2004, found at www.stat-usa.gov, retrieved Mar. 13, 2005.

Foreign direct investment (FDI) in Uganda increased steadily, from approximately \$55 million in 1993 to \$210 million in 1998, after which FDI levels fluctuated around \$150 million during 1999-2002.⁸⁴ Uganda's policy and attitude toward FDI are positive, and industrial zones for the production of exports are planned as a special measure to stimulate investment and promote exports.⁸⁵ There has been significant foreign investment in the past few years in the beverage industry, and most investors are from countries with historical and regional ties to the country, including British and Indian firms, as well as large numbers of Kenyan and South African firms. A substantial part of the FDI has been in the rehabilitation of old industries and not in the creation of new production capacity. In addition to the beverage industry, other industries such as sugar, textiles, cement, footwear, packaging, plastics, and food processing have attracted some FDI.

Export Profile

Exports of agricultural products are a major source of foreign exchange. Uganda's exports have diversified in recent years. Coffee's dominance has decreased as other agricultural goods and processed goods have become more important. The government's focus on increasing the production and export of nontraditional goods such as fish, vanilla, gold, flowers, maize (corn), and cattle hides has played a role in this diversification. Coffee, tea, and spices (42.0 percent), fish and crustaceans (19.7 percent), and tobacco (11.1 percent) are among Uganda's leading export products (table UG-2). Coffee was the largest export at the HS 4-digit level in 2003, accounting for 35.0 percent of total exports (table UG-3). Coffee or fish are Uganda's largest exports, with changes in ranking driven by coffee prices.

Uganda's 44,000 square kilometers of inland water provides for substantial fish resources. Nile perch is found in sufficient abundance to form a commercial fishery. Tilapia also is found in relative abundance. Fish is marketed as both fresh and processed (usually by traditional methods such as smoking).

Like all other traditional cash crops, tobacco production suffered from Uganda's political insecurity and economic mismanagement. Rehabilitation of this industry has been slow; however, exports are expected to increase significantly when a new joint venture between British American Tobacco Uganda and Universal Leaf Tobacco Company of the United States begins production in 2005.⁸⁶

Uganda has adequate land resources, labor, and conducive weather for the production of high-quality cotton. Cotton output is expanding as farmers switch to cotton in the face of declining coffee prices. There are over 35 ginneries in Uganda, although some are dormant, and some are in need of repair or upgrading.⁸⁷ Cotton, yarn, fabric, and apparel are sold

⁸⁴ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

⁸⁵ US&FCS, "Uganda Country Commercial Guide, Fiscal Year 2004."

⁸⁶ "Uganda to become fourth largest exporter of tobacco by 2005," Xinhua, Nov. 22, 2003, found at www.amex.com/?href=/newsDetails/CmnNewsDet.jsp?id=XpressFeed_NewsDetails_1069480832622.html, retrieved Mar. 18, 2005.

⁸⁷ Center for Regional Agricultural Trade Expansion Support, "Cotton-Textile-Apparel Value Chain Report for Uganda," Apr. 2003, found at www.cottonafrica.com/downloads/Uganda_Cotton_VCA.pdf#search='uganda%20cotton', retrieved Mar. 10, 2005.

Table UG-2
Uganda: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
09	Coffee, tea, mate and spices	357,261.3	313,226.8	184,079.2	42.0	-7.1
03	Fish and crustaceans, molluscs and other aquatic invertebrates	14,013.8	37,395.1	86,181.8	19.7	22.4
24	Tobacco and manufactured tobacco substitutes	4,677.4	21,688.6	48,567.5	11.1	29.7
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	1,239.2	12,456.1	27,380.8	6.3	41.0
52	Cotton, including yarns and woven fabrics thereof.	8,222.6	16,942.9	16,023.8	3.7	7.7
41	Raw hides and skins (other than furskins) and leather	9,664.1	4,401.6	14,739.7	3.4	4.8
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.0	871.9	7,850.0	1.8	(¹)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	331.5	2,389.5	5,840.4	1.3	37.5
07	Edible vegetables and certain roots and tubers	1,251.3	4,058.6	5,239.2	1.2	17.2
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	11.6	2,399.8	5,018.0	1.1	96.2
	Other	10,942.8	31,272.0	36,977.0	8.4	14.5
	Total	407,615.7	447,102.8	437,897.4	100.0	0.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table UG-3
Uganda: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee . . .	355,518.1	310,531.6	153,360.9	35.0	-8.9
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	11,020.3	33,726.4	76,378.9	17.4	24.0
2401	Tobacco, unmanufactured (whether or not threshed or similarly processed); tobacco refuse	4,677.4	21,643.8	48,564.0	11.1	29.7
0905	Vanilla beans	0.0	1,154.7	30,014.2	6.9	(¹)
0603	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	1,239.0	9,505.6	19,588.4	4.5	35.9
5201	Cotton, not carded or combed	8,135.5	16,921.7	15,990.7	3.7	7.8
4101	Raw hides and skins of bovine or equine animals (fresh or preserved, but not tanned or further prepared), whether or not dehaired or split	7,333.0	3,508.4	10,424.7	2.4	4.0
0602	Live plants nesoi (including their roots), cuttings and slips; mushroom spawn	0.0	2,938.1	7,792.4	1.8	(¹)
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	0.0	805.9	6,019.0	1.4	(¹)
1801	Cocoa beans, whole or broken, raw or roasted	1,017.3	2,558.8	4,775.0	1.1	18.7
	Other	18,675.2	43,807.7	64,989.2	14.8	14.9
	Total	407,615.7	447,102.8	437,897.4	100.0	0.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

domestically and exported to Kenya, Tanzania, Democratic Republic of the Congo, and Sudan.⁸⁸

Although tea is a marginal export, favorable climate and soil conditions have enabled Uganda to develop some of the world's highest quality tea. It is typically grown on large estates, and some modern production techniques have been incorporated to improve productivity.

Manufactured items represent a small portion of Uganda's exports, and most manufacturing in Uganda is based on processing agricultural commodities almost entirely for domestic consumption. These include refined sugar, plastics, cork, soap, textiles, processed foods, beer, and soft drinks. Large-scale industries include tobacco, beverages, wood and paper products, construction materials, and chemicals, while small-scale manufacturing is dominated by apparel assembly, sugar and maize mills, furniture making, and general workshops.

Most of Uganda's exports have traditionally gone to the European Union. Uganda's leading single-country export markets in 2003 were the Netherlands (13.8 percent), Belgium (10.4 percent), the United States (8.8 percent), Germany (7.8 percent), and Spain (6.3 percent) (table UG-4). Exports to the Common Market for Eastern and Southern Africa (COMESA)⁸⁹ and other African countries have grown in recent years, but not as strongly as expected because of similar production and consumption patterns, as well as the poor infrastructure common to these countries.⁹⁰ In addition, many of the COMESA member countries share the same export markets, whether through historic colonial ties or recent trade preference regimes. However, as exports diversify and infrastructure improves, Uganda's trade with other African countries is expected to increase.

⁸⁸ Industry official, interview by USITC staff, Kampala, Uganda, Mar. 7, 2005.

⁸⁹ For additional information on regional organizations, see app. C.

⁹⁰ U.S. Agency for International Development (USAID), "Integrated Strategic Plan for USAID's Program in Uganda, 2002-2007," June 2001, pp. 87-89, found at www.usaid.gov/locations/sub-saharan_africa/countries/uganda/index.html, retrieved Apr. 14, 2005; and Dannie E. Harrison, James P. McCoy, and Gerry Muuka, "Impediments to Economic Integration in Africa: The Case of COMESA," *The Journal of Business in Developing Nations*, vol. 2, art. 3, 1998, found at www.rh.edu/jbdn/jbdnv203.htm, retrieved Apr. 14, 2005.

Table UG-4
Uganda: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Netherlands	15,869.1	33,660.9	60,467.7	13.8	16.0
Belgium	(¹)	27,955.6	45,383.9	10.4	(²)
United States	36,161.9	22,108.3	38,360.7	8.8	0.7
Germany	55,404.0	37,507.9	34,035.0	7.8	-5.3
Spain	65,972.6	58,276.9	27,678.8	6.3	-9.2
Italy	32,728.4	26,732.4	22,246.1	5.1	-4.2
Rwanda	0.0	9,444.5	19,990.0	4.6	(²)
France	67,570.0	31,858.2	18,229.4	4.2	-13.5
United Kingdom	23,743.3	17,323.8	15,451.4	3.5	-4.7
Portugal	13,144.9	14,241.2	14,515.7	3.3	1.1
Other	97,021.5	167,993.1	141,538.7	32.3	4.3
Total	407,615.7	447,102.8	437,897.4	100.0	0.8

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

All of Uganda's 10 leading exports have strong revealed comparative advantage⁹¹ (RCA) indices, and 8 of the top 10 leading products by RCA index rank are leading exports (appendix E, table E-36). Nine of Uganda's top 10 leading exports are classified as either agricultural goods or nontraditional products, and the one that does not fall into either of these two categories is mineral related. These three categories represent Uganda's top potential export sectors, and although Uganda remains a net importer of services, tourism is a primary source of export earnings and represents another of Uganda's potential export sectors. The strategic export proposals program of the Ministry of Finance identified coffee, cotton, fish, horticulture, Irish potatoes, and livestock/livestock products (including meat, milk, hides, skins, and leather products) as potential growth sectors.⁹²

Coffee has been Uganda's top export, and even though its share of the total has been declining, specialty coffee products have strong export potential. As a group, East African countries produce about 15 percent of the specialty coffees in the world and could potentially produce more. Uganda is currently the leading exporter of organic coffee in Africa. Various attempts also are being made to add value to coffee, sell washed arabica and robusta to the specialty market, popularize local consumption of roasted and ground coffee, and attract an investor to begin soluble coffee production.⁹³

⁹¹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁹² Ministry of Finance, Planning and Economic Development of the Government of Uganda, found at www.finance.go.ug, retrieved, May 4, 2005.

⁹³ Uganda Coffee Development Authority, found at www.ugandacoffee.org, retrieved Apr. 8, 2005.

Conditions are favorable for investment in the production of other agricultural goods for export to the East African Community (EAC) region,⁹⁴ including soybean oil and currently-exported peas and sugar, provided that the inadequate transportation network is improved.⁹⁵ New opportunities also exist to export to the European Union through the Everything But Arms initiative⁹⁶ for traditional agricultural products such as tobacco, maize, and sugar. Uganda is expected to become the second-largest exporter of tobacco in Africa and fourth in the world when Uganda Tobacco Processors (UTP) starts production in 2005. UTP is establishing a \$35-million project as a joint venture between British American Tobacco Uganda and Universal Leaf Tobacco Company of the United States.⁹⁷ Bananas have been a staple food crop in Uganda, and the National Banana Research program was established in 1989 to enhance banana productivity and utilization, thus improving food security and increasing household income.⁹⁸ With continued growth and development in this area, bananas represent a potential export.

Currently, downstream processing of agricultural and manufactured goods is almost entirely for domestic consumption, but the activity represents an export opportunity. Uganda already has an export-oriented agribusiness sector, but there is potential for further development. For example, current textile production is limited, but with modernization of existing plants, continued availability of locally-grown, high-quality cotton, and ample access to water, production for export could substantially increase. Uganda is beginning to develop a cotton-spinning industry, and as with most other sectors, developing related transport logistics is critical. The U.S. Agency for International Development is working with the Government of Uganda, the Cotton Development Organization, ginners, and producers to help Uganda take advantage of AGOA rules of origin and to become a significant supplier of cotton lint, and perhaps cloth, to textile manufacturers in Africa.⁹⁹ In addition, organic cotton is already being grown in Uganda and can garner a premium price over regular cotton.¹⁰⁰ Organic yarn has been exported to Mauritius, Kenya, and Tanzania. The European Union, United States, and Japan are potential export markets for high-quality organic yarn and apparel.

Nontraditional exports have strong RCA indices for Uganda. Fish and fish products are exported to all markets, but most heavily to Australia, and there is potential to increase exports to markets such as the United States and Europe. Uganda is courting Norwegian investors to establish a fish feed-producing plant.¹⁰¹ There is potential in processing fish into finished products such as canned fish, fish sausages, fish soups, and breaded fish. Low-cost species such as tilapia could be processed for the local and regional markets, while premium fish such as Nile perch could be processed for premium markets such as the United States

⁹⁴ For additional information on regional organizations, see app. C.

⁹⁵ Multilateral Investment Guarantee Agency (MIGA), World Bank, *Shedding New Light on Africa's Investment Opportunities*, June 2003, p. 10, found at www.miga.org/screens/pubs/otherpubs/otherpubs/africa_newlight.pdf, retrieved May 24, 2005.

⁹⁶ For additional information, see app. C.

⁹⁷ "Uganda to become fourth largest exporter of tobacco by 2005."

⁹⁸ Uganda National Banana Research Programme, found at www.banana.go.ug, retrieved Apr. 8, 2005.

⁹⁹ Federal Research Division, Library of Congress, Country Studies, 2003, found at <http://countrystudies.us>, retrieved Apr. 15, 2005.

¹⁰⁰ Industry official, interview by USITC staff, Kampala, Uganda, Mar. 7, 2005.

¹⁰¹ "Uganda courts Norwegians to invest in fish sector," *The Monitor*, Feb. 17, 2005, found at <http://allafrica.com/stories/200502160919.html>, retrieved Mar. 2, 2005.

and the European Union. The sector has benefitted from African Development Fund (ADF) project financing.¹⁰²

Additionally, there is potential for development and marketing of high-value materials from fish by-products, such as skins and carcasses. The skins could be tanned and marketed as high-value leather, while both the skins and carcasses may be used as raw materials for gelatin and glue. Fish gelatin is suitable for use in kosher and halal foods. Currently, only one firm converts fish skins into leather for export. Other markets identified for fish leather include South Africa and Asia. There also are opportunities in fish oil and fishmeal production for export to the European Union.¹⁰³

Uganda has a strong RCA index for vanilla. Vanilla has been growing at a rapid pace in world trade,¹⁰⁴ and the two largest producers of vanilla, Indonesia and Madagascar, have decreased their production levels recently. Consequently, Uganda is in a position to increase market share, especially to the United States, the world's largest importer of vanilla. In FY2003, four ADF projects were undertaken in Uganda to develop vanilla exports.

Uganda's varied climate with cooler temperatures at higher elevations, and access to water from Lake Victoria, suggest the possibility of growing a variety of flowers.¹⁰⁵ Floriculture is still a new industry; cut flowers, cut foliage, and, to a lesser degree, pot plant cuttings are the main outputs. Cut flowers include a variety of roses, chrysanthemum cuttings, carnations, and summer flowers. Cut flowers currently are exported to Europe, primarily to the Netherlands where they are sold through auctions and brokers for distribution throughout Europe. They represent a potential export to the United States, as they are duty-free under AGOA, and to other export markets, such as South Africa, Australia, and the United Arab Emirates. Dubai is another potential export market, as it is a new flower center with an auction system and there are direct flights from Uganda to Dubai.¹⁰⁶

Uganda is a substantial exporter of raw hides, but the sector is dominated by one family-owned firm that has expressed no interest in downstream processing such as transforming the hides into leather and leather products.¹⁰⁷ However, given the government's export

¹⁰² The ADF is a U.S. government corporation that provides support directly to African small, medium, and microenterprises and nongovernmental organizations that work at the grassroots level. United States Trade Representative (USTR), *2004 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act*, May 2004, p. 57, found at www.agoa.gov/resources/2004-05-agoa.pdf, retrieved May 24, 2005.

¹⁰³ "Investing in Uganda's fish and fish-farming industry," found at www.ugandainvest.com/fishing.pdf#search='uganda%20fish', retrieved Mar. 10, 2005.

¹⁰⁴ "Sweet hopes for Uganda's vanilla industry," BBC News, June 25, 2003, found at <http://news.bbc.co.uk/2/hi/business/3017876.stm>, retrieved Mar. 8, 2005.

¹⁰⁵ Patrick K. Asea and Darlison Kaija, "Impact of the Flower Industry in Uganda," International Labor Organization, Jan. 2000, found at www.ilo.org/public/english/dialogue/sector/papers/uganflow, retrieved Mar. 29, 2005.

¹⁰⁶ Dubai Flower Centre, found at www.dubaiflowercentre.com/press1.htm, retrieved Apr. 20, 2005.

¹⁰⁷ Michael L. Humphrey and Didier de Senneville, Cargill Technical Services for USAID, "Constraints and Opportunities for Improved Trade and Investment between African and U.S. Companies in Selected Countries (Ghana, Lesotho, Senegal, South Africa, Uganda, Zambia)," African Trade and Investment Policy Project, Sept. 2002, p. 3.

strategy and emphasis on nontraditional and agroprocessing exports, leather and leather products remain a viable potential export for Uganda.

Milk and other dairy products are another potential export. Uganda boasts a growing livestock industry, centered on Ankole cattle, and a growing dairy sector with excess production capacity. With improved transport infrastructure and better storage capability, Uganda could serve the West African market, which has traditionally imported milk from the United States.¹⁰⁸ There is a demand for better breeding techniques, feed, and veterinary care because endemic diseases and the lack of quality standards necessary for export have limited the sector's potential. Other nontraditional potential exports include honey, chilies, ginger, pineapples, silk, oilseeds, and vegetables.¹⁰⁹

The mining and quarrying sector is underdeveloped but constitutes a promising sector for Uganda, as it is endowed with a great diversity of geological formations and structures favorable to mineralization and petroleum entrapment. European mining firms are involved in a \$100-million cobalt reprocessing project at Kilembe, and local gold dealers report some high-quality gold deposits within Uganda as well.¹¹⁰ Exploration activities in the Semliki Basin in western Uganda have reaffirmed the existence of petroleum deposits, and further drilling is planned to assess their size. There have been two conferences (2003 in Kenya and 2005 in Uganda) on the petroleum potential and investment opportunities in the three EAC member countries.¹¹¹ In 2002, mineral surveys were conducted throughout the country, specifically for gold, zinc, copper, and lead in southeastern Uganda; and carbonatite, gold, nickel, diamonds, tantalum, and niobium in other areas. The government also reduced fees for exploration licences.

Since the late 1980s, tourism has been one of the fastest-growing industries and an important source of foreign exchange, but prospects have suffered in recent years because of lack of security, mainly in the north and west of the country. However, security is improving, and Uganda is one of only three countries with rare mountain gorillas, in Bwindi and Mgahinga national parks.¹¹² In addition, Uganda boasts two significant game parks, Queen Elizabeth and Murchison Falls, and a few smaller parks.

Domestic and International Barriers

Uganda's supply constraints include poor physical infrastructure (e.g., roads and railways), unreliable public utilities (e.g., power, water, and telecommunications), weaknesses and lack of transparency in tax administration and commercial justice, low levels of education and skills and low labor productivity, a poor technological research base, a weak export institutional framework, market access problems, limited access to trade finance and market information, and cumbersome customs procedures. These obstacles have hindered Uganda's

¹⁰⁸ Embassy of Uganda official, telephone interview by USITC staff, Washington, DC, Feb. 8, 2005.

¹⁰⁹ John S. Wilson and Victor O. Abiola, editors, The International Bank for Reconstruction and Development/The World Bank, "Enhancing Uganda's Access to International Markets: A Focus on Quality," ch. 5 in *Standards and Global Trade: A Voice for Africa* (Washington, DC: The World Bank, 2003), p. 372.

¹¹⁰ US&FCS, "Uganda Country Commercial Guide, Fiscal Year 2004."

¹¹¹ East African Petroleum Conference, found at www.eac.int/eapc, retrieved Apr. 12, 2005.

¹¹² US&FCS, "Uganda Country Commercial Guide, Fiscal Year 2004."

efforts to expand trade and attract FDI. Despite these constraints, many of Uganda's business environment indicators are, on average, better than the regional averages (table UG-5).

Table UG-5
Uganda: Business environment

	Uganda	Regional average	OECD average
Closing a business: Cost (<i>percent of estate</i>)	38.0	20.5	6.8
Closing a business: Recovery rate (<i>cents on the dollar</i>)	35.5	17.1	72.1
Closing a business: Time (<i>years</i>)	2.1	3.6	1.7
Getting credit: Cost to create collateral (<i>percent of income per capita</i>)	11.9	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	5.9	4.6	6.3
Getting credit: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing contracts: Cost (<i>percent of debt</i>)	22.3	43.0	10.8
Enforcing contracts: Number of procedures	15.0	35.0	19.0
Enforcing contracts: Time (<i>days</i>)	209.0	434.0	229.0
Registering a property: Number of procedures	8.0	6.0	4.0
Registering a property: Cost (<i>percent of property value per capita</i>)	5.5	13.2	4.9
Registering a property: Time (<i>days</i>)	48.0	114.0	34.0
Starting a business: Number of procedures	17.0	11.0	6.0
Starting a business: Cost (<i>percent of income per capita</i>)	131.3	225.2	8.0
Starting a business: Minimum capital (<i>percent of income per capita</i>)	0.0	254.1	44.1
Starting a business: Time (<i>days</i>)	36.0	63.0	25.0
Employment: Difficulty of firing index	0.0	50.6	26.8
Employment: Difficulty of hiring index	0.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	12.0	59.5	40.4
Employment: Rigidity of employment index	7.0	56.0	34.4
Employment: Rigidity of hours index	20.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Uganda, applied rate, 2003)		
All goods			8.6
Agricultural goods			12.1
Nonagricultural goods			8.1

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Like most African countries, Uganda is fairly small, both in terms of population and per-capita income. As a consequence, investment is limited and production and exports are slow to diversify. Many countries in the region produce similar products, and thus compete for the limited investment capital. In addition, many agricultural exports (except tea) are grown by smallholders, so there is a need for organization and consolidation to foster export capability. Small-scale production also limits investment in essential infrastructure that depends on economies of scale for viability.

Governance also reportedly presents a significant impediment, and Uganda ranks as the seventh-most corrupt country in Africa.¹¹³ The 2005 Index of Economic Freedom score for Uganda classifies the country as mostly unfree, with better scores for government intervention and monetary policy than for fiscal burden, property rights, or regulation (table UG-6).

Less than 7 percent of the country's road network paved (table UG-7), and the rail service is mostly unreliable. Most businesses opt to use trucks, but efforts are underway to increase

¹¹³ EIU, *Uganda Country Profile*, p. 21.

Table UG-6
Uganda: Economic freedom

	Uganda	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.1	3.6	2.5
2000 Overall score	(²)	3.7	2.2
2005 Overall score	3.0	3.4	2.2
Trade policy score	3.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

Table UG-7
Uganda: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 1999</i>)	27,000.0
Roads, paved (<i>percent of total roads, 1999</i>)	6.7
Transport services (<i>percent of service exports, BoP, 2002</i>)	15.6
Transport services (<i>percent of service imports, BoP, 2001</i>)	30.5
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	18.1
Internet users (<i>per 1,000 people, 2002</i>)	4.0
Mobile phones (<i>per 1,000 people, 2002</i>)	15.9
Telephone mainlines (<i>per 1,000 people, 2002</i>)	2.2
Electric power transmission and distribution losses (<i>percent of output</i>)	(²)
Energy imports, net (<i>percent of commercial energy use</i>)	(²)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

the usability and efficiency of the railway system. Privatization of the national rail company is nearly complete, and there are proposals for eastern, central, and southern rail links, but these projects have yet to be funded. In addition, the U.S. Trade and Development Agency is partially funding a feasibility study on the upgrade and expansion of Entebbe International Airport on behalf of the Civil Aviation Authority of Uganda.¹¹⁴

Electricity is both intermittent and expensive. Currently, more than 90 percent of energy requirements are met by sources other than petroleum and electricity, with more than \$100 million spent each year on small dry-cell batteries for radios and lighting.¹¹⁵ The

¹¹⁴ USTR, *2004 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa*, p. 44.

¹¹⁵ “Turning on the lights where electricity is rare,” *The New York Times*, Feb. 15, 2005.

Electricity Board was privatized in 2002, and the government has undertaken a 10-year program of rural electrification. Uganda also has huge hydroelectric power potential, with the various lakes and rivers in the country, but little progress has been made in this sector.¹¹⁶ Environmental groups have deterred investors from developing the country's hydroelectric power potential, citing concerns about the environmental effects of dams and power plants on Uganda's forests and waterways.¹¹⁷

Universities suffer from lack of funds and poor staff recruitment. As a result of the decline in the education system and the emigration of skilled labor during the decades of political turmoil, there is a shortage of middle managers and technicians and a lack of entrepreneurs exposed to advanced industrial culture, both of which are necessary for developing export industries, especially those in the industrial sector. In addition, with experience limited to regional and EU markets, Ugandan business managers have little knowledge of the U.S. market, including trends, required standards, methods of doing business, and how to develop contacts, which serves as an impediment to exporting to the United States.¹¹⁸

Major constraints in the mining industry include the lack of local capital sources and basic equipment, outmoded plant and equipment, inadequate repair and maintenance facilities, lack of in-country research and development, incomplete geological and mineral information, low investment levels in feeder industries that consume industrial minerals, and underdeveloped infrastructure.¹¹⁹ Depending on the nature of activities, operations in the sector are subject to exploration, mineral dealer, and mining licences. However, the revised mining statute is expected to reduce the number of licences required to operate in the sector.

There is a high level of loss in the agricultural sector because of the lack of appropriate storage facilities and weak marketing and distribution systems. Partly for this reason, agribusinesses depend on imports. For example, in the edible oil processing sector, the domestic supply of inputs (i.e., sunflower, simsim, cotton seed, soybeans, groundnuts (peanuts), and some oil palm) meets only 20 to 25 percent of the demand of the processing mills. Large oil millers bridge the gap between domestic supply and capacity demand by importing inputs and crude or semifinished edible oil products. Improvement in the domestic supply of agricultural inputs could improve productivity in downstream industries.¹²⁰

In Uganda, flower production, which is increasing worldwide, has become a high-volume, low-margin activity. The Government of Uganda offered tax incentives in the 1990s, when the flower industry was emerging, but these incentives were withdrawn in 2000 because the government thought they were being abused, and there have been no new incentives since then.¹²¹ Price trends have been unfavorable for the Ugandan growers as margins have been narrowing and projected price increases have not materialized.¹²² In addition, flowers are perishable commodities and need proper preservation to maintain quality. The requisite

¹¹⁶ U.S. Energy Information Administration, "Country Analysis Briefs, Great Lakes Region," found at www.eia.doe.gov/emeu/cabs/eafrica.html, retrieved Apr. 1, 2005.

¹¹⁷ Embassy of Uganda official, telephone interview by USITC staff, Washington, DC, Feb. 8, 2005.

¹¹⁸ Humphrey and de Senneville, "Constraints and Opportunities," pp. 3, 5, and 71.

¹¹⁹ Uganda country information, found at www.infomine-africa.com/Uganda.asp, retrieved Mar. 25, 2005.

¹²⁰ United Nations Conference on Trade and Development, "Investment Policy Review of Uganda," 2000, found at www.unctad.org/en/docs/iteipmisc17_en.pdf, retrieved May 24, 2005.

¹²¹ Association official, interview by USITC staff, Kampala, Uganda, Mar. 8, 2005.

¹²² Asea and Kaija, "Impact of the Flower Industry in Uganda."

infrastructure such as refrigerated storage is lacking throughout most of Uganda, especially at the Entebbe airport.

There are concerns over the long-term health of the fish and fish-products industry because of the uncertainty of fish reserves, especially in Lake Victoria. The government is already concerned about overfishing and dwindling fish stocks, but has been unable to establish an effective fishing program to preserve the resource.¹²³

With the removal of textile and apparel quotas in 2005,¹²⁴ the cotton-processing (textile and clothing) industries in Uganda face increased international competition. In this sector in particular, Uganda's production is constrained by higher production costs, fewer economies of scale, and lower capacity utilization as compared with other global suppliers. Capacity utilization has been very low throughout the manufacturing sector, at less than 20 percent for most industries. This is partly because many industries, such as plastics and paper, are dependent on imported inputs, which experience high mark-ups from tariffs and transportation costs. In addition, purchasers in markets such as the United States want large volumes, but the local environment is not conducive to increasing volumes. According to government officials, technical expertise for evaluating export opportunities for manufactured goods is lacking, as is the level of support for these goods, as compared with agricultural goods.¹²⁵

Lack of security is a problem, not only for attracting tourism and the associated services, but also for attracting FDI. Lack of security is especially a problem in the north and west of Uganda. The killings of eight tourists in the Bwindi National Park in Uganda in March 1999 raised security concerns.¹²⁶ The Rwenzori Mountains National Park was closed for a period in the late 1990s because of security concerns. Along similar lines, as noted by a Ugandan government official, the country's history of economic mismanagement and the negative connotation that is associated with it has been a deterrent to doing business in the country.¹²⁷ In addition, the country needs upgraded tourist facilities and an improved transportation network to take full advantage of the tourism sector's potential. Uganda is trying to market Entebbe and Kampala as convention centers, but inadequate facilities limit increased usage.

Registration, documentation, customs procedures, and valuations, along with standards, testing, labeling, and certification requirements for exporting some products to other countries can exceed the capability of Ugandan businesses. These regulations can be especially burdensome for new businesses, small companies, and producers of high-value and small-quantity products. Complying with certain sanitary and phytosanitary requirements for agricultural produce, live animals, and meat products also remains a significant challenge for exporters to the United States and Europe because of the lack of technological resources and the added cost.¹²⁸ In the United States, the pest-risk assessment

¹²³ Humphrey and de Senneville, "Constraints and Opportunities," p. 80.

¹²⁴ For additional information on the Multifiber Arrangement and the removal of textile and apparel quotas in 2005, see app. C.

¹²⁵ Government official, interview with USITC staff, Kampala, Uganda, Mar. 7, 2005.

¹²⁶ EIU, *Uganda Country Profile*, p. 32.

¹²⁷ Embassy of Uganda official, telephone interview by USITC staff, Washington, DC, Feb. 8, 2005.

¹²⁸ The United States maintains sanitary and phytosanitary (SPS) regulations to protect the U.S. food supply. This is done through the Animal Plant and Health Inspection Service (APHIS) and the Food Safety Inspection Service (FSIS) of the U.S. Department of Agriculture. APHIS is responsible for inspecting animal and plant product imports that could harbor pests or disease

from the U.S. Department of Agriculture Animal and Plant Health Inspection Service, required before exporting fresh produce to the U.S. market, has been described as a complicated and lengthy process.¹²⁹ However, the cost of noncompliance can also be high. For example, the European Union instituted a ban on fish and fish products from Uganda in 1999 because of low standards of hygiene.¹³⁰ Also, since April 2003, all exports of fruit and flowers to the European Union have been subject to regular checks to ensure that standards are observed, with failure resulting in fines and blacklisting.

Ugandan officials maintain that government support programs in developed markets such as the United States and the European Union are an impediment to increased exports.¹³¹ As Uganda's primary exports are agricultural goods, domestic supports and tariffs in primary export markets, they maintain, limit the competitiveness of Uganda's agricultural products in those markets.

As the European Union and other African countries have been heavily engaged in trade with Uganda, air transport routes, supply chains, and trade agreements have been in place for some time. However, trade with other regions, including the United States, is in the early stages of development. There is no direct route from Uganda to the United States, and routes via other African countries do not have sufficient capacity. All trade using airfreight is concentrated on Europe. There are both freight capacity and freight cost problems for accessing the U.S. market.

Within Africa, opportunities have been hampered by inefficient or nonexistent transportation networks. The lack of paved roads, rail links, and agreements for transnational flights discourage regional trade. Because of its land-locked status, most goods entering or exiting Uganda pass through Kenya, which has inadequate infrastructure, including the inefficient port of Mombasa, decrepit rail service, and deteriorating roads. Generally, transporting a container of goods between Mombasa and Kampala will take twice the time and expense as transporting that same container between London and Mombasa.¹³² In addition, Uganda's trade with some of its neighbors, specifically Sudan and Democratic Republic of the Congo, is hampered because of the chronic instability in the region.

organisms. FSIS is responsible for assuring that U.S. imported meat, poultry and egg products are unadulterated and properly labeled and packaged. U.S. SPS standards are consistent with the provisions of the WTO SPS Agreement.

¹²⁹ Humphrey and de Senneville, "Constraints and Opportunities," p. 13.

¹³⁰ The ban was lifted in 2000 after shipments were monitored and found not to contain high levels of pesticides and heavy metals.

¹³¹ Embassy of Uganda official, telephone interview by USITC staff, Washington, DC, Feb. 8, 2005; and "Africans' Burden: West's Farm Subsidies," *The New York Times*, Sept. 10, 2003, found at www.nytimes.com/2003/09/10/international/africa/10COTT.html?ei=5007&en=5f72a9bf7b7adf64&ex=1378526400&partner, retrieved Apr. 18, 2005.

¹³² US&FCS, "Uganda Country Commercial Guide, Fiscal Year 2004."

CHAPTER 8

Other Agriculture-Exporting Countries: Ghana, Guinea-Bissau, Malawi, and Swaziland

The agriculture sectors in Ghana, Guinea-Bissau, Malawi, and Swaziland are somewhat diversified. The trademark exports of these countries are cocoa (Ghana), cashews (Guinea-Bissau), tobacco (Malawi), and sugar (Swaziland) (table 8-1). A summary of findings for each of the four countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 8-1
Ghana, Guinea-Bissau, Malawi, and Swaziland, 1999-2003 average share of total exports, by sector

Sector	Ghana	Guinea-Bissau	Malawi	Swaziland
	—— Shares of total exports, 1999-2003 (percent) ——			
Fish and related products	7.4	7.3	0.1	0.7
Coffee, tea, and spices	0.2	0.2	9.4	(¹)
Cocoa	39.9	0.2	(¹)	0.1
Other agriculture	6.5	50.8	78.3	42.3
Forest-based products	14.5	1.1	0.6	7.4
Minerals, metals, and metal products	20.5	1.1	0.8	3.1
Fuels and electrical energy	5.7	35.2	0.2	0.3
Textiles and fibers	0.8	2.6	1.1	2.4
Apparel and related articles	0.2	(¹)	8.3	20.8
Other manufactures	4.2	1.4	1.1	22.8

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Ghana

Ghana's economy has traditionally been focused on exports of cocoa, gold, and timber. Potential Ghanaian exports include raw and processed agricultural products such as fresh cut flowers; fresh and processed fruits and vegetables; fresh and processed seafood; processed cocoa products; processed wood products; apparel and textiles; and light industrial manufactures such as ceramics, cosmetics, fine and costume jewelry, electrical and electronic goods, and handtools, all for the U.S., EU, and sub-Saharan African markets. Services, including offshore data processing and tourism services, are oriented primarily for the U.S. and EU markets. The main barriers to Ghana's potential exports include lack of access to credit; shortages of certain skilled labor; port congestion; often unreliable energy supply; and high energy prices. Sector-specific barriers include smallholder-based agricultural production, poor feeder roads in rural areas, and limited available tourism options because of sector undercapitalization. Poor roads and differing currencies inhibit the expansion of regional trade. Difficulties meeting U.S. and EU sanitary and phytosanitary standards also impede the expansion of Ghanaian agricultural exports to those markets.

Guinea-Bissau

Guinea-Bissau's economy and trade are dependent on the agriculture and fisheries sectors, with the recent emerging influence of the petroleum sector. Products with the best prospects for export growth include cashews, frozen fish, molluscs, cotton, mangoes, lumber, and processed wood products. The country faces many hurdles in developing its exports, including lack of government transparency, social instability, costly and unreliable utilities, inadequate transport and communications infrastructure, and lack of skilled labor and management capacity. High tariffs on fish products were also identified as an international barrier to export growth.

Malawi

Malawi's economy and trade are highly dependent on the agricultural sector, particularly tobacco, sugar, and tea. The sectors with the greatest potential for export development and expansion are the processing of products such as paprika, macadamia nuts, and groundnuts (peanuts); horticultural products such as cut flowers; and textiles and apparel. Despite government efforts, export growth is constrained by inadequate transportation and communication infrastructures, unreliable and costly utilities, excessive government regulation, and a poor business environment. Difficulties meeting sanitary and phytosanitary standards, agricultural support programs in developed countries, and tariff rate quotas on key exports also impede export growth.

Swaziland

Swaziland's economy is dependent on the apparel industry and the agricultural sector. Potential Swazi exports include cane sugar, food preparations, chemical wood pulp, citrus fruit, certain light manufactured products, textiles and apparel, and tourism. Key barriers include high transportation costs, labor scarcity, ambiguous land tenure regulations, and difficulties meeting sanitary and phytosanitary standards.

Economic Overview

Ghana is located in West Africa and is bordered by Côte d'Ivoire, Burkina Faso, Togo, and the Atlantic Ocean. GDP in 2003 totaled \$7.7 billion (table GH-1). Ghana's economy grew by 5.2 percent in 2003, driven primarily by exports of cocoa, gold, and timber. Ghana is endowed with a number of natural resources, including sizeable deposits of gold, diamonds, manganese, and bauxite; offshore deposits of crude petroleum and natural gas; and both coastal and inland fishing. Agricultural production is adversely affected by periodic droughts, deforestation, overgrazing, and soil erosion.² Compared to sub-Saharan Africa (SSA) as a whole, Ghana has a relatively well-developed infrastructure of transportation services, public utilities, and financial services.³

Ghana has a diverse economic base. Services accounted for almost 42 percent of GDP; agriculture, 34 percent; and industry (manufacturing and other industry, including mining), 24 percent (figure GH-1). Within the services sector, tourism ranks as one of the country's most important industries. Tourism is Ghana's third-largest source of foreign exchange earnings after exports of cocoa and gold.⁴

The agriculture, forestry, and fishing sector employs about 60 percent of the Ghanaian workforce.⁵ Cocoa is by far Ghana's most important cash crop and ranked as Ghana's largest source of foreign exchange in 2004, the second largest after gold in 2003. Ghana ranks as the world's second-largest cocoa bean producer after neighboring Côte d'Ivoire. Ghana's cocoa is grown by an estimated 1.6 million peasant farmers.⁶ Other food and industrial crops cultivated in Ghana include bananas, cashew nuts, cassavas, cereals (corn, rice, millet, and sorghum), pineapples, and tobacco. Wood products rank as its third-leading export. Marine and inland fishing is primarily for the domestic market, although small quantities of tuna and shrimp are exported.⁷

¹ Prepared by James Stamps, Office of Economics.

² Central Intelligence Agency (CIA), "Ghana," *The World Factbook*, found at www.odci.gov/cia/publications/factbook/print/gh.html, retrieved Mar. 29, 2005; and Economist Intelligence Unit (EIU), *Ghana Country Profile*, 2004, p. 17.

³ World Bank, *Ghana: International Competitiveness—Opportunities and Challenges Facing Non-Traditional Exports*, Report No. 22421-GH, June 21, 2001, p. iv.

⁴ EIU, *Ghana Country Profile*, p. 25.

⁵ *Ibid.*, p. 33.

⁶ U.S. Department of Agriculture (USDA), Foreign Agricultural Service (FAS), "Ghana Cocoa Situation Report, 2000," *GAIN Report* No. GH0002, Oct. 6, 2000, p. 3.

⁷ EIU, *Ghana Country Profile*, p. 36; and Ghana Investment Promotion Centre (GIPC), "Country Overview: Economic Overview," p. 1, found at www.gipc.org.gh, retrieved Mar. 29, 2004.

Table GH-1
Ghana: Basic economic indicators

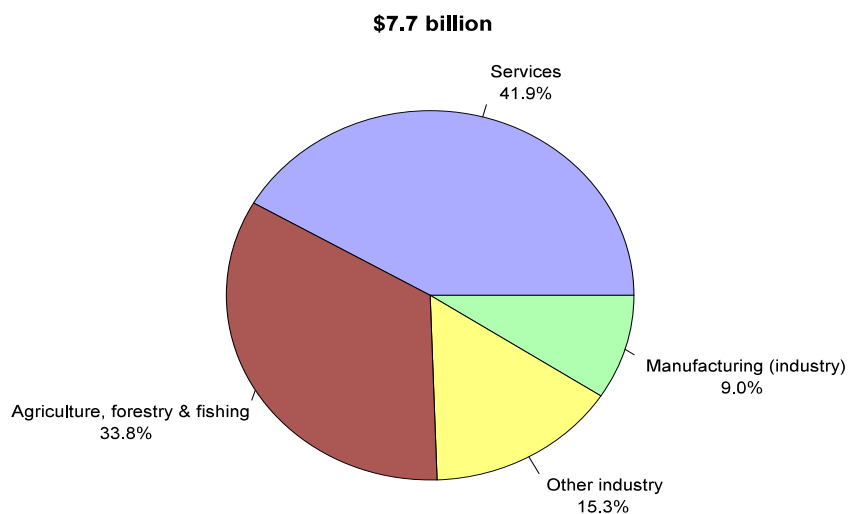
	MRV¹
GDP (current US\$, millions, 2003)	7,658.8
GDP growth (annual percent, based on local currency, 2003)	5.2
GDP per capita growth (annual percent, based on local currency, 2003)	2.5
Inflation, consumer prices (annual percent, 2003)	26.7
External debt, total (current US\$, millions, 2002)	7,338.2
Total debt service (percent of exports of goods and services, 2002)	8.0
Exports of goods and services (percent of GDP, 1999)	37.2
Trade (percent of GDP, 2003)	88.1
Official exchange rate (local currency unit per US\$, period average, 2003)	8,677.4
Population, total (millions, 2003)	20.4
Population growth (annual percent, 2003)	1.7
Labor force, total (millions, 2003)	9.9
Labor force participation rate, total (percent, 2002)	49.7
Literacy rate, adult total (percent of people ages 15 and above, 2002)	73.8
Primary school enrollment ratio, total (percent, 2000)	80.0
Secondary school enrollment ratio, total (percent, 2000)	36.0
Land use, arable land (percent of total, 2001)	16.3
Gross capital formation (percent of GDP, 2003)	19.4
Gross fixed capital formation (percent of GDP, 2003)	21.8
Foreign direct investment, net inflows (percent of GDP, 2002)	0.8

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Figure GH-1
Ghana: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Ghana's diverse industrial base includes mining, aluminum smelting, agricultural processing, and light industry. Mining ranks as one of Ghana's top sources of foreign exchange, with gold exports accounting for about 95 percent of Ghana's total mining export earnings.⁸ Ghana's manufacturing subsector is geared towards light industry, and has not changed significantly since the 1980s. Key industries include cement, ceramics, electronics assembly, food and beverages, fine and costume jewelry, petroleum refining, pharmaceuticals, seafood, and textiles and apparel.⁹

Ghana has a population of 20.4 million people and an available labor force of 9.9 million workers. The literacy rate for Ghana's population ranks close to the SSA average,¹⁰ and wages for Ghanaian labor generally are considered internationally price competitive.¹¹

Ghana generally is perceived as an attractive location for foreign direct investment (FDI).¹² The only precondition for FDI in Ghana is that investors meet a minimum capital requirement.¹³ Foreign direct investment trends in Ghana are highly variable, and show a significant decline since 1999, reflecting highly variable levels of investment in Ghana's capital-intensive mining sector, and sharply lower inflows associated with reduced activity in Ghana's privatization efforts after 1999.¹⁴

Export Profile

Ghana has few controls on exports. Ghana's export regime provides for duty drawback and value-added tax refunds for exporters. Companies that export more than 70 percent of their products qualify as foreign trade zone (FTZ) companies. This qualification allows for zero duty on imports used as production inputs and a 10-year income tax exemption.¹⁵ Despite efforts by the Government of Ghana to expand nontraditional exports, Ghana's main foreign exchange earners continue to be its traditional exports¹⁶—cocoa beans, gold, and wood products. Receipts from tourism have emerged as an increasingly important source of foreign exchange since 1999. Cocoa accounts for more than one-half of Ghana's earnings from merchandise exports (table GH-2). Other key Ghanaian exports include aluminum (Ghana's main processed mineral export), pineapples, fish products, processed wood products, petroleum products, cocoa paste and cocoa butter, and manganese (table GH-3).

⁸ George J. Coakley, "The Mineral Industry of Ghana," *U.S. Geological Survey Minerals Yearbook, 2002*, found at <http://minerals.usgs.gov/minerals/pubs/country/2002/ghmyb02.pdf>, retrieved Mar. 30, 2005.

⁹ EIU, *Ghana Country Profile*, p. 39.

¹⁰ Literacy refers to either English or a known Ghanaian language. Since much of literature and mass communication in Ghana is in English, the reported effective literacy level was 46.9 percent. GIPC, "Industry Information: Infrastructure," p. 12, found at www.gipc.org.gh, retrieved Mar. 29, 2004.

¹¹ World Bank, *Ghana: International Competitiveness*, p. 4.

¹² World Bank, *Ghana: International Competitiveness*, p. 6.

¹³ The minimum capital required for foreign investors is \$10,000 for joint ventures with Ghanaians or \$50,000 for enterprises wholly owned by non-Ghanaians. U.S. Department of State telegram, "Ghana 2005 Investment Climate Statement," message reference No. 02536, prepared by U.S. Embassy, Accra, Dec. 22, 2004.

¹⁴ In 2000, Ghana ranked as the 21st largest FDI destination in Africa. World Bank, *Ghana: International Competitiveness*, p. 6.

¹⁵ *Ibid.*, p. 42.

¹⁶ Ghana's official definition of "nontraditional exports," adopted in 1995, includes all merchandise exports except for cocoa beans, logs and lumber, and mining products; other exports are considered "traditional." World Bank, *Ghana: International Competitiveness*, p. i.

Table GH-2
Ghana: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
18	Cocoa and cocoa preparations	387,353.4	569,991.3	883,658.4	51.3	9.6
44	Wood and articles of wood; wood charcoal	246,006.7	212,632.5	221,914.0	12.9	-1.1
08	Edible fruit and nuts; peel of citrus fruit or melons	17,416.6	31,864.0	97,069.6	5.6	21.0
76	Aluminum and articles thereof	228,507.8	140,322.0	86,304.4	5.0	-10.3
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	9,935.5	75,251.5	82,624.6	4.8	26.5
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	28,227.9	79,573.2	61,990.9	3.6	9.1
26	Ores, slag and ash	30,395.9	33,752.1	54,297.4	3.2	6.7
03	Fish and crustaceans, molluscs and other aquatic invertebrates	42,828.1	35,608.5	47,247.1	2.7	1.1
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	226,928.8	219,855.6	37,121.8	2.2	-18.2
07	Edible vegetables and certain roots and tubers	7,126.3	15,797.5	22,668.8	1.3	13.7
	Other	105,115.6	272,061.7	128,682.8	7.5	2.3
	Total	1,329,842.6	1,686,709.9	1,723,579.8	100.0	2.9

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GH-3
Ghana: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
1801	Cocoa beans, whole or broken, raw or roasted	324,582.1	495,305.7	799,385.5	46.4	10.5
4407	Wood sawn or chipped lengthwise, sliced or peeled, more than 6 mm (.236 in.) thick	131,240.8	127,113.3	107,604.5	6.2	-2.2
7601	Aluminum, unwrought	225,998.9	133,427.7	85,132.1	4.9	-10.3
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	9,930.9	75,216.7	82,609.9	4.8	26.5
4408	Veneer sheets and sheets for plywood and other wood sawn lengthwise, sliced or peeled, not more than 6 mm (.236 in.) thick	25,646.2	59,166.6	73,614.2	4.3	12.4
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	15,924.9	23,701.8	70,548.3	4.1	18.0
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	26,162.8	57,165.0	58,367.2	3.4	9.3
1803	Cocoa paste, whether or not defatted	12,252.3	17,365.3	39,030.8	2.3	13.7
1804	Cocoa butter, fat and oil	48,199.2	54,395.4	35,625.5	2.1	-3.3
2602	Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20% or more, based on dry weight	16,272.2	29,811.9	34,772.8	2.0	8.8
	Other	493,632.3	614,040.4	336,889.0	19.5	-4.2
	Total	1,329,842.6	1,686,709.9	1,723,579.8	100.0	2.9

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Ghana's total cocoa bean production for the 2003-04 season ending in September 2004 was a record high of nearly 735,000 metric tons.¹⁷ As a result, cocoa exports based on the 2003-04 crop season were valued at \$1.2 billion, also a record high.¹⁸ Beans make up more than 80 percent of Ghana's cocoa exports,¹⁹ with the remainder consisting of processed products—primarily cocoa butter and smaller amounts of cocoa liquor and paste, as well as cocoa powder, cocoa cake, and chocolate.²⁰ Cocoa bean production has increased in part because of Ghanaian government support to farmers for pest and disease control, planting of improved hybrids, and higher cocoa prices.²¹ In addition, as much as 100,000 metric tons of cocoa beans reportedly were routed through and shipped from Ghana during the 2003-04 season by farmers from Côte d'Ivoire because of that country's civil unrest and difficulties in exporting from Ivorian ports.²²

Ghana's export earnings from gold were second only to cocoa earnings in 2004, primarily because of the surge in the volume of cocoa shipments; gold was Ghana's top export earner in 2003, when total cocoa shipment volume was at a more typical level. Ghana's gold export earnings in recent years have benefitted from higher world gold prices.

Exports of nontraditional crops also have increased in recent years, although export values remain low relative to Ghana's traditional exports. For example, production and exports of pineapple (prepared or preserved) and fish products have increased, aided by available air and sea shipments to major European markets.²³ Exports of unwrought aluminum and aluminum ores and concentrates have declined significantly during the past 10 years, while exports of aluminum plates and sheets have increased during the period. Similarly, exports of processed wood products have increased, while exports of upstream wood products have declined.²⁴ Nearly 200 companies in Ghana export sawn timber, with a smaller number of companies exporting profiled and machined timber, veneers, plywood, doors, furniture parts, flooring, and other wood products.²⁵

Continued growth and development of tourism is an important component of Ghana's economic development strategy. Ghana's annual tourism receipts nearly doubled between 1998 and 2002 to \$520 million, with the number of annual tourist arrivals increasing steadily

¹⁷ Production totaled 497,000 mt in 2002-03, and 340,000 mt in 2001-02. Ghana's second-highest production, 580,869 mt, was recorded during the 1964-65 cocoa season. Ghana Cocoa Board, "Performance of the Cocoa Sector in the 2003-04 Cocoa Year," news release, Apr. 2, 2005, found at www.cocobod.gh/News_Details.cfm?EmpID=869, retrieved Apr. 7, 2005.

¹⁸ Ibid.

¹⁹ In recent years, Ghana has imported 15,000-50,000 mt of cocoa beans. USDA, FAS, "Ghana Cocoa Situation Report, 2000," *GAIN Report* No. GH0002, Oct. 6, 2000, p. 2.

²⁰ Ibid.

²¹ U.S. Department of State telegram, "Ghana: Response to Request for Information for USITC Study on Export Opportunities and Barriers in AGOA-Eligible Countries," message reference No. 08545, prepared by U.S. Embassy, Accra, Feb. 17, 2005.

²² EIU, *Ghana Country Profile*, p. 34.

²³ Ibid., p. 46; and GIPC, "Ghana Investment Profile: Cash Crops and Food Production and Processing," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

²⁴ EIU, *Ghana Country Profile*, p. 46.

²⁵ Ghana Forestry Commission, Timber Industry Development Commission, "Structure of the Ghana Timber Industry," found at www.ghanatimber.org/industry/structure.asp, retrieved Apr. 7, 2005.

to more than 482,000 by 2002.²⁶ The main sources of tourism in Ghana are the United Kingdom, the United States, Germany, and France.²⁷ The Government of Ghana is encouraging investment in historic and cultural areas as well as in beach and lakefront areas to enhance the country's status as an internationally competitive tourist destination.²⁸

The European Union is by far Ghana's leading export market, with the United Kingdom, France, the Netherlands, and Germany the largest EU partners, followed by Japan; the United States ranked 7th behind Italy (table GH-4). The Netherlands is the largest market for Ghana's cocoa beans, processing much of Ghana's cocoa,²⁹ and accounting for 22 percent of Ghanaian 2002-03 exports of cocoa beans, by value. Other leading cocoa bean markets include the United Kingdom (14 percent), Japan (13 percent), and Turkey (11 percent); the United States accounts for less than 1 percent.³⁰ Italy, the United States, and France are the largest export markets for Ghana's timber.³¹ Germany and the United States are the only major export markets for which Ghana's exports declined during 1994-2003.

Table GH-4
Ghana: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United Kingdom	212,760.9	248,477.0	234,382.9	13.6	1.1
France	94,677.5	100,717.9	176,762.7	10.3	7.2
Netherlands	71,834.2	196,786.9	172,324.7	10.0	10.2
Germany	241,613.0	108,565.7	131,895.0	7.7	-6.5
Japan	63,238.0	66,165.9	117,273.3	6.8	7.1
Italy	83,195.6	189,985.4	101,462.4	5.9	2.2
United States	205,219.9	219,436.5	93,228.2	5.4	-8.4
Turkey	4,299.3	18,157.2	91,131.5	5.3	40.4
Spain	40,001.7	47,737.1	86,339.3	5.0	8.9
Belgium	(¹)	77,667.3	81,886.5	4.8	(²)
Other	313,002.6	413,013.0	436,893.3	25.3	3.8
Total	1,329,842.6	1,686,709.9	1,723,579.8	100.0	2.9

¹ Not available.

² Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to gold exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

²⁶ EIU, *Ghana Country Profile*, p. 45. One source estimated that 27 percent of tourist arrivals were overseas Ghanaians. African Development Bank/Organization for Economic Cooperation and Development, "Ghana," *African Economic Outlook*, 2003, p. 166.

²⁷ EIU, *Ghana Country Profile*, p. 45.

²⁸ GIPC, "Ghana Investment Profile: Travel and Tourism," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

²⁹ EIU, *Ghana Country Profile*, p. 47.

³⁰ Ghana Cocoa Board, "Cocoa Bean Exports by Destination," found at www.cocobod.gh/cocoa_beans_export.cfm, retrieved Apr. 8, 2005.

³¹ Ghana Forestry Commission, Timber Industry Development Division, "Ghanaian Timber Statistics," found at www.ghanatimber.org, retrieved Apr. 8, 2005.

Sectors with the Greatest Export Growth Potential

Ghana has excellent growing conditions to support an export-oriented floriculture industry, particularly to supply fresh cut flowers to European markets. Direct flights from Ghana to Europe are significantly shorter than flights from other major African flower-producing countries. Although current production is very small, potential Ghanaian exports include hibiscus, gladioli, roses, ornamental palms, ferns, chrysanthemums, and sunflowers. Ghana's floriculture industry is at an early stage of development relative to other major flower producers in Africa; only one Ghanaian company currently exports fresh cut flowers to Europe.³²

Ghana is, and is likely to remain, a globally competitive producer and exporter of cocoa beans as a result of the country's natural resource endowments, favorable conditions for cocoa production, and the expanding world market for cocoa beans, as shown in the revealed comparative advantage³³ (RCA) analysis (appendix E, table E-13). Based on Ghana's significant agricultural resources, generally favorable growing conditions, and available arable land, potential exports include food and cash crops (corn, rice, plantains, cassava, and yams) for SSA and world markets; fresh and processed fruits (pineapples, papayas, mangoes, and other off-season fruits) for EU and U.S. markets; fresh and processed vegetables (fresh and canned tomatoes, tomato paste, chilies and hot sauces, squash, and frozen vegetables); processed food products (cottonseed, corn, and palm oil; flour; cassava starch; tapioca; and pasta); cigarettes; beer and other alcoholic beverages; confectionery goods, chewing gum, and sweet biscuits; and food sector technology and services (including fertilizers, insecticides, pesticides, and fungicides) for SSA markets.³⁴ In addition, the RCA analysis shows Ghana to be a competitive supplier in the growing world market for cocoa butter, fat, and oil, in line with other assessments of potential Ghanaian exports of processed cocoa products (cocoa butter and paste, chocolate, and cocoa preparation).

Ghana has significant coastal and inland fishing resources; however, farmed fishing is at a minimal level. Potential exports for European and SSA markets include fresh and processed (salted, smoked, canned, and block and individually quick-frozen) seafood. Marine species include grouper, red snapper, croaker, barracuda, cuttlefish, shrimp, anchovy, chub mackerel, sardines, and tuna; inland (fresh-water) fish from Lake Volta include tilapia and African perch.³⁵ Based on the RCA analysis, Ghana ranks as highly competitive in the export of certain categories of processed seafood.

³² GIPC, "Ghana Investment Profile: Floriculture," found at www.gipc.org.gh, retrieved Mar. 31, 2005; and Multilateral Investment Guarantee Agency (MIGA) and World Bank, *Shedding New Light on Africa's Investment Opportunities* (Johannesburg: June 2003), p. 11.

³³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

³⁴ GIPC, "Ghana Investment Profile: Cash Crops and Food Production and Processing," found at www.gipc.org.gh, retrieved Mar. 31, 2005; and MIGA and World Bank, *Shedding New Light*, table 1.

³⁵ GIPC, "Ghana Investment Profile: Seafood Processing," found at www.gipc.org.gh, retrieved Mar. 31, 2005; MIGA and World Bank, *Shedding New Light*, table 1; and World Bank, *Ghana: International Competitiveness*, p. 24.

There is small-scale local production of apparel produced from local wax, batik, tie-dye, and screen-printed fabrics, as well as imported fabric. Small quantities of Afrocentric apparel currently are exported. There is product- and market-specific export potential for Afrocentric clothing, large-scale apparel manufacturing, hand-woven indigenous textiles, and high-end designer wear. There is the potential to export Afrocentric articles made from traditional woven fabrics such as Kente cloth to SSA markets as well as niche products to markets in Europe and the United States.³⁶ Ghana also could potentially export clothing made of synthetic fabrics and footwear to SSA markets;³⁷ Ghana currently exports small quantities of such products to neighboring countries.³⁸

With significant clay deposits and a tradition of producing a wide range of ceramic articles, Ghana's potential exports to EU and U.S. markets include traditional and contemporary pottery; structural ceramics such as bricks and tiles; dishware; electrical products such as insulators, plugs, and capacitors; sanitary items such as sinks and wash basins; and clinical items such as dental fixtures and bone joints.³⁹ Potential exports of electrical equipment, based on Ghana's current low-volume electrical appliance assembly and fabrication, include equipment such as transformers, traffic signals, generators, air conditioners, and household appliances, as well as consumer electronics such as televisions for SSA markets.⁴⁰ Given the relatively large number of small-scale artisans producing jewelry and using the country's abundant supply of raw materials, potential jewelry exports to SSA and international markets include handcrafted and machine-made fine jewelry, costume jewelry, and jewelry accessories and tools.⁴¹ Ghana also has the potential to expand production and exports to SSA markets of handtools, including agricultural tools (e.g., machetes, spades, and shears) and construction tools (e.g., saws, wrenches, hammers, and chisels). The range of production is limited by the lack of access to materials such as shock resisting and high carbon steel.⁴² The Government of Ghana is promoting greater production of processed wood products for markets in Europe, the United States, and South Africa. Based on the RCA analysis, Ghana ranks as a competitive supplier to the growing world market of veneer sheets and plywood. Potential downstream wood exports include handicrafts; finished and semifinished furniture, moldings and machined wood; flooring; door, window, and cabinet frames and panels; and paper and paperboard.⁴³

In addition to the above-mentioned products, Ghana also has the potential to produce and export a wide variety of products currently imported. One such key product is aluminum. While the RCA analysis shows Ghana's high competitiveness as a supplier of primary

³⁶ GIPC, "Ghana Investment Profile: Cotton Textiles," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

³⁷ MIGA and World Bank, *Shedding New Light*, table 1.

³⁸ GIPC, "Ghana Investment Profile: Apparel," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

³⁹ GIPC, "Ghana Investment Profile: Ceramics," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

⁴⁰ GIPC, "Ghana Investment Profile: Electrical and Electronic Goods," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

⁴¹ GIPC, "Ghana Investment Profile: Fine and Custom Jewelry," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

⁴² GIPC, "Ghana Investment Profile: Hand Tools," found at www.gipc.org.gh, retrieved Mar. 31, 2005.

⁴³ GIPC, "Ghana Investment Profile: Furniture and Wood Processing," found at www.gipc.org.gh, retrieved Mar. 31, 2005; MIGA and World Bank, *Shedding New Light*, p. 12; and World Bank, *Ghana: International Competitiveness*, p. 18.

unwrought aluminum, that competitiveness has declined in recent years, in part perhaps because of the country's electricity supply problems in this energy-intensive industry. Ghana's future competitiveness is likely to be in the production of downstream aluminum products such as sheets and plates. The RCA analysis also shows Ghana to be a globally competitive supplier of manganese ores and concentrates. Although the RCA analysis does not show Ghana to be a competitive diamond supplier despite the country's diamond mining potential, this may be because of reported poor management in the sector and diamond smuggling, resulting in current diamond production of about one-fourth of capacity.⁴⁴

Additional products with export potential for Ghana identified by other sources include foam mattresses, cosmetics and hair products,⁴⁵ soaps, and pharmaceuticals for SSA markets.⁴⁶ In addition, the Government of Ghana is actively seeking to expand the production and export of nontraditional products (i.e., products other than cocoa beans and gold). To this end, several small-scale pilot projects are underway in five export-oriented areas: accelerated textile and apparel production to take advantage of AGOA, salt mining, cotton production, cassava production for industrial starch, and palm oil production.⁴⁷

Tourism is Ghana's third-leading source of foreign exchange revenue, and the continued expansion of tourism services is an important component of Ghana's economic development strategy. Potential opportunities also exist for the expansion of tourism-related services for both foreign visitors and returning visits from Ghanaians living abroad.⁴⁸ The provision of offshore data processing for English-speaking countries also is a potential source of foreign exchange revenue for Ghana.⁴⁹

Domestic and International Barriers

The business climate in Ghana generally is as good as, or better than, the average for SSA (table GH-5). A notable exception is the time required to register a property, which is more than three times the regional average. In addition, for four of the five employment market indicators, Ghana scored better than the OECD average. Despite reports of a lack of transparency in government operations,⁵⁰ Ghana generally ranks better than average for SSA with respect to economic freedom (table GH-6). Despite a better-than-average property rights score, several investors have longstanding and expensive investment and trade disputes with the Government of Ghana.⁵¹ In addition, its relatively high average import tariffs are reflected in the trade policy score, which was worse than the regional average.

⁴⁴ EIU, *Ghana Country Profile*, p. 37.

⁴⁵ World Bank, *Ghana: International Competitiveness*, p. 13.

⁴⁶ MIGA and World Bank, *Shedding New Light*, table 1.

⁴⁷ GIPC, "Country Overview: Economic Overview—President's Special Initiatives," found at www.gipc.org.gh, retrieved Mar. 29, 2005; and U.S. Department of State telegram, "Ghana: Response to Request."

⁴⁸ GIPC, "Ghana Investment Profile: Travel and Tourism."

⁴⁹ World Bank, *Ghana: International Competitiveness*, p. 13.

⁵⁰ *Ibid.*, p. 25; and EIU, *Ghana Country Profile*, p. 39.

⁵¹ U.S. Department of State telegram, "Ghana: Response to Request."

Table GH-5
Ghana: Business environment

	Ghana	Regional average	OECD average
Closing a business: Cost (percent of estate)	18.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	28.2	17.1	72.1
Closing a business: Time (years)	1.9	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	37.9	41.8	5.2
Getting credit: Credit information Index	2.0	2.1	5.0
Getting credit: Legal rights index	5.0	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	1.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	14.4	43.0	10.8
Enforcing contracts: Number of procedures	23.0	35.0	19.0
Enforcing contracts: Time (days)	200.0	434.0	229.0
Registering a property: Number of procedures	7.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	4.1	13.2	4.9
Registering a property: Time (days)	382.0	114.0	34.0
Starting a business: Number of procedures	12.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	87.5	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	31.4	254.1	44.1
Starting a business: Time (days)	85.0	63.0	25.0
Employment: Difficulty of firing index	50.0	50.6	26.8
Employment: Difficulty of hiring index	11.0	53.2	26.2
Employment: Firing costs (weeks)	25.0	59.5	40.4
Employment: Rigidity of employment index	34.0	56.0	34.4
Employment: Rigidity of hours index	40.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties (Ghana, applied rate, 2000)		
All goods			14.6
Agricultural goods			20.1
Nonagricultural goods			13.8

Note.— Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table GH-6
Ghana: Economic freedom

	Ghana	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	3.5	3.6	2.5
2000 Overall score	3.2	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	4.0	3.9	2.2
Fiscal burden of government score	3.0	3.9	3.6
Government intervention in the economy score	1.5	2.6	2.5
Monetary policy score	5.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	3.5	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Reported customs impediments include inefficiencies and delays because of paperwork requirements and inefficient document handling.⁵² Exporters reported delays in receiving duty drawback and value-added tax refunds on imported inputs.⁵³ Ghana's Gateway Program, sponsored by the World Bank to enhance the country's global competitiveness by promoting private-sector investment in infrastructure improvement, includes measures to improve customs efficiencies and speed inspection and valuation procedures.⁵⁴ As with other SSA countries, the absence of market research and poor marketing also were reported as impediments to Ghanaian exports.⁵⁵

Impediments reported in Ghana's financial sector include the focus of commercial banks on high-income customers and large businesses, high transactions costs, high interest rates, and preference for short-term finance such as trade finance, rather than long-term investment finance.⁵⁶ The high cost of local financing is a significant constraint,⁵⁷ inhibiting the expansion of most Ghanaian businesses beyond their current micro-scale operations, rendering most Ghanaian manufacturers incapable of meeting the demand of large U.S. wholesalers and retailers.⁵⁸ Larger firms reportedly resort to using retained earnings to finance working capital rather than seeking loans because of the slow delivery of banking services in Ghana.⁵⁹

Other reported impediments include high electricity prices;⁶⁰ poor road quality, which impedes the timely delivery of goods, especially during the rainy season;⁶¹ congestion at Ghana's ports and airport; high freight rates, particularly with respect to shipments to the United States versus shipments to Europe;⁶² and the limited network of cold storage facilities in Ghana, which increases the likelihood of spoilage of fresh fruits and vegetables between harvest and export.⁶³ In general, Ghana's transportation and public utilities infrastructure is extensive (table GH-7), but needs much more investment.⁶⁴

Ghana has an abundant supply of unskilled labor, but skilled labor generally is considered to be in short supply and a factor limiting the country's future competitiveness across all sectors.⁶⁵ The shortage of highly skilled workers also limits the ability of Ghanaian producers to improve their product quality and focus on more sophisticated processed and downstream products.⁶⁶

⁵² World Bank, *Ghana: International Competitiveness*, pp. 44-45.

⁵³ *Ibid.*

⁵⁴ *Ibid.*, p. 45; and World Bank, "Trade and Investment Gateway Project," found at <http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=351952&menuPK=351984&Projectid=P000970>, retrieved Apr. 6, 2005.

⁵⁵ World Bank, *Ghana: International Competitiveness*, p. 58.

⁵⁶ EIU, *Ghana Country Profile*, pp. 41-42.

⁵⁷ World Bank, *Ghana: International Competitiveness*, pp. 55-56.

⁵⁸ U.S. Department of State telegram, "Ghana: Response to Request."

⁵⁹ World Bank, *Ghana: International Competitiveness*, p. 56.

⁶⁰ EIU, *Ghana Country Profile*, pp. 18, and 22-23.

⁶¹ U.S. Department of State telegram, "Ghana: Response to Request."

⁶² *Ibid.*

⁶³ World Bank, *Ghana: International Competitiveness*, p. 28.

⁶⁴ EIU, *Ghana Country Profile*, p. 18.

⁶⁵ *Ibid.*, p. 5.

⁶⁶ *Ibid.*, p. 22.

Table GH-7
Ghana: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 2001)	46,179.0
Roads, paved (percent of total roads, 2001)	18.4
Transport services (percent of service exports, BoP, 2002)	20.7
Transport services (percent of service imports, BoP, 2002)	43.0
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	33.4
Internet users (per 1,000 people, 2002)	7.8
Mobile phones (per 1,000 people, 2002)	20.7
Telephone mainlines (per 1,000 people, 2002)	12.7
Electric power transmission and distribution losses (percent of output, 2001)	14.7
Energy imports, net (percent of commercial energy use, 2001)	26.7

¹ Most recent year for which data are available between 1999 and 2003.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

In addition to the economywide constraints identified above, various sector-specific obstacles impede export growth. Ghana’s agricultural sector predominantly consists of smallholder plots characterized by traditional (nonmechanized) land-use methods, with few large-scale farms and plantations.⁶⁷ Agricultural productivity is further restricted by Ghana’s complex land tenure system, which makes it difficult to establish clear title. In addition, poor feeder roads in rural areas limit the movement of agricultural and forestry products to processing centers and ports.⁶⁸ In the wood processing sector, Ghana is in danger of depleting its forest resources and being unable to supply important export markets because of the country’s poor forest management policies.⁶⁹ The lack of design skills also was reported as a constraint in the development of wood products for EU and U.S. markets.⁷⁰ Productivity in this sector is low by international standards because of the use of outdated equipment and inadequate access to the financing needed to upgrade production.⁷¹ In the seafood sector, stable and reliable supplies of electricity and water remain problematic. Despite being registered FTZ companies, tuna exporters reported problems with respect to customs clearance delays and noted that, although shipping time has improved since 2000, document clearance time has increased, with the result that vessels arrive in European ports ahead of the documents.⁷² Ghana’s tourism sector is undercapitalized and much of the country’s tourism potential is underdeveloped. This sector faces a shortage of hotels, particularly those with four-star rating or above, which constrains Ghana’s available tourism resources.⁷³

As is the case for other SSA countries, producers and exporters in Ghana expressed the concern that Ghanaian agricultural exports might face difficulties meeting sanitary and phytosanitary standards in EU and U.S. markets.⁷⁴ Poor roads linking Ghana to its neighbors are a significant impediment to Ghanaian exports to regional SSA countries, as most of Ghana’s exports to neighboring countries are exported by road. Ghanaian exporters also

⁶⁷ GIPC, “Cash Crops and Food Production and Processing.”

⁶⁸ EIU, *Ghana Country Profile*, p. 39; and World Bank, *Ghana: International Competitiveness*, p. 25.

⁶⁹ World Bank, *Ghana: International Competitiveness*, p. 23.

⁷⁰ *Ibid.*, p. 39.

⁷¹ *Ibid.*, p. 18.

⁷² *Ibid.*, pp. 25-26

⁷³ EIU, *Ghana Country Profile*, p. 45.

⁷⁴ World Bank, *Ghana: International Competitiveness*, p. 30.

report that some members of the Economic Community of West African States (ECOWAS)⁷⁵ assess duties and quotas on Ghanaian exports that should be duty and quota free, creating a barrier to regional trade. Ghanaian exporters also report that currency conversion complications between the Ghanaian currency and the CFA franc used by francophone members of ECOWAS add costs to cross-border transactions and impede regional trade.⁷⁶

⁷⁵ For additional information on regional organizations, see app. C.

⁷⁶ *Ibid.*, p. 32.

Guinea-Bissau⁷⁷

Economic Overview

Guinea-Bissau has a population of 1.5 million, with a per capita GDP of \$157, one of the lowest rates in the world. Its external debt (\$699.2 million) is nearly three times as large as its annual GDP (\$235.7 million) (table GB-1). Exports as a percent of GDP were more than 50 percent. After declining by 1.2 percent in 2003, GDP was estimated to have decreased by 7 percent in 2004.⁷⁸ A civil war that erupted in June 1998 displaced several hundred thousand people and disrupted the economy;⁷⁹ real GDP fell by 28.1 percent in 1998, and the industrial and services sectors declined by 40 percent.⁸⁰ Although the civil war ended in mid-1999, followed by a peace agreement in February 2000,⁸¹ the country has continued to experience civil unrest and abrupt changes in government.⁸² Output had yet to reach pre-war levels by the end of 2003.

Table GB-1
Guinea-Bissau: Basic economic indicators

	MRY ¹
GDP (current US\$, millions, 2003)	235.7
GDP growth (annual percent, based on local currency, 2003)	-1.2
GDP per capita growth (annual percent, based on local currency, 2003)	-16.9
Inflation, consumer prices (annual percent, 2003)	-1.6
External debt, total (current US\$, millions, 2002)	699.2
Total debt service (percent of exports of goods and services)	(?)
Exports of goods and services (percent of GDP, 2003)	51.2
Trade (percent of GDP, 2003)	139.2
Official exchange rate (local currency unit per US\$, period average, 2003)	581.2
Population, total (millions, 2003)	1.5
Population growth (annual percent, 2003)	2.9
Labor force, total (millions, 2003)	0.7
Labor force participation rate, total (percent, 2002)	43.1
Literacy rate, adult total (percent of people ages 15 and above)	(?)
Primary school enrollment ratio, total (percent, 2000)	82.7
Secondary school enrollment ratio, total (percent, 2000)	20.0
Land use, arable land (percent of total, 2001)	10.7
Gross capital formation (percent of GDP, 2003)	14.8
Gross fixed capital formation (percent of GDP, 2003)	14.8
Foreign direct investment, net inflows (percent of GDP, 2002)	0.5

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

⁷⁷ Prepared by Ralph Watkins, Office of Industries.

⁷⁸ Central Intelligence Agency (CIA), "Guinea-Bissau," *The World Factbook*, found at www.stat-usa.gov, retrieved Feb. 4, 2005.

⁷⁹ Economist Intelligence Unit (EIU), *Guinea-Bissau Country Profile*, 2004, p. 12.

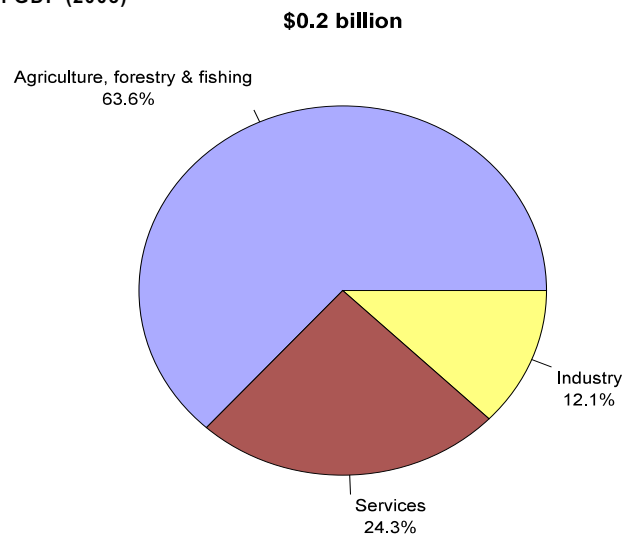
⁸⁰ *Ibid.*, p. 25.

⁸¹ *Ibid.*, p. 12.

⁸² Mario de Queiroz, "[Guinea-Bissau]: The Military is Mortgaging the Country's Future," The Norwegian Council for Africa, found at www.afrika.no/noop/page.php?p=Detailed/6568&print=1, retrieved Mar. 29, 2005.

Agriculture, forestry, and fisheries accounted for nearly two-thirds of GDP in 2003 (figure GB-1). Agriculture accounts for over 60 percent of GDP, and employs 85 percent of the labor force,⁸³ with much of the workforce dedicated to growing rice for domestic consumption.⁸⁴ Only 10.7 percent of the land is arable, limiting the capacity for the expansion of agriculture. The leading commercial crops are cashews, tropical fruits, rice, peanuts, cotton, and palm oil, with cashews dominating exports. Guinea-Bissau is the world's sixth-leading producer of cashews.⁸⁵ The civil war led to a 30-percent decline in cashew production in 1998. Although the quantity exported recovered after the war, a 50-percent reduction in world cashew prices in 2000 reduced farmers' incomes and dampened economic performance as a whole.⁸⁶ There are over 37,000 small farmers that grow and harvest cashews, accounting for over 90 percent of the country's cashew production.⁸⁷ The country has few processing facilities. Instead, most of the nuts are sold to traders from Mauritania and Senegal, who in turn export much of the production to India for processing. In the decade prior to the civil war (1987-97), cashew production grew by an annual average of 17 percent.⁸⁸ After the sharp decline in 1998 because of the civil war, expansion of production resumed in 1999, but at a much slower pace.⁸⁹

Figure GB-1
Guinea-Bissau: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

⁸³ EIU, *Guinea-Bissau Country Profile*, p. 22.

⁸⁴ CIA, "Guinea-Bissau."

⁸⁵ Ibid.

⁸⁶ U.S. Department of State, Bureau of African Affairs, "Background Notes: Guinea-Bissau (Nov. 2004)," found at www.stat-usa.gov, retrieved Feb. 4, 2005.

⁸⁷ "Procaju: Cashews from Guinea-Bissau," found at www.steele.com/cashew/gb.html, retrieved Mar. 29, 2005.

⁸⁸ EIU, *Guinea-Bissau Country Profile*, p. 26.

⁸⁹ Ibid.

Natural resources include fish, timber, natural gas, and petroleum. Most fishing, however, is done by foreign trawlers with foreign crews, and little of the catch is processed in Guinea-Bissau. The government receives revenue from license fees charged to the foreign trawlers,⁹⁰ which accounted for 10 percent of the country's GDP in 2001.⁹¹ Guinea-Bissau began exporting natural gas in 2003 and crude petroleum in 2004.⁹² Although bauxite and phosphate deposits are reported to exist, they have not been exploited.⁹³

Industry accounts for 12 percent of GDP. Manufacturing, primarily for the domestic market, is the largest share of the industry category, accounting for 10 percent of total GDP. Services account for 24 percent of GDP and consist largely of government services and activities related to the administration of international assistance.

Export Profile

Cashews dominate Guinea-Bissau's exports, accounting for over two-thirds of the country's total exports in 2003 (tables GB-2 and GB-3). Electrical machinery, equipment, and parts is second-leading export category, accounting for 8.5 percent of total exports in 2003. Products from the fisheries industries (oysters, scallops, mussels, and frozen fish) accounted for 7.8 percent; natural gas, 2.6 percent; and cotton, 2.1 percent. A United Nations program pays civilians cash for weapons and unexploded mines and ordnance remaining from the civil war.⁹⁴ Disabled weapons and munitions (HS 9304) may be reported as exports when they are removed from the country. There reportedly also is active trade in diamonds smuggled out of Guinea and Sierra Leone and shipped to Europe through Guinea-Bissau, but these exports are not recorded in official statistics.⁹⁵

Although Guinea-Bissau's exports declined by a compound annual growth rate (CAGR) of 0.2 percent during 1994-2003, Guinea-Bissau's cashew exports increased by a CAGR of 7.2 percent during the same period. Fisheries exports, by contrast, decreased by a 19.7 percent CAGR, with nearly all of the decline occurring early in the period. Cotton exports also declined during 1994-99 (by 66 percent), before increasing slightly during 1999-2003.

Chief growth markets for Guinea-Bissau's exports over the past decade were Nigeria and the United States. The United States stopped importing natural gas from Guinea-Bissau in 2004, and started importing crude petroleum, with crude petroleum accounting for 98 percent of U.S. imports from Guinea-Bissau in 2004. All of Guinea-Bissau's cashews are exported to India for processing, and that country accounted for 67.8 percent of Guinea-Bissau's exports in 2003 (table GB-4). Nigeria was the second-leading market, accounting for 16.9 percent,

⁹⁰ U.S. Department of State, Bureau of African Affairs, "Background Notes: Guinea-Bissau (Nov. 2004)."

⁹¹ EIU, *Guinea-Bissau Country Profile*, p. 23.

⁹² World Bank statistics indicating exports of crude petroleum from Guinea-Bissau totaling \$166 million during 1998-2001 were based on inaccurate reporting by Thailand regarding the source of its petroleum imports. Multinational consortia drilling for petroleum were not commercially successful until 2003.

⁹³ U.S. Department of State, Bureau of African Affairs, "Background Notes: Guinea-Bissau (Nov. 2004)."

⁹⁴ *Ibid.*

⁹⁵ EIU, *Guinea-Bissau Country Profile*, p. 27.

Table GB-2
Guinea-Bissau: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
08	Edible fruit and nuts; peel of citrus fruit or melons	27,927.3	36,080.4	51,778.4	67.7	7.1
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	59.3	381.8	6,468.2	8.5	68.4
03	Fish and crustaceans, molluscs and other aquatic invertebrates . . .	42,918.2	7,450.8	5,990.6	7.8	-19.7
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.0	18,455.6	2,008.3	2.6	(¹)
52	Cotton, including yarns and woven fabrics thereof	3,847.9	1,314.7	1,589.6	2.1	-9.4
44	Wood and articles of wood; wood charcoal	2,156.5	547.0	402.3	0.5	-17.0
72	Iron and steel	0.0	2.0	272.5	0.4	(¹)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	271.1	83.1	253.8	0.3	-0.7
09	Coffee, tea, mate and spices	66.4	408.9	247.0	0.3	15.7
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	51.3	218.1	133.1	0.2	11.2
	Other	657.5	2,820.6	7,326.9	9.6	30.7
	Total	77,955.4	67,762.8	76,470.7	100.0	-0.2

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GB-3
Guinea-Bissau: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried	27,744.9	36,075.0	51,718.8	67.6	7.2
8532	Electrical capacitors, fixed, variable or adjustable (pre-set); parts thereof	0.0	29.9	3,656.2	4.8	(¹)
0307	Molluscs & other aquatic invertebrates nesoi, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals & pellets of aqua invertebrates fit for human consumption . .	19,788.7	2,186.0	3,021.3	4.0	-18.8
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	9,316.0	2,915.9	2,382.4	3.1	-14.1
2711	Petroleum gases and other gaseous hydrocarbons	0.0	0.0	2,008.3	2.6	(¹)
8502	Electric generating sets and rotary	1.6	0.0	1,781.8	2.3	118.3
5201	Cotton, not carded or combed	3,815.3	1,314.7	1,589.6	2.1	-9.3
7308	Structures (excluding prefab buildings of heading 9406) and parts thereof (bridges, towers etc.), including prepared shapes etc., of iron or steel	9.6	0.0	1,249.2	1.6	71.8
9304	Arms nesoi (including spring, air or gas guns and pistols, but excluding swords, bayonets and similar arms)	0.0	0.0	1,082.5	1.4	(¹)
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	0.0	23.6	917.4	1.2	(¹)
	Other	17,279.4	25,217.8	7,063.3	9.2	-9.5
	Total	77,955.4	67,762.8	76,470.7	100.0	-0.2

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table GB-4
Guinea-Bissau: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
India	27,744.9	36,075.3	51,827.3	67.8	7.2
Nigeria	0.0	0.0	12,910.2	16.9	(¹)
Italy	3,330.7	4,848.2	5,853.9	7.7	6.5
Portugal	4,920.5	396.6	2,142.9	2.8	-8.8
United States	0.0	77.2	2,114.4	2.8	(¹)
United Kingdom	6.1	0.0	351.7	0.5	57.0
France	82.4	1,584.6	244.3	0.3	12.8
Pakistan	458.8	46.9	171.0	0.2	-10.4
Côte d'Ivoire	0.0	433.3	137.1	0.2	(¹)
Netherlands	82.2	45.4	126.7	0.2	4.9
Other	41,329.8	24,255.3	591.2	0.8	-37.6
Total	77,955.4	67,762.8	76,470.7	100.0	-0.2

¹ Undefined.

Note.—Although these figures represent WITS data, they deviate from other sources, especially with respect to petroleum-related exports.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

followed by Italy (7.7 percent), Portugal (2.8 percent), and the United States (2.8 percent). Italy purchased nearly all of Guinea-Bissau's fisheries exports in 2003. All of the cotton exports went to France, all of the natural gas exports went to the United States, and all of the scrap iron and steel exports went to India, while most of the coffee was exported to the Netherlands and Ireland. According to U.S. statistics, U.S. imports from Guinea-Bissau increased to \$26.6 million in 2004, reflecting new imports of crude petroleum.

Sectors with the Greatest Export Growth Potential

Seven of Guinea-Bissau's top 10 exported products rank highly in terms of their revealed comparative advantage⁹⁶ (RCA) indices, indicating relative international efficiency and suggesting export growth potential (appendix E, table E-15). Of these seven products, two are agricultural products, two are fish products, and one is a petroleum product. Consequently, based on RCA analysis, these three sectors represent areas for short- to medium-term export growth potential. The sectors for which Guinea-Bissau exhibits the highest RCA indices have, however, experienced only modest growth in world markets. Currently exported products with additional potential include cashews, frozen fish, molluscs, and cotton. Mangoes are not currently exported, but have been identified as a potential export product.⁹⁷ Although identified as potential exports, the high start-up costs make the development of bauxite and potash resources very difficult. In addition to being among

⁹⁶ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁹⁷ U.S. Department of State, Bureau of African Affairs, "Background Notes: Guinea-Bissau (Nov. 2004)."

Guinea-Bissau's leading exports, the fish and cotton sectors have high and stable RCA indices, indicating that both sectors may have potential for export development.

There is also potential to develop downstream products from existing exports. For example, with assistance from the U.S. Agency for International Development, cashew growers have formed an association, Procaju, to assist growers in establishing processing plants for the roasting, drying, shelling, and packaging of cashews for export. Procaju is also engaged in marketing organically-grown cashews.⁹⁸ Guinea-Bissau reportedly has significant underdeveloped timber resources (forests occupy 38 percent of the land), with the potential to support the emergence of wood furniture and lumber exporting industries. To induce investment in this industry, the state timber company, Socotram, has been split into four separate enterprises in preparation for privatization.⁹⁹ Similar to the timber sector, abundant offshore fish resources offer an opportunity to develop a locally-based fishing industry. Licenses are granted to trawlers based in Algeria, Japan, Korea, Portugal, and Russia. The fees associated with the licenses accounted for 28 percent of total government revenues in 1999.¹⁰⁰ The country has yet to attract the necessary investment for downstream development of this sector.

Domestic and International Barriers¹⁰¹

Although business environment indicators are not available for Guinea-Bissau (table GB-5), its relatively poor scores in measures of economic freedom reflect conditions that discourage foreign investment. Guinea-Bissau scored worse than the regional average in 6 of 10 measures (table GB-6). Notably, the areas that received the worst possible score were trade policy, banking and finance, property rights, regulation, and informal market activity. The only measures in which Guinea-Bissau scored significantly better than the regional average were fiscal burden of government and monetary policy. Insufficient development of transportation and communications infrastructure also inhibits the pace of investment in Guinea-Bissau. For example, only 10 percent of the country's roads are paved, making transportation very difficult during the rainy season (table GB-7). There are only 9 telephone mainlines per 1,000 people and just 4 Internet users per 1,000. Lack of a deep-water port inhibits the expansion and increases the costs of trade.¹⁰² Because of lack of development of hydroelectric potential, the country relies on petroleum and diesel-powered generators for electricity, making electricity supply inadequate and expensive.¹⁰³

A March 2005 report by the International Monetary Fund attributed the poor prospects for investment and development of the export sector to a number of factors.¹⁰⁴ Several were related to the aftermath of the civil war, which destroyed much of the country's infrastructure. The country's two banks closed and remained closed after the war, until one re-opened in 2000. Most of the country's electricity generating capacity was destroyed.

⁹⁸ "Procaju: Cashews from Guinea-Bissau."

⁹⁹ EIU, *Guinea-Bissau Country Profile*, p. 27.

¹⁰⁰ Ibid.

¹⁰¹ Commission research identified few secondary resources on this topic for Guinea-Bissau.

¹⁰² EIU, *Guinea-Bissau Country Profile*, p. 21.

¹⁰³ Ibid.

¹⁰⁴ International Monetary Fund, *Guinea-Bissau: Selected Issues and Statistical Appendix*, IMF Country Report No. 05/93, Mar. 2005, pp. 5-18.

Table GB-5
Guinea-Bissau: Business environment

Country data not available.

Import tariffs **Simple average of ad valorem duties**

Country data not available.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table GB-6
Guinea-Bissau: Economic freedom

	Guinea-Bissau	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(2)	3.6	2.5
2000 Overall score	4.4	3.7	2.2
2005 Overall score	3.8	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.0	3.9	3.6
Government intervention in the economy score	2.5	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	5.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	5.0	3.7	1.6
Regulation score	5.0	3.7	2.7
Informal market activity score	5.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table GB-7
Guinea-Bissau: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	4,400.0
Roads, paved (<i>percent of total roads, 1999</i>)	10.3
Transport services (<i>percent of service exports, BoP</i>)	(2)
Transport services (<i>percent of service imports, BoP</i>)	(2)
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	8.9
Internet users (<i>per 1,000 people, 2002</i>)	4.0
Mobile phones (<i>per 1,000 people</i>)	(2)
Telephone mainlines (<i>per 1,000 people, 2002</i>)	8.9
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

The small manufacturing sector was dismantled during the civil unrest. Decreased economic activity during the civil war led to reduced government revenue from taxes, limiting investment in infrastructure necessary for export growth. The remaining infrastructure fell into further disrepair because of lack of maintenance and repair. Political instability following the civil war continued to discourage foreign investment, which is especially important given low levels of savings and credit provided by the domestic financial institutions.

Another constraint is the lack of skilled labor required for increased exports of more skill-intensive products. Although Guinea-Bissau has a surplus of labor (the labor force participation rate is less than 50 percent), the lack of educated workers discourages investment in the country. Although 82.7 percent of eligible children are enrolled in primary school, only 20.0 percent of eligible children are enrolled in secondary school. The education system was set back during the 1998 civil war because classes were disrupted and many school buildings destroyed.¹⁰⁵ Many technically-competent administrators emigrated during the civil war and the post-war transition, further contributing to a lack of skilled labor. In addition, the environment created by the civil unrest reduced services provided to the business community and exacerbated situations in which government officials supplemented their incomes through unofficial transactions.

So far, the country has few export products that encounter foreign barriers. The one exception is fish products. The leading export markets tend to have relatively high tariffs on fisheries products, which inhibit export growth in that sector.¹⁰⁶ Some sanitary standards related to fisheries products also have become a significant hurdle to export growth because of the costs required for testing and documentation.

¹⁰⁵ EIU, *Guinea-Bissau Country Profile*, p. 12.

¹⁰⁶ T. Ademola Oyejide and William Lyakurwa, *Africa and the World Trading System, Volume 1: Selected Issues of the Doha Agenda*, Africa World Press, 2005, p. 4.

Economic Overview

Malawi is a small, land-locked country located in southern Central Africa and bordered by Zambia, Tanzania, and Mozambique. With a population of about 11 million people, Malawi is one of the poorest countries in the world (table MW-1). Malawi's real GDP growth has been highly variable because the economy's performance is largely dependent on agricultural output, which varies depending on weather conditions.¹⁰⁸ GDP was \$1.7 billion in 2003, with trade as a percent of GDP amounting to almost 70 percent.

Table MW-1
Malawi: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	1,731.2
GDP growth (annual percent, based on local currency, 2003)	5.9
GDP per capita growth (annual percent, based on local currency, 2003)	3.8
Inflation, consumer prices (annual percent, 2003)	9.6
External debt, total (current US\$, millions, 2002)	2,912.2
Total debt service (percent of exports of goods and services, 2002)	7.6
Exports of goods and services (percent of GDP, 2003)	27.9
Trade (percent of GDP, 2003)	69.1
Official exchange rate (local currency unit per US\$, period average, 2003)	97.4
Population, total (millions, 2003)	11.0
Population growth (annual percent, 2003)	2.0
Labor force, total (millions, 2003)	5.3
Labor force participation rate, total (percent, 2002)	48.1
Literacy rate, adult total (percent of people ages 15 and above, 2002)	61.8
Primary school enrollment ratio, total (percent, 2000) ²	158.1
Secondary school enrollment ratio, total (percent, 2000)	36.0
Land use, arable land (percent of total, 2001)	23.4
Gross capital formation (percent of GDP, 2003)	8.2
Gross fixed capital formation (percent of GDP, 2003)	9.9
Foreign direct investment, net inflows (percent of GDP, 2002)	0.3

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Services compose the largest share of Malawi's GDP. The telecommunications and financial services subsectors are the fastest-growing areas within the services sector. Deregulation of the telecommunications industry resulted in greater foreign direct investment (FDI) flows in the late 1990s. FDI in the telecommunications industry increased from 40 percent of total inflows in the late 1990s to roughly 60 percent in 2000.¹⁰⁹ Reform of the financial services

¹⁰⁷ Prepared by Alan Treat, Office of Industries.

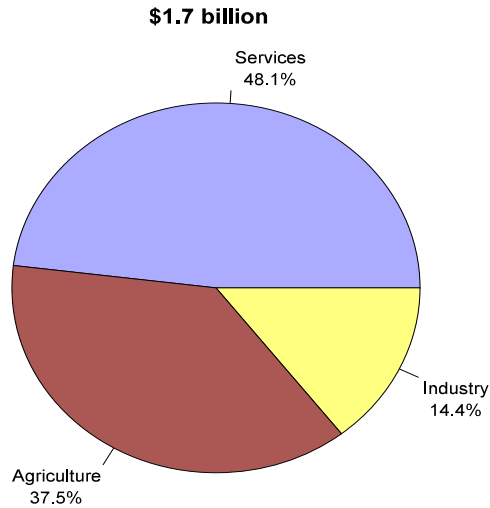
¹⁰⁸ Economist Intelligence Unit (EIU), *Malawi Country Profile*, 2004, p. 31.

¹⁰⁹ United Nations Conference on Trade and Development (UNCTAD), *FDI in Landlocked Developing Countries at a Glance* (New York and Geneva, 2003), p. 8.

sector—notably banking and insurance—has been a government priority. Distribution and transportation are two other notable components of the services sector.¹¹⁰

Malawi is heavily dependent on natural resources. Agriculture is an important sector of the economy, accounting for approximately 38 percent of GDP (figure MW-1) and 90 percent of export earnings.¹¹¹ Agriculture supplies more than 65 percent of raw materials to the manufacturing sector¹¹² and directly or indirectly supports 85 percent of the population.¹¹³

Figure MW-1
Malawi: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

Historically, a dual structure consisting of estate and smallholder farmers has characterized the sector. Smallholder farms produce subsistence crops (maize (corn), millet, fruit, sorghum, rice, beans, cassava, and root crops),¹¹⁴ and cash crops primarily for export (tobacco, cotton, rice, and groundnuts (peanuts)).¹¹⁵ The estate sector mainly produces burley and flue-cured tobacco, tea, sugar, and coffee destined for export. Downstream operations associated with sugar production include such products as furfuryl alcohol, ethyl alcohol, diacetyl, acetoin, lactulose, and other specialty sugars and syrup.¹¹⁶ Malawi

¹¹⁰ World Trade Organization (WTO), *Trade Policy Review: Malawi*, Report by the Secretariat, 2002, p. 82.

¹¹¹ "Malawi Country Profile," *SADC Trade, Industry, and Investment Review 2004*, found at www.sadcreview.com/country_profiles/malawi/mal_introduction.htm, retrieved Mar. 7, 2005.

¹¹² WTO, *Trade Policy Review: Malawi*, Report by the Government, 2002, p. 7.

¹¹³ "Malawi Country Profile," *SADC Trade, Industry, and Investment Review 2004*.

¹¹⁴ Ibid.; and International Food Policy Research Institute, "Impact of Agricultural Market Reforms on Smallholder Farmers in Benin and Malawi," Feb. 2001, found at www.ifpri.org/divs/mtid/dr/dr200102.htm#dl, retrieved Mar. 21, 2005, p. 23.

¹¹⁵ "Malawi Country Profile," *SADC Trade, Industry, and Investment Review 2004*.

¹¹⁶ Illova Sugar Group, *Annual Financial Statements, 2004*, p. 2.

is also one of the world's largest producers of burley tobacco, and the largest producer of fire-cured tobacco, which together account for more than 60 percent of agricultural exports.¹¹⁷

The industrial sector accounts for approximately 14 percent of GDP; the manufacturing subsector accounts for roughly 11 percent of GDP and is composed of approximately 100 manufacturing and industrial companies. The manufacturing sector is concentrated mainly in light industries such as agroprocessing; the production of footwear, textiles, and clothing; and construction and building materials.¹¹⁸ The mining sector contributes less than 1 percent to GDP; however, the sector's contribution has been growing in recent years.¹¹⁹

FDI in Malawi has fluctuated during 1993-2002. Overall, flows into the country have been relatively low, with a peak of nearly \$60 million in 1999. Malawi ranked 109 out of 140 countries according to the United Nations Conference on Trade and Development's Inward FDI Performance Index. Net FDI inflows account for 0.3 percent of GDP.

Malawi's investment policy aims to facilitate private-sector investment growth and increase FDI. Malawi passed the Capital Market Development Act (1990) in order to further develop capital and financial markets,¹²⁰ and the Investment Promotion Act (1991), which ensures protection and freedom of investment and ownership rights.¹²¹ Malawi offers incentives to attract FDI, including export promotion schemes such as export processing zones and special taxation policies for export-oriented manufacturers. For example, exporters that ship nontraditional export goods (i.e., any export good other than tobacco, tea, and sugar) receive a 12-percent deduction of gross receipts from their income tax and a 25-percent deduction of international transport costs.¹²² In 2002, the government introduced incentives for selected manufacturing activities, including textiles and apparel production, and agroprocessing.

Export Profile

Malawi's total exports reached \$510.0 million in 2003. Despite a liberalization program in the mid-1990s, exports are highly concentrated in the agricultural sector. Burley, and to a lesser extent flue-cured tobacco, are Malawi's major export earners, accounting for approximately 62.3 percent of the country's exports in 2003 (table MW-2). Cane sugar and flavored and unflavored teas were the second- and third-largest export earners, accounting for 12.9 percent and 8.7 percent, respectively, in 2003. Apparel accounted for more than 8 percent of exports. Other top exports include fruits, nuts, vegetables, oilseeds, cotton, and cereals (table MW-3).

The United States, Germany, and South Africa are the largest single-country markets for Malawi exports (table MW-4). Other important trading partners include the United Kingdom, Japan, and the Netherlands.

¹¹⁷ "Malawi Country Profile," *SADC Trade, Industry, and Investment Review 2004*.

¹¹⁸ *Ibid.*; and EIU, *Malawi Country Profile*, p. 39.

¹¹⁹ "Malawi Country Profile," *SADC Trade, Industry, and Investment Review 2004*.

¹²⁰ WTO, *Trade Policy Review: Malawi*, Report by the Government, p. 15.

¹²¹ WTO, *Trade Policy Review: Malawi*, Report by the Secretariat, p. 33.

¹²² *Ibid.*, p. x.

Table MW-2
Malawi: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
24	Tobacco and manufactured tobacco substitutes	264,903.2	351,889.1	317,668.8	62.3	2.0
17	Sugars and sugar confectionery.	17,220.1	23,138.7	65,972.4	12.9	16.1
9	Coffee, tea, mate and spices.	49,652.4	47,045.6	49,673.8	9.7	0.0
62	Articles of apparel and clothing accessories, not knitted or crocheted	8,871.0	27,100.4	29,581.3	5.8	14.3
61	Articles of apparel and clothing accessories, knitted or crocheted	9,606.4	16,411.7	12,596.1	2.5	3.1
08	Edible fruit and nuts; peel of citrus fruit or melons	1,200.2	4,516.3	8,945.1	1.8	25.0
7	Edible vegetables and certain roots and tubers	1,505.9	3,572.2	6,209.2	1.2	17.0
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	832.4	1,469.1	3,834.4	0.8	18.5
52	Cotton, including yarns and woven fabrics thereof	11,363.2	5,117.0	2,700.5	0.5	-14.8
10	Cereals	2.6	190.9	2,670.0	0.5	116.1
	Other	21,093.1	32,741.5	10,160.9	2.3	-7.8
	Total	386,250.5	513,192.6	510,012.5	100.0	3.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table MW-3
Malawi: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
2401	Tobacco, unmanufactured (whether or not threshed or similarly processed); tobacco refuse	264,901.9	351,737.7	317,439.7	62.2	2.0
1701	Cane or beet sugar and chemically pure sucrose, in solid form	17,169.5	23,127.7	65,956.9	12.9	16.1
0902	Tea, whether or not flavored	34,543.8	35,559.0	44,231.3	8.7	2.8
6203	Men's or boys' suits, ensembles	2,097.7	10,112.8	12,114.4	2.4	21.5
0802	Other nuts, fresh or dried, nesoi	1,194.7	4,484.3	8,941.3	1.8	25.1
6204	Women's or girls' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	473.8	1,579.2	6,906.8	1.4	34.7
0713	Leguminous vegetables, dried shelled	1,421.2	3,523.1	6,208.0	1.2	17.8
6205	Men's or boys' shirts, not knitted or crocheted	3,980.9	10,778.1	5,588.1	1.1	3.8
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee	14,186.5	9,832.8	3,781.9	0.7	-13.7
6105	Men's or boys' shirts, knitted or crocheted	1,850.0	1,800.5	2,799.4	0.5	4.7
	Other	44,430.5	60,657.5	36,044.8	7.1	-2.3
	Total	386,250.5	513,192.6	510,012.5	100.0	3.1

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table MW-4

Malawi: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	62,674.3	75,731.3	82,862.2	16.2	3.2
Germany	55,155.0	80,171.3	69,322.0	13.6	2.6
South Africa	52,031.3	75,152.0	50,516.2	9.9	-0.3
Egypt, Arab Rep.	11,679.0	6,598.1	31,122.0	6.1	11.5
Portugal	3,152.4	12,998.8	29,459.0	5.8	28.2
United Kingdom	39,568.8	17,564.1	26,796.1	5.3	-4.2
Japan	50,910.1	22,300.0	26,778.9	5.3	-6.9
Netherlands	24,735.4	47,513.0	26,118.3	5.1	0.6
Russian Federation	0.0	7,582.3	22,314.1	4.4	(¹)
Kenya	300.5	298.8	12,316.0	2.4	51.1
Other	86,043.6	167,282.9	132,407.6	26.0	4.9
Total	386,250.5	513,192.6	510,012.5	100.0	3.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Malawi maintains approximately 4.5 percent of the world share of tobacco production. The United States is Malawi's largest tobacco export market. However, import concentrations of tobacco are relatively dispersed among countries; for example unmanufactured tobacco from Malawi makes up a little more than 6 percent of U.S. tobacco imports, 4 percent in the European Union, 7.5 percent in Australia, and 6.3 percent in Japan.

Sugar is Malawi's second-largest export, with 50 percent of sugar production exported. Twenty percent of exports are to the United States and the European Union under preferential access programs; the remaining 30 percent is sold to regional markets where sugar sales have been supported by commitments under the Southern Africa Development Community and the Common Market for Eastern and Southern Africa.¹²³

Malawi's exports grew by 33 percent during 1994-1999, but remained relatively flat during 1999-2003. The 9-year compound annual growth rate (CAGR) revealed minimal growth in Malawi's two largest export markets—the United States and Germany—and a slight decline in Malawi's third-largest export market, South Africa, during 1994-2003. Exports to Kenya grew substantially, with a 9-year CAGR of 51.1 percent. Exports to Portugal and Egypt also increased considerably, exhibiting 9-year CAGRs of 28.2 percent and 11.5 percent, respectively, during 1994-2003.

Although tobacco has remained the leading export product, it has experienced limited growth, with a 2.0-percent CAGR during 1994-2003. During the same period, cotton exports declined by a 14.8-percent CAGR. The decline in cotton production has been attributed to declining international prices and inadequate access to inputs such as pesticides and fertilizer.¹²⁴

¹²³ Illova Sugar Group, *Annual Financial Statements, 2004*, p. 2. For additional information on regional organizations, see app. C.

¹²⁴ WTO, *Trade Policy Review: Malawi*, Report by the Secretariat, p. 73.

Sectors with the Greatest Export Growth Potential

Export sectors with the greatest potential for growth include agroprocessing, textiles and apparel, and horticultural products. Professional services also have been identified as a potential export sector.

The strategy of Support for Agriculturally-Linked Enterprises (SALES) is focused on the production and export of cotton, tea, coffee, and macadamia nuts.¹²⁵ Processed paprika, macadamia nuts, and groundnuts are also seen as potential export goods.¹²⁶ Fresh and dried nuts have experienced a 9-year CAGR of 25 percent during 1994-2003, with most exports destined for the U.S. and EU markets, notably the United Kingdom, with which Malawi has recently signed a free trade certification. Additionally, the processing of groundnuts and other nuts into oils also represents a potential downstream export if crushing capacity can be increased.¹²⁷

Fruit juice represents a potential export, because approximately 50 percent of mangoes, tangerines, and other tropical fruits go to waste every year.¹²⁸ Development of the sector requires capital investment, because there are currently no domestic juice producers after the closure of the only production facility.¹²⁹ Horticulture products have also been identified as having export growth potential. The government has identified cut flowers as a potential export, especially given increased market access into the European Union.¹³⁰

Government and industry officials have identified increased production of cotton and the vertical integration of the cotton industry into apparel as export growth sectors.¹³¹ Cotton exhibits a strong revealed comparative advantage¹³² (RCA) index, and currently is Malawi's eighth-largest export (appendix E, table E-19). Some apparel and textile sector exports also have strong RCA indices. However, infrastructure improvements and trade capacity building are needed in order to compete in the cotton-textile-garment supply chain.¹³³ With the end of textile and apparel quotas in 2005,¹³⁴ however, there likely is a need for further market research in order to create niche markets given increased international competition in the sector.¹³⁵ Vertical integration also depends on adequate investment in the textile sector.¹³⁶

¹²⁵ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 8, 2005.

¹²⁶ Embassy of the Republic of Malawi officials, interview by USITC staff, Washington, DC, Feb. 17, 2005.

¹²⁷ Industry official, interview by USITC staff, Lolongwe, Malawi, Feb. 16, 2005.

¹²⁸ Embassy of the Republic of Malawi officials, interview by USITC staff, Washington, DC, Feb. 17, 2005.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹³³ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹³⁴ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹³⁵ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹³⁶ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005; and industry council official, email correspondence to USITC staff, Mar. 21, 2005.

Other sectors with export potential include services and mining. According to industry officials, services, including medical services, accounting, and architecture, have been identified as potential exports.¹³⁷ The identification of these services stems from the increased need for professional services in regional markets. The government is also interested in developing bauxite deposits located on Mount Mulanje in the south, as well as titanium deposits in Nsanje in the south and Salima in the central region.¹³⁸

Domestic and International Barriers

Indices to assess the business environment in Malawi are generally in line with regional averages and in several areas—including the number of procedures and time to enforce contracts, the cost and time of starting a business, and most employment indicators—are superior to sub-Saharan African (SSA) averages (table MW-5). Principal exceptions were the cost of contract enforcement and the time to register property. Indices measuring economic freedom indicate that Malawi generally scored lower than the regional average, and much lower than the OECD average (table MW-6), suggesting a larger degree of economic repression in the country compared with most SSA countries.

A private-sector initiative, led by the Malawi Confederation of Chambers of Commerce and Industry, the Society of Accountants in Malawi, and the Economic Association of Malawi, as well as other leading Malawi business associations,¹³⁹ provided the Government of Malawi with a list entitled “Ten Priority Actions for Improving the Business Climate in Malawi,” which recognizes that economic growth and poverty reduction must come through the development of the private sector. Improving the investment climate for both domestic and international investors is considered a top priority.¹⁴⁰ The top 10 priority actions listed by the private sector deal with regulatory reforms designed to facilitate greater financial investment. Six of the 10 priority actions deal with transparency and governance, of which 4 deal with tax reform, including ensuring that the government honors its own deadlines for tax refunds, as well as extending the deadline for businesses to calculate and pay provisional tax. The remaining four priority actions deal with utilities (improving services in electricity, telecommunications, and water), investment promotion (revitalizing the Malawi Investment Promotion Agency), foreign exchange regulation (removing foreign exchange conversion requirements for exporters), and duties on production inputs (duty free and zero-rated for surtax on capital goods and spare parts, excluding motor vehicles).

Malawi faces formidable challenges in the movement of goods for export because of inadequate transportation infrastructure in Malawi and neighboring Mozambique, where Malawi exports are transported to port. The high transport costs associated with inadequate road and rail transportation significantly impede the efficient movement of goods for export

¹³⁷ Export promotion official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹³⁸ EIU, *Malawi Country Profile*, p. 31.

¹³⁹ Other supporters of the initiative are the Tobacco Exporters Association of Malawi, the Chamber of Mines, the Garment and Textile Association of Malawi, the Tea Association of Malawi, the Cotton Development Association, the Trade Policy National Working Group, and the Malawi Tourism Association.

¹⁴⁰ “Ten Priority Actions for Improving the Business Climate in Malawi,” revised Dec. 2004, document received by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

Table MW-5
Malawi: Business environment

	Malawi	Regional average	OECD average
Closing a business: Cost (percent of estate)	8.0	20.5	6.8
Closing a business: Recovery rate (cents on the dollar)	17.6	17.1	72.1
Closing a business: Time (years)	2.6	3.6	1.7
Getting credit: Cost to create collateral (percent of income per capita)	(¹)	41.8	5.2
Getting credit: Credit information Index	0.0	2.1	5.0
Getting credit: Legal rights index	(¹)	4.6	6.3
Getting credit: Private bureau coverage (borrowers per 1000 capita)	0.0	39.4	577.2
Getting credit: Public credit registry coverage (borrowers per 1000 capita)	0.0	1.1	76.2
Enforcing contracts: Cost (percent of debt)	136.5	43.0	10.8
Enforcing contracts: Number of procedures	16.0	35.0	19.0
Enforcing contracts: Time (days)	277.0	434.0	229.0
Registering a property: Number of procedures	6.0	6.0	4.0
Registering a property: Cost (percent of property value per capita)	3.5	13.2	4.9
Registering a property: Time (days)	118.0	114.0	34.0
Starting a business: Number of procedures	10.0	11.0	6.0
Starting a business: Cost (percent of income per capita)	140.0	225.2	8.0
Starting a business: Minimum capital (percent of income per capita)	0.0	254.1	44.1
Starting a business: Time (days)	35.0	63.0	25.0
Employment: Difficulty of firing index	20.0	50.6	26.8
Employment: Difficulty of hiring index	22.0	53.2	26.2
Employment: Firing costs (weeks)	90.0	59.5	40.4
Employment: Rigidity of employment index	21.0	56.0	34.4
Employment: Rigidity of hours index	20.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	<i>(Malawi, applied rate, 2000)</i>		
All goods			13.4
Agricultural goods			14.8
Nonagricultural goods			13.2

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table MW-6
Malawi: Economic freedom

	Malawi	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.7	3.6	2.5
2000 Overall score	3.8	3.7	2.2
2005 Overall score	3.6	3.4	2.2
Trade policy score	4.0	3.9	2.2
Fiscal burden of government score	4.0	3.9	3.6
Government intervention in the economy score	3.5	2.6	2.5
Monetary policy score	4.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	4.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

and the type of goods that can be profitably exported. For example, only 18.5 percent of roads in Malawi are paved (table MW-7). The Malawi Export Promotion Council (MEPC) has cited infrastructure impediments as one of the leading impediments to taking advantage of preferential market access under AGOA. MEPC estimates that 55 percent of production costs are associated with transportation costs.¹⁴¹

Table MW-7
Malawi: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	28,400.0
Roads, paved (percent of total roads, 1999)	18.5
Transport services (percent of service exports, BoP, 2002)	32.7
Transport services (percent of service imports, BoP, 2002)	50.1
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	15.2
Internet users (per 1,000 people, 2002)	2.6
Mobile phones (per 1,000 people, 2002)	8.2
Telephone mainlines (per 1,000 people, 2002)	7.0
Electric power transmission and distribution losses (percent of output)	(?)
Energy imports, net (percent of commercial energy use)	(?)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

In 1999, the Ministry of Transport and Public Works approved the National Transport Policy Framework, which deregulates the transport of goods in order to improve the transport sector in Malawi.¹⁴² Several rehabilitation and construction projects have been undertaken to improve existing road and rail infrastructure, including the rehabilitation of the Beira corridor and the creation of transport links such as the Nacala Development Corridor.¹⁴³ The Central East African Railways expects that the Nacala corridor will make it possible to freight goods from Nacala to Malawi in 48 hours.¹⁴⁴ Regulations restrict international truckers from operating outside of main roads, creating inefficiencies and contributing to higher transport costs.¹⁴⁵

Other cross-sector impediments include the small size of the domestic market, inappropriate production technologies, and inefficient and costly financing for small and medium enterprises. Technology and communication obstacles also impede export growth. More computers and Internet access are needed in order to access market information for small- and medium-sized exporters.¹⁴⁶ Erratic electricity supply and inefficiencies in electricity distribution are common problems that affect several industries, particularly the apparel manufacturing industry.

¹⁴¹ Export promotion official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹⁴² “The transport sector in Malawi: an overall picture,” *Trade and Investors Magazine Malawi*, Second Ed., Oct. 2004, p. 24.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

¹⁴⁵ Embassy of the Republic of Malawi officials, interview by USITC staff, Washington, DC, Feb. 17, 2005.

¹⁴⁶ Export promotion official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

The lack of a cold supply chain and local transport air hub impedes the development of horticultural products such as cut flowers.¹⁴⁷ A limited supply capacity resulting from high input costs and high production costs generally constrain agricultural exports.¹⁴⁸ Low levels of irrigation also lead to low agricultural production levels.

High capital and transport costs, and lack of adequate infrastructure constrain the apparel industry. There is limited electric capacity for major investments in spinning and textile mills. These impediments, as well as slow customs clearance procedures, reduce competitiveness with respect to lead times.¹⁴⁹ A lack of capacity and a dearth of investment in cotton ginneries constrain the cotton industry from expanding into downstream production.¹⁵⁰

Other impediments to manufacturing sector growth include a weak industrial base, lack of diversification, few upstream and downstream linkages, insufficient standards and quality assurance, and limited capabilities to market products internationally.¹⁵¹ The agroprocessing industry is highly dependent on the domestic agricultural sector, and is thus adversely affected during times of drought.

The main international barriers include sanitary and phytosanitary (SPS) measures, support programs in developed markets, and tariff-rate quotas (TRQs). Malawi lacks the capability to conduct tests in line with quality control regulations required by industrial markets.¹⁵² There is a widespread lack of knowledge and understanding among the Malawi business community of the results of the Uruguay Round trade negotiations and of the role of the WTO. Moreover, the Malawi Bureau of Standards does not have adequate information on existing standards, technical regulations, conformity procedures, and SPS regulations.¹⁵³ Given the leading, though declining role of cotton in Malawi's exports, government officials have identified support programs in developed markets such as the United States as an international barrier to exports.¹⁵⁴ TRQs on tobacco and sugar have been also cited as international barriers to trade.¹⁵⁵ Malawi has been unsuccessful in its efforts to increase quota levels on tobacco and sugar. However, TRQs may not be significant international barriers to trade, because Malawi does not currently fill these international quotas.¹⁵⁶

¹⁴⁷ Association official, interview by USITC staff, Lilongwe, Malawi, Mar. 17, 2005.

¹⁴⁸ Export promotion official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹⁴⁹ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005

¹⁵⁰ Association official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005

¹⁵¹ WTO, *Trade Policy Review: Malawi*, Report by the Government, p. 9.

¹⁵² Export promotion official, interview by USITC staff, Blantyre, Malawi, Mar. 17, 2005.

¹⁵³ Malawi association official, email correspondence to USITC staff, Mar. 21, 2005.

¹⁵⁴ Association official, interview by USITC staff, Lilongwe, Malawi, Mar. 17, 2005.

¹⁵⁵ Embassy of the Republic of Malawi officials, interview by USITC staff, Washington, DC, Feb. 17, 2005.

¹⁵⁶ Association official, interview by USITC staff, Lilongwe, Malawi, Mar. 17, 2005; and EIU, *Malawi Country Profile*, p. 40.

Swaziland¹⁵⁷

Economic Overview

Swaziland is a land-locked country bordered by South Africa and Mozambique. Swaziland's GDP was \$1.8 billion in 2003, with annual GDP growth of 2.2 percent in 2003 (table SW-1). Swaziland is highly dependent on foreign trade, particularly with South Africa; the value of trade was equivalent to 177.2 percent of Swaziland's GDP in 2003—double the average share in other AGOA-eligible countries. Foreign direct investment (FDI) in Swaziland totaled \$45 million in 2002, accounting for 3.8 percent of GDP.

Table SW-1
Swaziland: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	1,845.2
GDP growth (annual percent, based on local currency, 2003)	2.2
GDP per capita growth (annual percent, based on local currency, 2003)	0.6
Inflation, consumer prices (annual percent, 2003)	7.3
External debt, total (current US\$, millions, 2002)	341.8
Total debt service (percent of exports of goods and services, 2002)	1.7
Exports of goods and services (percent of GDP, 2003)	83.5
Trade (percent of GDP, 2003)	177.2
Official exchange rate (local currency unit per US\$, period average, 2003)	7.6
Population, total (millions, 2003)	1.1
Population growth (annual percent, 2003)	1.6
Labor force, total (millions, 2003)	0.4
Labor force participation rate, total (percent, 2002)	34.4
Literacy rate, adult total (percent of people ages 15 and above, 2002)	80.9
Primary school enrollment ratio, total (percent, 2000) ²	125.0
Secondary school enrollment ratio, total (percent, 1999)	60.0
Land use, arable land (percent of total, 2001)	10.3
Gross capital formation (percent of GDP, 2003)	19.4
Gross fixed capital formation (percent of GDP, 2003)	19.4
Foreign direct investment, net inflows (percent of GDP, 2002)	3.8

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

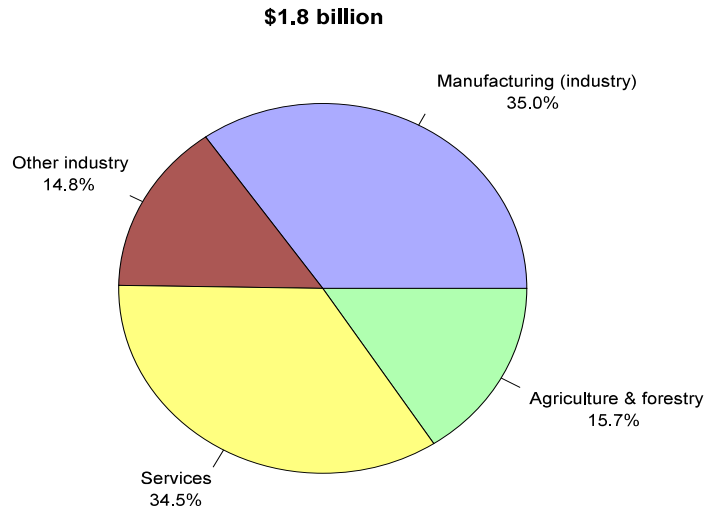
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

Manufacturing and services each accounted for approximately one-third of Swaziland's GDP in 2003 (figure SW-1). Apparel manufacturing is a top export earner. Swaziland has a spinning mill that produces core-spun yarns and sewing thread, and a knitting and dyeing facility was constructed in 2004.¹⁵⁸ Swaziland's main service industries are tourism and

¹⁵⁷ Prepared by Kim Olsen, Office of Industries.

¹⁵⁸ Cotton Board, "Cotton News from Sub-Saharan Africa," A Special Issue of the Cotton Importer Update from the Cotton Board, Dec. 2001; U.S. Department of State telegram, "A Strategy for Swaziland After the End of the WTO," message reference No. 600, prepared by U.S. Embassy, Mbabane, Dec. 2004; and "Swaziland King Visits Key Taiwan investor," *Taiwan News*, May 20, 2004, found at www.taiwanheadlines.gov.tw, retrieved Apr. 25, 2005.

Figure SW-1
Swaziland: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

supplying fresh water to its neighbors. Swaziland's industrial sector, at 14.8 percent of GDP, includes the manufacture of plastics, metals, and chemicals. Mining contributed less than 1 percent of GDP, and is based on Swaziland's limited mineral resource base of coal, asbestos, and anthracite.

Agriculture and forestry represented 15.7 percent of Swaziland's 2003 GDP. Leading products are sugar, citrus, and wood pulp. Sugar production is Swaziland's leading agricultural activity, employing an estimated 16,000 individuals.¹⁵⁹ Swaziland was sub-Saharan Africa's (SSA) second-largest sugar producer behind South Africa in 2003. Swaziland has seven major citrus estates producing oranges, grapefruit, pineapples, and limes. Swaziland is the third-largest producer of wood pulp in SSA behind South Africa and Kenya. Swaziland has one pulp and one paper mill; all unbleached kraft pulp is exported. Six percent of Swaziland has been converted to non-native forest plantations and tree farms where pine and eucalyptus trees are grown.¹⁶⁰ Downstream wood exports include coated paper and paperboard, and fiberboard; other products include tissue papers and industrial towels, which use recycled paper imported from South Africa.¹⁶¹

¹⁵⁹ Swaziland Sugar Association, "Fact Sheet," found at www.swazibusiness.com, retrieved Mar. 23, 2005.

¹⁶⁰ Swaziland Review, "Economic Overview," 2005, p. 27; "Manufacturing & Processing," *Swaziland Business Yearbook 2002*, found at www.swazibusiness.com, retrieved Feb. 2, 2005; Sappi, "Sappi's Usuthu Business Faces Tough Challenges," Aug. 31, 2001; and Sappi, "Sappi Usuthu Mill Restructuring to Restore Profitability," Nov. 15, 2001.

¹⁶¹ Sharma Group of Companies, "Swazi Paper Mills Limited," found at www.thesharmagroup.com, retrieved Mar. 1, 2005; Lockwood-Post, *Directory of Pulp and Paper Mills*, International Ed., 2004, p. 736; and World Trade Organization (WTO), *Trade Policy Review: Southern African Customs Union*, "Annex 5: Kingdom of Swaziland," WT/TPR/S/114/SWZ, Apr. 2003, p. A5-339.

Export Profile

Swaziland's leading exports, textiles and apparel, were valued at \$153.1 million in 2003. Apparel items accounted for 27.5 percent of total Swazi exports in 2003 (table SW-2), up from 12.2 percent in 2000.¹⁶² Cane sugar ranked as Swaziland's single-largest export earner, at \$95.2 million in 2003 (table SW-3).

Table SW-2
Swaziland: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
61	Articles of apparel and clothing accessories, knitted or crocheted	(¹)	(¹)	113,281.8	20.4	(²)
17	Sugars and sugar confectionery	(¹)	(¹)	96,629.2	17.4	(²)
21	Miscellaneous edible preparations	(¹)	(¹)	70,181.7	12.6	(²)
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	(¹)	(¹)	40,324.7	7.2	(²)
62	Articles of apparel and clothing accessories, not knitted or crocheted	(¹)	(¹)	39,774.5	7.1	(²)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	(¹)	(¹)	36,544.6	6.6	(²)
47	Pulp of wood or other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	(¹)	(¹)	36,349.4	6.5	(²)
08	Edible fruit and nuts; peel of citrus fruit or melons	(¹)	(¹)	18,966.3	3.4	(²)
20	Preparations of vegetables, fruit, nuts, or other parts of plants	(¹)	(¹)	15,062.3	2.7	(²)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	(¹)	(¹)	9,256.5	1.7	(²)
	Other	(¹)	(¹)	80,036.2	14.4	(²)
	Total	(¹)	(¹)	556,407.3	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Swaziland prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹⁶² World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SW-3
Swaziland: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
1701	Cane or beet sugar and chemically pure sucrose, in solid form	(¹)	(¹)	95,186.6	17.1	(²)
2106	Food preparations nesoi	(¹)	(¹)	69,784.3	12.5	(²)
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	(¹)	(¹)	55,489.0	10.0	(²)
3302	Mixtures of odoriferous substances and mixtures based on one or more odoriferous substances, of a kind used as raw materials in industry or bev mfg	(¹)	(¹)	39,195.8	7.0	(²)
4703	Chemical wood pulp, soda or sulphate, other than dissolving grades	(¹)	(¹)	36,349.4	6.5	(²)
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	(¹)	(¹)	19,894.6	3.6	(²)
0805	Citrus fruit, fresh or dried	(¹)	(¹)	18,362.0	3.3	(²)
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	(¹)	(¹)	15,361.4	2.8	(²)
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sweetening or spirit, nesoi	(¹)	(¹)	13,293.8	2.4	(²)
6104	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, etc. (no swimwear), knitted or crocheted	(¹)	(¹)	12,320.5	2.2	(²)
	Other	(¹)	(¹)	181,388.8	32.6	(²)
	Total	(¹)	(¹)	556,407.3	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Swaziland prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Swaziland's second-largest export in 2003 was sugar, used primarily for soft drink production¹⁶³ and for confectionery goods exported to SSA markets.¹⁶⁴ Chemical wood pulp ranked as Swaziland's fifth-largest export in 2003, valued at \$36.3 million. Citrus was Swaziland's seventh-largest export in 2003, valued at \$18.4 million; preserved and prepared grapefruit accounted for 95 percent of Swaziland's citrus exports by value to the United States in 2003.¹⁶⁵ Meat ranks as another important Swazi export. The Swazi meat industry benefits from a 92-percent reduction in the EU tariff on beef;¹⁶⁶ Swaziland is also subject to an EU quota on its beef exports, but has not filled its quota because of difficulties in meeting EU sanitary and phytosanitary (SPS) standards.¹⁶⁷

¹⁶³ WTO, *Trade Policy Review: Southern African Customs Union*, p. A5-309.

¹⁶⁴ "Manufacturing & Processing," *Swaziland Business Yearbook 2002*.

¹⁶⁵ Data from U.S. Department of Commerce.

¹⁶⁶ WTO, *Trade Policy Review: Southern African Customs Union*, p. A5-337.

¹⁶⁷ "Swaziland Agriculture," *SADC Review*, found at www.sadcreview.com, retrieved Mar. 16, 2005.

Swaziland's tourism industry is highly reliant on that of South Africa. South African tour companies offer side trips destined for Swaziland's game reserves, golf courses, and other tourist sites as part of a packaged regional trip.¹⁶⁸ Swaziland also exports fresh water from the Magugua Dam to South Africa and Mozambique.¹⁶⁹

The United States ranked as the largest market for Swazi exports in 2003, accounting for 31.2 percent of the total (table SW-4). Korea was the second-largest market for Swazi goods, accounting for \$54.6 million in export sales. One-half of Swaziland's top 10 export markets in 2003 were in the Asia-Pacific region. The European Union as a whole accounted for 22.8 percent of Swazi exports in 2003. The United Kingdom was the largest EU market for Swazi exports in 2003, accounting for \$52.9 million of the total. In 2003, Swazi exports to the European Union were 17.9 percent below their 2000 levels, whereas Swazi exports to the United States and Australia increased by 12.1 percent and 4.9 percent, respectively.

Table SW-4
Swaziland: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	(¹)	(¹)	173,451.0	31.2	(²)
Korea, Rep.	(¹)	(¹)	54,631.2	9.8	(²)
United Kingdom	(¹)	(¹)	52,853.8	9.5	(²)
Australia	(¹)	(¹)	29,812.1	5.4	(²)
New Zealand	(¹)	(¹)	28,331.2	5.1	(²)
France	(¹)	(¹)	22,212.5	4.0	(²)
Kenya	(¹)	(¹)	20,748.2	3.7	(²)
Netherlands	(¹)	(¹)	16,568.3	3.0	(²)
Thailand	(¹)	(¹)	14,755.6	2.7	(²)
China	(¹)	(¹)	14,533.1	2.6	(²)
Other	(¹)	(¹)	128,510.3	23.1	(²)
Total	(¹)	(¹)	556,407.3	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Swaziland prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The value of Swaziland's citrus exports to the world increased by 14 percent between 2000 and 2003. Swaziland's citrus is canned locally and exported to South Africa, the European Union, the United States, and Japan. The local canning factory reportedly supplies 25 percent of the United Kingdom's canned grapefruit.¹⁷⁰ The Swazi citrus industry also produces jams and jellies for the southern Africa region.¹⁷¹ The primary markets for Swazi wood-based products are South Africa, China, the European Union, and parts of East Asia.¹⁷²

¹⁶⁸ Economist Intelligence Unit (EIU), *Swaziland Country Profile*, 2004, p. 19; and "Swazi Trails," found at www.swazitrails.co.sz, retrieved Mar. 3, 2005.

¹⁶⁹ Neil Ford, "Lesotho & Swaziland," *African Business*, Oct. 2003.

¹⁷⁰ Southern African Global Competitiveness Hub, "Swazican," found at www.satrade.org, retrieved Feb. 2, 2005; and "Manufacturing & Processing," *Swaziland Business Yearbook 2002*.

¹⁷¹ "Swaziland Agriculture," *SADC Review*.

¹⁷² *Ibid.*

Sectors with the Greatest Export Growth Potential

Eight of Swaziland's top 10 export products have relatively strong revealed comparative advantage¹⁷³ (RCA) indices, including cane sugar; food preparations; jerseys, pullovers, and cardigans; odoriferous substances (from raw materials used in beverage manufacturing); chemical wood pulp; citrus; fruits and nuts; and synthetic filament yarn (appendix E, table E-34). International trade in three of these exports (food preparations, odoriferous substances, and chemical wood pulp) experienced above average growth in world trade during 1993-2003. Among products for which Swaziland has a comparative advantage, textile and apparel products include woven cotton fabrics and gauze. The potential for export growth in the textile and apparel sector is limited, however, by increased international competition as a result of removal of the quotas in 2005.¹⁷⁴ Other potential export sectors that exhibit gains in comparative advantage include artificial waxes, live animals, watch straps, and book-binding machinery.

The Swazi government is encouraging farmers to diversify away from sugar into other agricultural products,¹⁷⁵ including fresh flowers (such as roses), goats, aquaculture, peanuts for processing into peanut butter, and other articles such as pottery, natural health products, kaolin mining, candles, glassware, and mohair.¹⁷⁶ In particular, several hatcheries for trout and warm water species exist in Swaziland; however various technical problems hamper growth.¹⁷⁷ Tourism continues to be a potential growth sector through increased emphasis on Swaziland's cultural heritage and its adventure-focused day trips.¹⁷⁸

Domestic and International Barriers

In general, Swaziland has a conducive domestic trade policy. For example, the simple average of Swaziland's ad valorem duties was 5.8 percent in 2002 for all imports (table SW-5). This favorable trade policy is also reflected in the Heritage Foundation data, which report that in 2005, Swaziland's trade policy ranked more favorably than the SSA and comparable to OECD averages (table SW-6). In its overall 2005 assessment, the Heritage Foundation ranked Swaziland as having greater economic freedom than the average of its SSA counterparts and, in the government intervention in the economy subcategory, Swaziland scored better than the OECD average.

¹⁷³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁷⁴ For additional information on the Multifiber Arrangement and the removal of textile and apparel quotas in 2005, see app. C.

¹⁷⁵ "Lower Sugar Prices to Challenge Swaziland," *Business Day* (South Africa), Aug. 2, 2004.

¹⁷⁶ Government of the Kingdom of Swaziland, "Export Products," found at www.gov.sz, retrieved Mar. 21, 2005; and Phiwokwakhe Ngidi, "We Can Do Well Without Strike," *Times of Swaziland*, Jan. 10, 2005.

¹⁷⁷ United Nations, Food and Agriculture Organization, "Fishery Country Profile," FID/CP/SWA, Dec. 2000.

¹⁷⁸ "SwaziTrails;" and "Raw Africa," found at www.rawafrica.com, retrieved Mar. 3, 2005.

Table SW-5
Swaziland: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties (Swaziland, applied rate, 2002)
All goods	5.8
Agricultural goods	9.1
Nonagricultural goods	5.3

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table SW-6
Swaziland: Economic freedom

	Swaziland	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.2	3.6	2.5
2000 Overall score	(?)	3.7	2.2
2005 Overall score	3.1	3.4	2.2
Trade policy score	2.0	3.9	2.2
Fiscal burden of government score	3.6	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Key domestic impediments are related to Swaziland's land-locked geographical position, making it reliant on South African and Mozambican ports and transportation networks. Consequently, Swaziland faces high shipping costs. According to the U.S. Agency for International Development, the cost of shipping a container from the Swazi capital of Mbabane to Durban, South Africa, is approximately three times the cost of shipping the same container from Durban to Hong Kong.¹⁷⁹

Another impediment to business, and especially export, development is Swaziland's communication infrastructure. For example, there are only 95.0 fixed or mobile phone lines per 1,000 people and less than 20 Internet users per 1,000 people (table SW-7). This impediment constrains potential exporters from efficiently obtaining information about potential export products and markets.

¹⁷⁹ Amanda Hilligas, *The Elimination of Quotas under the World Trade Organization Agreement on Textiles and Clothing: The Impact on Swaziland*, Southern African Global Competitiveness Hub, USAID/Regional Center for Southern Africa, Dec. 7, 2004, pp. 11-12.

Table SW-7
Swaziland: Infrastructure-related indicators

	MRY ¹
Roads, total network (km, 2000)	3,107.0
Roads, paved (percent of total roads)	(2)
Transport services (percent of service exports, BoP, 2002)	9.1
Transport services (percent of service imports, BoP, 2002)	14.6
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	95.0
Internet users (per 1,000 people, 2002)	19.4
Mobile phones (per 1,000 people, 2002)	61.0
Telephone mainlines (per 1,000 people, 2002)	34.0
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, “World Development Indicators,” found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Impediments with respect to labor include shortages of skilled labor, resulting from high levels of emigration of educated Swazis to South Africa,¹⁸⁰ as well as shortages of unskilled labor, resulting from Swaziland’s declining population growth rate stemming from what is reportedly the world’s highest rate of HIV/AIDS.¹⁸¹ These impediments potentially adversely affect Swaziland’s labor productivity and constrain future economic growth.¹⁸² In addition, foreign workers in Swaziland report difficulties and delays in obtaining work permits.¹⁸³

Swaziland has two forms of land tenure—title deed land and Swazi nation land. Title deed land is leased to commercial farmers, and Swazi nation land, which makes up 60 percent of the total area, is devoted to small-scale and communally-managed subsistence farming. Swazi nation land is held in trust for the nation and parceled out by community chiefs and leaders. The Swazi nation land system contributes to Swaziland’s ambiguous land tenure regulations and lack of land ownership security. This discourages farmers from making investments in their property, reducing overall agricultural productivity and consequently hampering potential export growth, particularly in the agricultural sector.¹⁸⁴

Another constraint to exports is the lack of domestic capacity to meet international standards. Swazi producers also report difficulties in producing output that meets EU SPS or other regulatory standards. Swaziland Meat Industries processes beef for export and is an EU-approved abattoir;¹⁸⁵ however, a 2005 shipment of Swazi beef to the European Union was halted because of improper paperwork and veterinary records.

¹⁸⁰ Report on the Mission of Stephen Lewis, UN Secretary-General’s Special Envoy on HIV/AIDS in Africa, to Swaziland, Mar. 17-19, 2004.

¹⁸¹ U.S. Agency for International Development (USAID), “Country Profile HIV/AIDS,” Bureau for Global Health, Jan. 2004; and EIU, *Swaziland Country Profile*, p. 10.

¹⁸² International Monetary Fund, African Department, *Fourth Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria*, May 22, 2003, p. 9; Scott Drimie, “HIV/Aids and Land: Case Studies from Kenya, Lesotho and South Africa,” *Development Southern Africa*, vol. 20, No. 5, Dec. 2003, pp. 648-650; and USAID, Bureau for Global Health, *Lesotho: Country Profile HIV/AIDS*, Jan. 2004.

¹⁸³ U.S. Department of State telegram, “Swaziland’s 2005 National Trade Estimate Report.”

¹⁸⁴ WTO, *Trade Policy Review: Southern African Customs Union*, p. A5-332; Swaziland Review, “Economic Overview,” 2005, pp. 27-28; and EIU, *Swaziland Country Profile*, pp. 16-17.

¹⁸⁵ Government of the Kingdom of Swaziland, “Export Products.”

CHAPTER 9

Apparel-Exporting Countries: Lesotho, Madagascar, and Mauritius

Lesotho, Madagascar, and Mauritius have the largest concentration of apparel exports among AGOA-eligible countries (table 9-1). All have been significant beneficiaries of AGOA. Exports from Madagascar and Mauritius are fairly diversified, whereas Lesotho's exports are heavily concentrated in apparel. A summary of findings for each of the three countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 9-1
Lesotho, Madagascar, and Mauritius, 1999-2003 average share of total exports, by sector

Sectors	Lesotho	Madagascar	Mauritius
	— Shares of total exports, 1999-2003 (percent) —		
Fish and related products	0.4	19.0	6.6
Coffee, tea, and spices	(¹)	23.8	0.1
Cocoa	(¹)	0.7	(¹)
Other agriculture	0.2	9.0	19.8
Forest-based products	(¹)	2.0	0.6
Minerals, metals, and metal products	2.9	1.8	7.0
Fuels and electrical energy	(¹)	2.0	(¹)
Textiles and fibers	0.2	2.3	2.0
Apparel and related articles	95.7	35.9	57.6
Other manufactures	0.5	3.5	6.1

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Lesotho

Potential exports include high-value agricultural products, diamonds, tourism, business process outsourcing, and to a certain extent, textiles and apparel. Major constraints to export growth include the effect of HIV/AIDS on the economy, an internationally less-competitive business environment, inadequate infrastructure, and government regulations regarding land and mineral deposit development. In addition, restrictive rules of origin were identified as international impediments to export growth.

Madagascar

The main components of Madagascar's economy and trade are services (tourism), agriculture (spices), fisheries (crustaceans), and industry (apparel). A variety of sectors have growth potential owing to the country's varied natural resource base. The sectors with the greatest potential for export growth are agriculture, mining, tourism, and business process outsourcing. Textiles and apparel have been identified as growth sectors by several sources. Growth in exports is impeded by a number of barriers, particularly those related to the

business environment, infrastructure, and access to finance. In addition, difficulty meeting sanitary and phytosanitary standards and increased international transport security requirements were identified as international impediments to export growth.

Mauritius

With the removal of global textile and apparel quotas and the impending reform of the EU sugar market, Mauritius' future growth potential hinges on diversifying its economy away from these traditional sectors. In particular, Mauritius has the necessary infrastructure and is striving to expand development of its service sectors, particularly tourism, information and communication technologies, and international financial services. However, the country's shortage of skilled labor will limit its ability to expand these sectors, particularly as it attempts to move up the value chain into higher-skilled areas. Mauritius has also laid the foundation for growth in distribution services, repackaging, and minor processing of goods for export, particularly in the tuna and seafood sector. Its location, port facilities, and participation in regional trade agreements makes it well suited to expand its trade within the region. However, the lack of purchasing power for much of the region will mean that Mauritius will need to look elsewhere in the near term for significant export growth opportunities. Mauritius' small size and location inhibit its ability to make new inroads into the U.S. market. However, it may be able to further grow its business with the European Union, particularly the United Kingdom and France, with which it already has strong ties. Difficulty meeting sanitary and phytosanitary standards was also identified as international impediments to export growth.

Lesotho¹

Economic Overview

Lesotho is a low-income, mountainous country surrounded entirely by South Africa. Lesotho is highly dependent upon the South African economy for its economic and financial health. Trade amounted to 148.5 percent of GDP in 2003 (table LS-1). In 2003, Lesotho's GDP was \$1.1 billion, with GDP growth averaging 2.5 percent annually during 1999-2003. With a population of 1.8 million in 2003, Lesotho's population growth rate is declining because of HIV/AIDS and emigration. Its population growth rate averaged less than 1 percent annually during 1999-2003. As a result of the 2002 Southern African Customs Union (SACU) agreement,² customs revenues for Lesotho were reduced from 75 percent of total Lesotho government revenues in the mid-1980s to approximately 33 percent in 2004.

Table LS-1
Lesotho: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	1,135.3
GDP growth (annual percent, based on local currency, 2003)	3.9
GDP per capita growth (annual percent, based on local currency, 2003)	2.4
Inflation, consumer prices (annual percent, 2003)	6.7
External debt, total (current US\$, millions, 2002)	637.1
Total debt service (percent of exports of goods and services, 2002)	11.8
Exports of goods and services (percent of GDP, 2003)	48.1
Trade (percent of GDP, 2003)	148.5
Official exchange rate (local currency unit per US\$, period average, 2003)	7.6
Population, total (millions, 2003)	1.8
Population growth (annual percent, 2003)	0.9
Labor force, total (millions, 2003)	0.7
Labor force participation rate, total (percent, 2002)	39.9
Literacy rate, adult total (percent of people ages 15 and above, 2001)	81.4
Primary school enrollment ratio, total (percent, 2000) ²	115.0
Secondary school enrollment ratio, total (percent, 2000)	33.0
Land use, arable land (percent of total, 2001)	10.9
Gross capital formation (percent of GDP, 2003)	34.4
Gross fixed capital formation (percent of GDP, 2003)	35.6
Foreign direct investment, net inflows (percent of GDP, 2002)	11.3

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

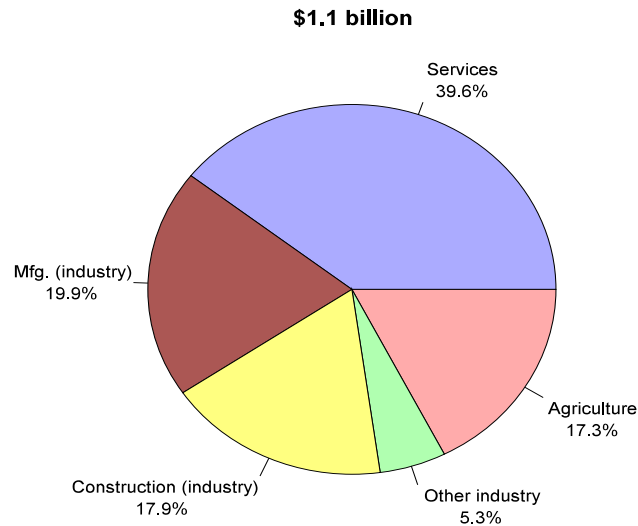
Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

The services sector, consisting primarily of financial services, tourism, and wholesale and retail trade, was the largest contributor to GDP, accounting for 39.6 percent of GDP in 2002. Manufacturing contributed 19.9 percent; construction, 17.9 percent; and agriculture, 17.3 percent (figure LS-1). The majority of manufacturing continues to be in the apparel industry, in particular, low-end, cut-make-trim apparel for export. The largest manufacturing companies in Lesotho are a brewer that produces mainly for domestic consumption and a

¹ Prepared by Kim Olsen, Office of Industries.

² For additional information on regional organizations, see app. C.

Figure LS-1
Lesotho: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

soft drink bottler primarily engaged in trade with South Africa.³ Other industries include leather, television assembly, and edible oils, which all have little or no current exports.⁴ A circuit breaker factory was established in 2004.⁵ Lesotho's clay deposits are being used to manufacture bricks, ceramicware, and tiles.⁶

Agricultural output remains primarily subsistence based, with maize (corn), wheat, and sorghum production dominating the sector.⁷ Domestic production does not meet domestic demand. Given its primarily mountainous terrain, only 10.9 percent of Lesotho is arable. The country is particularly prone to soil erosion and livestock overgrazing, which affects agricultural productivity and livestock growth.⁸ The government assists the sector by supplying potatoes, maize, sorghum, beans, and pea seeds, as well as fertilizers and agricultural machinery.⁹

³ "Lesotho Review 2005," Countrywatch.com, found at www.countrywatch.com, retrieved Feb. 18, 2005.

⁴ World Trade Organization (WTO), *Trade Policy Review: Southern African Customs Union*, "Annex 2: Kingdom of Lesotho," Apr. 25, 2003, p. A2-143.

⁵ FitchRatings, "Kingdom of Lesotho," *International Credit Analysis*, Sovereigns, Dec. 1, 2004.

⁶ Economist Intelligence Unit (EIU), *Lesotho Country Profile*, 2004, p. 36; and Embassy of the Kingdom of Lesotho official, interview by USITC staff, Washington, DC, Feb. 28, 2005.

⁷ EIU, *Lesotho Country Profile*, p. 36; and Central Bank of Lesotho, *Annual Report 2003*, Mar. 2004.

⁸ EIU, *Lesotho Country Profile*, p. 34.

⁹ WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-136.

Diamonds and water are Lesotho's only market-viable natural resource industries. Mineral exploration has occurred in Lesotho; however, two-thirds of the country is overlain with a 1,300 meter-thick basalt layer, which complicates extraction.¹⁰

Among AGOA-eligible countries, Lesotho attracted the seventh-largest share of foreign direct investment (FDI) during 1993-2002, at \$1.6 billion. In the last few years, the majority of FDI was in the cut-make-trim garment manufacturing industry, which benefits from AGOA's third-country provisions.¹¹ The majority of foreign investment originates in South Africa and East Asia, in particular Taiwan. Taiwanese investments dominate the textile and apparel industry, and South African investments are more diversified and include footwear factories, electronics manufacturing, food processing, insurance, telecommunications, financial services, and tourism.¹²

Export Profile

Once dominated by diamonds, wool, and mohair, Lesotho's export profile has changed significantly. After becoming eligible for apparel benefits under AGOA, total exports increased by 140 percent, from \$180 million in 2000 to more than \$432 million in 2003 (table LS-2).¹³ In 2003, 98.9 percent of Lesotho's total exports were apparel, compared with 84.9 percent in 2000.¹⁴ During that period, HS chapter 61 items gained as a percentage of total exports, while HS chapter 62 items declined as a percentage of total exports.¹⁵ Within the apparel industry, there is high dependence on a few products; the leading five products represent over 80 percent of total exports (table LS-3). The vast majority of Lesotho's apparel exports is destined for the U.S. market (table LS-4).¹⁶

Lesotho factories are cut-make-trim operations, with all other aspects of design and production handled overseas. Lesotho's four industrial estates provide services similar to those found in export processing zones, and are home to textile and apparel firms manufacturing for export. By 2003, there were 54 plants and approximately 50,000 employees, resulting in private employment exceeding public employment for the first time in Lesotho's history.¹⁷ Approximately three-quarters of the factories are owned by Taiwanese investors, with Hong Kong, Singapore, and South African investors representing the remainder. However, eight factories have closed since June 2004 at a cost of 12,500 jobs.

¹⁰ United Nations Conference on Trade and Development (UNCTAD), *Investment Policy Review – Lesotho*, UNCTAD/ITE/IPC/2003/4, July 2003, p. 52.

¹¹ *Ibid.*, p. 8.

¹² U.S. Department of State telegram, "Scenesetter for Visit of MCC Chief Executive Paul Applegarth to Lesotho," message reference No. 579, prepared by U.S. Embassy, Maseru, Oct. 2004; and UNCTAD, *Investment Policy Review – Lesotho*, pp. 8-12.

¹³ World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹⁴ *Ibid.*

¹⁵ U.S. Department of State telegram, "World Textile Trade Without Quotas," message reference No. 282, prepared by U.S. Embassy, Maseru, Apr. 2002.

¹⁶ While the WITS data do not indicate South Africa and SACU as major export markets for Lesotho, other sources report that South Africa receives one-quarter of Lesotho's exports. Possible reasons for the data discrepancies include Lesotho's membership in SACU (app. C), which may make it difficult to identify intra-SACU trade, or underreporting of re-exported and transshipped goods. See EIU, *Lesotho Country Profile*.

¹⁷ Peter Gibbon, "AGOA, Lesotho's Clothing Miracle' & the Politics of Sweatshops," *Review of African Political Economy*, vol. 30, No. 96, p. 317.

Table LS-2

Lesotho: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
61	Articles of apparel and clothing accessories, knitted or crocheted	(¹)	(¹)	270,759.3	62.7	(²)
62	Articles of apparel and clothing accessories, not knitted or crocheted	(¹)	(¹)	156,295.1	36.2	(²)
72	Iron and steel	(¹)	(¹)	894.1	0.2	(²)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	(¹)	(¹)	735.0	0.2	(²)
60	Knitted or crocheted fabrics	(¹)	(¹)	523.8	0.1	(²)
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	(¹)	(¹)	451.4	0.1	(²)
39	Plastics and articles thereof	(¹)	(¹)	382.3	0.1	(²)
51	Wool and fine or coarse animal hair, including yarns and woven fabrics thereof; horsehair yarn and woven fabric	(¹)	(¹)	315.5	0.1	(²)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	(¹)	(¹)	215.3	0.0	(²)
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	(¹)	(¹)	179.1	0.0	(²)
	Other	(¹)	(¹)	1,403.6	0.3	(²)
	Total	(¹)	(¹)	432,154.6	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Lesotho prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table LS-3

Lesotho: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	(¹)	(¹)	143,536.9	33.2	(²)
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	(¹)	(¹)	79,433.9	18.4	(²)
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	(¹)	(¹)	71,120.9	16.5	(²)
6104	Women's or girls' suits, ensembles, suit-type	(¹)	(¹)	39,307.4	9.1	(²)
6103	Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (no swimwear), knitted or crocheted	(¹)	(¹)	28,618.4	6.6	(²)
6106	Women's or girls' blouses and shirts, knitted or crocheted	(¹)	(¹)	16,902.8	3.9	(²)
6109	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	(¹)	(¹)	15,999.4	3.7	(²)
6105	Men's or boys' shirts, knitted or crocheted	(¹)	(¹)	12,880.5	3.0	(²)
6114	Garments nesoi, knitted or crocheted	(¹)	(¹)	3,542.0	0.8	(²)
6208	Women's or girls' singlets and other undershirts, slips, panties, nightdresses, pajamas, negligees and similar articles, not knitted or crocheted	(¹)	(¹)	2,941.8	0.7	(²)
	Other	(¹)	(¹)	17,870.8	4.1	(²)
	Total	(¹)	(¹)	432,154.6	100.0	(²)

¹ Not available.

² Undefined.

Note.—Data for Lesotho prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table LS-4

Lesotho: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year	
	1,000 dollars			of total	CAGR	
					Percent	
United States	(¹)	(¹)	419,667.2	97.1	(²)	
Canada	(¹)	(¹)	6,388.8	1.5	(²)	
France	(¹)	(¹)	2,308.2	0.5	(²)	
United Kingdom	(¹)	(¹)	844.2	0.2	(²)	
Japan	(¹)	(¹)	742.8	0.2	(²)	
Malawi	(¹)	(¹)	426.6	0.1	(²)	
Hong Kong, China	(¹)	(¹)	405.8	0.1	(²)	
Saudi Arabia	(¹)	(¹)	384.7	0.1	(²)	
Netherlands	(¹)	(¹)	172.0	0.0	(²)	
Malaysia	(¹)	(¹)	171.0	0.0	(²)	
Other	(¹)	(¹)	643.3	0.1	(²)	
Total	(¹)	(¹)	432,154.6	100.0	(²)	

¹ Not available.

² Undefined.

Note.—Data for Lesotho prior to 2000 are included within the Southern African Customs Union data and are unavailable in WITS. Although these figures represent WITS data, they deviate from other sources, possibly resulting from the country's membership in SACU and the associated difficulty in extricating intra-regional trade.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Reasons for closures include volatility of the rand and anticipated increased competition due to the end of textile and apparel quotas in 2005.¹⁸

Water is Lesotho's most important natural resource. The infrastructure for this export is the Lesotho Highlands Water Project, a joint venture with South Africa. This project also includes the production of electricity, with a planned capacity of 200 megawatts after completion of all five phases. It currently has an 80-megawatt capacity after completion of phases 1A and 1B.¹⁹ In 1998, Lesotho began exporting water to South Africa's Gauteng Province, which amounted to about R6 million (approximately \$1 million) per month.²⁰ Shortly after completion, water receipts accounted for 13 percent of Lesotho's GDP.²¹

In 2004, the Letseng-la-Terae diamond mine was reopened, 22 years after closure. South Africa's DeBeers Company had previously operated the mine from 1976 to 1982 when it closed the mine because of low diamond prices and tax disputes. Prior to 2004, diamonds contributed less than 1 percent of GDP.²²

Sectors with the Greatest Export Growth Potential

Eight of Lesotho's top 10 export products have high revealed comparative advantage²³ (RCA) indices (appendix E, table E-17), all of which are apparel products. Four of Lesotho's top 10 exports are growing at trends faster than the world market, including diamonds and apparel items. Three of the 10 products with the largest RCA index increase are also in the textile and apparel sector. Although RCA analysis has identified numerous products in the apparel industry, the removal of textile and apparel quotas in 2005 and subsequent increase in international competition is expected to dampen this sector's potential for export growth. However, a recent investment in a denim mill and a quadrupling of orders for 2005 from a U.S.-based denim buyer are positive trends and are viewed as means for sector diversification.²⁴

Five of the 10 products with the largest increase in RCA indices are in the agricultural sector, suggesting that this sector may have export potential. These products include cereals, animal

¹⁸ UN Integrated Regional Information Networks, "Lesotho: New Trade Regime Threatens Economy," Jan. 13, 2005, found at www.irinnews.org, retrieved Jan. 17, 2005; U.S. Department of State telegram, "USITC Study on Export Opportunities and Barriers in African Growth and Opportunity Act Eligible Countries," message reference No. 90, prepared by U.S. Embassy, Maseru, Feb. 2005; and Just-style.com, "LESOTHO: Six Apparel Factories Close, 6,650 Jobs Axed," Jan. 13, 2005. For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹⁹ WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-139.

²⁰ U.S. Department of State telegram, "Scenesetter for Visit of MCC Chief Executive Paul Applegarth to Lesotho."

²¹ Neil Ford, "Lesotho & Swaziland," *African Business*, Issue 291, Oct. 2003.

²² George J. Coakley, "The Mineral Industries of Lesotho and Swailand," *U.S. Geological Surveys Mineral Yearbook*, 2003, p. 19.1.

²³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

²⁴ U.S. Department of State telegram, "Trade Minister Upbeat over Recent Trade Mission to the United States," message reference No. 78 Maseru, prepared by U.S. Embassy, Maseru, Feb. 2005; and U.S. Department of State telegram, "Prime Minister Officiates at AGOA-Driven USD 106 Million Textile Investment," message reference No. 335, prepared by U.S. Embassy, Maseru, June 2001.

hair, and fruit juices. Lesotho is currently seeking to diversify into high-value agricultural exports. Products such as asparagus, peaches, and mushrooms have been identified as potential exports. In 2004, an asparagus canning factory was re-opened with plans to can asparagus and peaches for export.²⁵ In addition, the United Nations has encouraged high-end mushroom production in coordination with the University of Lesotho.²⁶

The Letseng-la-Terae diamond mine is expected to generate revenues of R230 million a year (approximately \$40 million), and have a life expectancy of 25 years.²⁷ In January 2005, four diamonds weighing a total of 366 carats were found with an estimated value of \$6 million. Letseng's investors are considering doubling current capacity and building a new plant by 2007.²⁸ Lesotho has other diamond prospects, albeit small, including a Lesotho-Canadian venture that may yield 290,000 carats per year at full capacity. The Canadian company plans to invest \$7.1 million in the mine, which has an expected life of 5 years.²⁹

The small but expanding tourism sector is also viewed as a potential source of foreign exchange. In cooperation with external investors from Austria and South Africa, the construction of a \$12-million ski resort, AfriSki, has been underway since 2001, and once opened, will provide 4 months of skiing per year.³⁰ Other potential industries include consumer electronics, leather goods, toys, plastics, call centers, business process outsourcing/data entry, travel/sporting goods, and simple machining activities.³¹

Domestic and International Barriers

According to a 2003 World Bank study of competitiveness among land-locked countries, "almost 70 percent of developing countries appear to pursue commercial policies that make them as, or more, attractive to foreign investment than Lesotho."³² Despite this assessment, with the exception of the number of procedures to enforce contracts, the time to start a business, and several credit indicators, Lesotho's business environment indicators were comparable to, or better than, regional averages, though generally worse than OECD averages (table LS-5). According to the Heritage Foundation's economic freedom index, Lesotho's overall 2005 score is comparable to other sub-Saharan African (SSA) countries (table LS-6). Notably, Lesotho's trade policy, which is primarily export-led, is the only policy that scores better than both the SSA and OECD averages.

²⁵ U.S. Department of State telegram, "USITC Study on Export Opportunities."

²⁶ Embassy of the Kingdom of Lesotho official, interview by USITC staff, Washington, DC, Feb. 28, 2005; and Zero Emissions Research Initiative, "ZERI Activities in Lesotho," part of a UNDP/UNOPS Regional Project, found at www.zeri.unam.na, retrieved Mar. 16, 2005.

²⁷ JCI Limited, "Lesotho Celebrates Resurgence of its Diamond Industry," company announcements, Nov. 26, 2004; and "Lesotho Celebrates Resurgence of its Diamond Industry," *Marulelo Times* (South Africa), Nov. 26, 2004.

²⁸ Sean Cowan, "Alan Bond lies low in African diamond float," *The West Australian*, Apr. 12, 2005; and Emma Muller, "Lesotho Diamond Mine Sparkles," *Business Day* (South Africa), Apr. 6, 2005.

²⁹ George J. Coakley, "The Mineral Industry of Lesotho," *U.S. Geological Surveys Mineral Yearbook*, 2001, p. 17.1; and UNCTAD, *Investment Policy Review – Lesotho*, p. 10.

³⁰ EIU, *Lesotho Country Profile*, p. 40.

³¹ UNCTAD, *Investment Policy Review – Lesotho*, p. 58.

³² Francis Ng and Alexander Yeats, "Export Profiles of Small Land-Locked Countries: A Case Study Focusing on their Implications for Lesotho," The World Bank, Development Research Group, Policy Research Working Paper 3085, June 2003, p. 31.

Table LS-5
Lesotho: Business environment

	Lesotho	Regional average	OECD average
Closing a Employment: Cost (<i>percent of estate</i>)	8.0	20.5	6.8
Closing a Employment: Recovery rate (<i>cents on the dollar</i>)	33.0	17.1	72.1
Closing a Employment: Time (<i>years</i>)	2.6	3.6	1.7
Getting Employment: Cost to create collateral (<i>percent of income per capita</i>)	(¹)	41.8	5.2
Getting Employment: Credit information Index	0.0	2.1	5.0
Getting Employment: Legal rights index	(¹)	4.6	6.3
Getting Employment: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting Employment: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	0.0	1.1	76.2
Enforcing Employment: Cost (<i>percent of debt</i>)	23.9	43.0	10.8
Enforcing Employment: Number of procedures	49.0	35.0	19.0
Enforcing Employment: Time (<i>days</i>)	285.0	434.0	229.0
Registering a Employment: Number of procedures	6.0	6.0	4.0
Registering a Employment: Cost (<i>percent of property value per capita</i>)	9.1	13.2	4.9
Registering a Employment: Time (<i>days</i>)	101.0	114.0	34.0
Starting a Employment: Number of procedures	9.0	11.0	6.0
Starting a Employment: Cost (<i>percent of income per capita</i>)	58.4	225.2	8.0
Starting a Employment: Minimum capital (<i>percent of income per capita</i>)	17.4	254.1	44.1
Starting a Employment: Time (<i>days</i>)	92.0	63.0	25.0
Employment: Difficulty of firing index	20.0	50.6	26.8
Employment: Difficulty of hiring index	0.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	47.0	59.5	40.4
Employment: Rigidity of employment index	27.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		

Country data not available.

¹ Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table LS-6
Lesotho: Economic freedom

	Lesotho	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(²)	3.6	2.5
2000 Overall score	3.4	3.7	2.2
2005 Overall score	3.4	3.4	2.2
Trade policy score	2.0	3.9	2.2
Fiscal burden of government score	4.1	3.9	3.6
Government intervention in the economy score	3.5	2.6	2.5
Monetary policy score	3.0	2.4	1.5
Capital flows and foreign investment score	4.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	3.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Because Lesotho is land locked and is surrounded by South Africa, it is reliant on South African transport networks, which are relatively well developed as compared with other AGOA-eligible countries. Of Lesotho's total road network, less than 20 percent is paved (table LS-7). The Maseru Container Terminal is inadequate given the level of traffic transported via the terminal and has outdated container handling capabilities. One effect of this situation is that "...containers destined for Lesotho are forced to pay rentals in Bloemfontein, South Africa until space can be made for them in Maseru."³³ There is one international airport. The Lesotho government plans to upgrade its cargo-holding capabilities at the international airport to export fresh vegetables and fruit.³⁴

Table LS-7
Lesotho: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	5,940.0
Roads, paved (<i>percent of total roads, 1999</i>)	18.3
Transport services (<i>percent of service exports, BoP, 2002</i>)	1.1
Transport services (<i>percent of service imports, BoP, 2002</i>)	55.1
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	55.7
Internet users (<i>per 1,000 people, 2002</i>)	9.7
Mobile phones (<i>per 1,000 people, 2002</i>)	42.5
Telephone mainlines (<i>per 1,000 people, 2002</i>)	13.2
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Despite Lesotho's exports of water and the Lesotho Highlands Water Project, drought, distribution inefficiencies, and the apparel sector's increasing water demand have created continuing shortages in residential areas and an inability to irrigate land, constraining commercial development and export-oriented activity. The Lesotho Electricity Corporation is in the process of being privatized.³⁵ Backlogs in consumer electricity connections and high prices, estimated to be 40-percent higher than in South Africa,³⁶ limit expansion opportunities across economic sectors. Lesotho's mobile phone service is not fully compatible with that of South Africa.³⁷ The Lesotho Minister of Finance and Development Planning commented that, "Lesotho-based enterprises would be at a competitive disadvantage if structural impediments to investment and exports, particularly those in the utilities sector, are not removed."³⁸

³³ U.S. Department of State telegram, "USITC Study on Export Opportunities."

³⁴ Ibid.

³⁵ Embassy of the Kingdom of Lesotho official, interview by USITC staff, Washington, DC, Feb. 28, 2005.

³⁶ EIU, *Lesotho Country Profile*, p. 27; and WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-112.

³⁷ WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-112.

³⁸ International Monetary Fund (IMF), "Lesotho Letter of Intent," Feb. 3, 2000, found at www.imf.org, retrieved Mar. 2, 2005.

At approximately 31 percent, Lesotho has the fourth-highest rate of HIV/AIDS infection in the world.³⁹ The IMF predicts that over the medium term, economic growth will be reduced by one-half of 1 percentage point solely because of HIV/AIDS.⁴⁰

In the apparel sector, Lesotho's labor productivity levels remain lower than East Asian productivity levels.⁴¹ A major factor limiting productivity is the inability of manufacturers to pay on a piece-rate scale, which is specified in the Lesotho Labour Code, despite the prevalence of such pay rates in other countries. Piece-rate payments are viewed as an effective way to increase productivity.⁴² In addition, with increasing capital intensity in the textile industry, advanced skills will be required and Lesotho has a limited supply of skilled labor necessary for the diversification of industries into more skill-intensive exports.⁴³

Another impediment to increased exports is the limits placed on land ownership. Foreigners cannot own land nor can a commercial entity if that entity has only minority Lesotho ownership. The Lesotho National Development Corporation (LNDC) provides investors with 30-year subleases that the LNDC negotiates with the government. All land transactions require ministerial approval.⁴⁴ This land system presents several problems for foreign investors including: 1) added risk for long-term development; 2) lengthy government approval even if the LNDC mediates; and 3) difficult land transfer procedures.⁴⁵ However, recently, and with many industrial estates near capacity, an investor was given permission to construct an estate "in order to avoid possible funding delays because of the LNDC backlog."⁴⁶

Cumbersome regulations in the mining sector hamper its development. For example, according to Lesotho's mining legislation, the authority to grant title rests with the king and chiefs, rather than with a minister. The legislation does not distinguish between large-scale and artesian mining.⁴⁷ Additionally, diamonds are the only exports subject to an export tax.⁴⁸ The export tax limits the export of these products by raising export costs and may encourage industries for which Lesotho does not have a comparative advantage.

Under the European Union's GSP program, Lesotho exports to the European Union face zero tariffs. However, restrictive rules of origin hamper Lesotho's export potential across most industries. Because Lesotho has a limited natural resource base, it must import the raw materials used in manufacturing and as a result, Lesotho exports often cannot comply with the EU GSP requirements.⁴⁹

³⁹ U.S. Agency for International Development, *Lesotho: Country Profile HIV/AIDS*, Bureau for Global Health, Jan. 2004.

⁴⁰ IMF, *Fourth Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria*, African Department, May 22, 2003, found at www.imf.org, retrieved Dec. 21, 2004.

⁴¹ UNCTAD, *Investment Policy Review – Lesotho*, pp. 62 and 65.

⁴² *Ibid.*, p. 67.

⁴³ *Ibid.*, pp. 62 and 65.

⁴⁴ WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-121; and UNCTAD, *Investment Policy Review – Lesotho*, pp. 38 and 70.

⁴⁵ UNCTAD, *Investment Policy Review - Lesotho*, p. 38.

⁴⁶ USITC, *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market*, volume II, inv. No. 332-448, USITC pub. 3671, Jan. 2004, p. K-15.

⁴⁷ UNCTAD, *Investment Policy Review – Lesotho*, p. 44.

⁴⁸ WTO, *Trade Policy Review: Southern African Customs Union*, p. A2-131.

⁴⁹ Ng and Yeats, "Export Profiles of Small Land-Locked Countries," p. 48.

Economic Overview

Madagascar is an island nation located in the Indian Ocean about 400 kilometers from the southeastern coast of Africa. The country is geographically diverse, rich in natural resources, and has an abundant, low-cost, and generally unskilled labor force. The island is vulnerable to natural hazards, including cyclones and drought; two cyclones in early 2004 destroyed large sections of agricultural infrastructure affecting vanilla, rice, and aquaculture production. GDP in 2003 was \$5.5 billion, with trade representing 48.8 percent of GDP; exports represented 20.5 percent of GDP that same year (table MD-1).

Table MD-1
Madagascar: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	5458.8
GDP growth (annual percent, based on local currency, 2003)	9.6
GDP per capita growth (annual percent, based on local currency, 2003)	6.5
Inflation, consumer prices (annual percent, 2003)	-1.2
External debt, total (current US\$, millions, 2002)	4517.7
Total debt service (percent of exports of goods and services, 2002)	9.9
Exports of goods and services (percent of GDP, 2003)	20.5
Trade (percent of GDP, 2003)	48.8
Official exchange rate (local currency unit per US\$, period average, 2003)	6191.6
Population, total (millions, 2003)	16.9
Population growth (annual percent, 2003)	2.7
Labor force, total (millions, 2003)	8.0
Labor force participation rate, total (percent, 2002)	47.9
Literacy rate, adult total (percent of people ages 15 and above)	(2)
Primary school enrollment ratio, total (percent, 2000) ³	103.0
Secondary school enrollment ratio, total (percent, 1999)	14.3
Land use, arable land (percent of total, 2001)	5.1
Gross capital formation (percent of GDP, 2003)	16.0
Gross fixed capital formation (percent of GDP, 2003)	16.0
Foreign direct investment, net inflows (percent of GDP, 2002)	0.2

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

³ Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

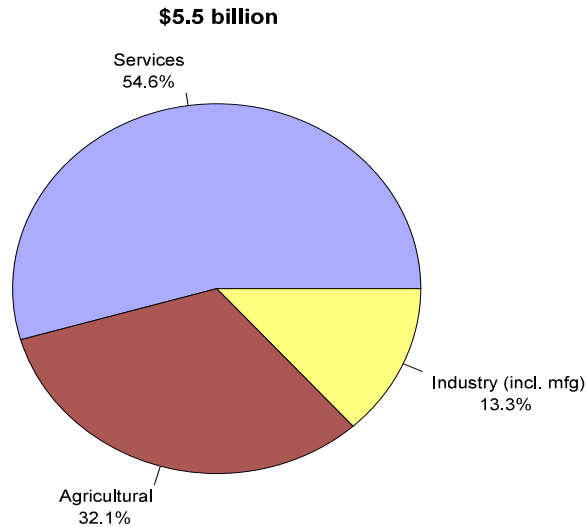
The country experienced GDP growth of 4 to 6 percent during 1999 to 2001; however, a political crisis in 2002 after a contested presidential election contributed to the loss of approximately 80,000 jobs, the transfer of apparel production to other countries, and a decline in tourism. The economy experienced a strong recovery in 2003, growing by 9.6 percent, and continued to grow in 2004. However, the inflation rate increased sharply, from -1.2 percent in 2003 to 17 percent in the first half of 2004, because of the economic

⁵⁰ Prepared by Cindy Cohen, Office of Economics.

effect of the cyclones in early 2004, higher import prices for rice and petroleum, and a 40-percent depreciation in the currency.⁵¹

In 2002, services accounted for 54.6 percent of GDP, agriculture accounted for 32.1 percent, and industry accounted for 13.3 percent (figure MD-1). Activity in the informal sector is estimated at about 40 percent of gross national income.⁵²

Figure MD-1
Madagascar: Composition of GDP (2002)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

The main activities within the services sector are transportation, construction, public works, telecommunications, and tourism.⁵³ Tourism directly contributed about 3.0 percent of GDP and 78,000 jobs in 2001; when related goods and services are included, tourism contributed 7.4 percent of GDP and 195,000 jobs.⁵⁴

Although agriculture accounts for about one-third of GDP, it employs four-fifths of the population.⁵⁵ The major staple crops are rice, maize (corn), and tubers. Cash crops include spices, coffee, sugar, and cotton. Rice accounts for about 70 percent of farm output. Most

⁵¹ International Monetary Fund, (IMF), *PRSP-Annual Progress Report*, Joint Staff Assessment, Sept. 15, 2004.

⁵² World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005.

⁵³ Europa, "Country Overview," found at <http://europa.eu.int/comm/development/body/country/mg>, retrieved Feb. 8, 2005.

⁵⁴ World Travel and Tourism Council, *Madagascar, The 2004 Travel and Tourism Economic Research*, found at www.wttc.org/2004tsa/tsapdf/Madagascar.pdf, retrieved Mar. 22, 2005.

⁵⁵ Economist Intelligence Unit (EIU), *Madagascar Country Profile*, 2004, p. 19.

rice is produced by small landholders in highland areas using traditional production techniques. Crop yields are low and are subject to locust infestations, drought, and cyclones. Vanilla, the major agricultural export crop, is grown by 60,000 smallholder farms. Other agricultural production for export includes cloves, pepper, essential oils, and litchis. Locally grown mangoes, papayas, and bananas are consumed domestically. Vegetables are also grown primarily for local consumption, although some are exported regionally. Most coffee is also consumed locally.⁵⁶

The fishing industry is dominated by mostly foreign-owned industrial trawlers, which account for 45.5 percent of production; and aquaculture, which accounts for 31.5 percent. The aquaculture industry is owned by French and Japanese investors. All of the catch from trawlers and production from aquaculture is exported.⁵⁷

The majority of firms in the export processing zone (EPZ) produce textiles and apparel, but there are also firms engaged in food processing, production of footwear and jewelry, and data processing.⁵⁸ While the cotton industry is being revitalized, the current textile industry in Madagascar is small, with only three mills producing fabric for local and regional markets. At least 3,000 workers in the apparel industry have lost jobs because of the closure of Chinese-owned factories since January 2005.⁵⁹ Non-EPZ industries include plastics, pharmaceuticals, leather, footwear, fish and meat canning, soap, furniture, palm oil, biscuits, tobacco, car assembly, and farm machinery.⁶⁰

Informal activities dominate the mining industry, and there is a high rate of unrecorded trade in semiprecious stones.⁶¹ Despite production of chromium, mica, and graphite, mineral exports have been limited.⁶²

Foreign direct investment (FDI) increased from \$6.6 million in 1998 to \$93.1 million in 2001, and then declined precipitously to \$8.3 million in 2002⁶³ following the political crisis. FDI growth prior to 2002 was attributable to increased investment in the EPZ by China, France, Hong Kong, India, Malaysia, and Mauritius,⁶⁴ privatization of government assets; and a substantial increase in hotel investments.⁶⁵ Mauritius investment is largely made by apparel investors that have sought cheaper labor for garment production. In addition, about 20 Mauritian firms operate digital data entry companies in Madagascar.⁶⁶

⁵⁶ Ibid., p. 31.

⁵⁷ Integrated Framework (IF), *Madagascar: Diagnostic Trade Integration Study*, Aug. 2003, p. 100.

⁵⁸ Ibid., p. 111.

⁵⁹ U.S. Department of State telegram, "Madagascar Agoa Country Report," message reference No. 00189, prepared by U.S. Embassy, Antananarivo, Mar. 2005.

⁶⁰ EIU, *Madagascar Country Profile*, p. 34.

⁶¹ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 103.

⁶² Madagascar Consulate General in Johannesburg, "10 Good Reasons to Invest in the Mining Industry," found at www.madagascarconsulate.org.za/10mining.htm, retrieved Feb. 9, 2005.

⁶³ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

⁶⁴ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 111.

⁶⁵ Ibid., p. 125.

⁶⁶ Ibid., p. 150.

Export Profile

Madagascar's main exports are apparel, spices, and crustaceans. Apparel accounted for 31.2 percent of the value of 2003 exports (table MD-2), vanilla accounted for 24.3 percent, and crustaceans accounted for 14.5 percent (table MD-3). Other exports include prepared or preserved fish (4.6 percent), fresh fruit (3.7 percent), cloves (3.4 percent), and petroleum oils (3.1 percent).

Table MD-2
Madagascar: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
					of total	CAGR
		1,000 dollars			Percent	
09	Coffee, tea, mate and spices	182,470.1	135,706.6	330,787.5	28.6	6.8
61	Articles of apparel and clothing accessories, knitted or crocheted	39,942.4	146,093.8	195,226.5	16.9	19.3
03	Fish & crustaceans, molluscs & other aquatic invertebrates	92,985.2	107,801.8	177,373.2	15.3	7.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	59,039.4	147,858.4	165,714.4	14.3	12.2
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	30,192.6	33,339.1	52,907.0	4.6	6.4
08	Edible fruit and nuts; peel of citrus fruit or melons	30,122.2	44,758.7	44,044.5	3.8	4.3
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	3,158.7	15,817.7	35,698.8	3.1	30.9
18	Cocoa and cocoa preparations	3,416.9	6,386.3	12,940.5	1.1	15.9
52	Cotton, including yarns and woven fabrics thereof	12,162.6	19,740.5	10,769.1	0.9	-1.3
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	12,919.2	10,079.3	10,194.1	0.9	-2.6
	Other	91,182.0	129,480.3	122,802.1	10.6	3.4
	Total	557,591.4	797,062.6	1,158,457.8	100.0	8.5

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table MD-3
Madagascar: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1,000 dollars			2003 share	9-year
		1994	1999	2003	of total	CAGR
					Percent	
0905	Vanilla beans	75,445.8	40,423.1	282,074.9	24.3	15.8
0306	Crustaceans, live, frsh, chilled, frzn etc.; crustaceans, in shell, cookd by stm or boiling water; flours, meals, & pellets of crustaceans, human consumption	75,485.0	97,834.9	168,490.1	14.5	9.3
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	26,526.7	102,700.5	131,693.6	11.4	19.5
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	10,691.4	33,585.8	76,547.4	6.6	24.4
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	30,110.4	33,094.5	52,743.2	4.6	6.4
0810	Fruit nesoi, fresh	27,569.4	42,175.0	42,559.8	3.7	4.9
0907	Cloves (whole fruit, cloves and stems)	14,259.5	29,134.8	39,744.0	3.4	12.1
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	9,268.2	48,917.7	38,195.7	3.3	17.0
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	3,019.6	15,652.0	35,696.7	3.1	31.6
6104	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, etc. (no swimwear), knitted or crocheted	1,435.7	2,217.2	14,007.6	1.2	28.3
	Other	283,779.8	351,327.0	276,704.8	23.9	-0.3
	Total	557,591.4	797,062.6	1,158,457.8	100.0	8.5

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Madagascar is the world's largest producer of vanilla, accounting for nearly 60 percent of world exports of the product in 2003. The value of Madagascar's exports of vanilla declined from \$75 million in 1993 to \$40 million in 1999, but then increased substantially over the next 4 years to reach \$282 million in 2003. Cyclone damage to the vanilla crop in 2003 decreased Madagascar's vanilla production, causing world vanilla prices to increase significantly. High prices encouraged increased production in Madagascar and in other vanilla growing countries, but also caused buyers to switch to less expensive artificial vanilla. In 2004, record harvests, coupled with decreased demand as purchasers switched to artificial vanilla, caused world vanilla prices to decrease.⁶⁷

Madagascar is also a major supplier of cloves, accounting for 44 percent of world exports in 2003. Exports of cloves, which accounted for 3.4 percent of total exports in 2003, increased somewhat from 2002, but remained less than one-half of the levels in 2002 and 2003. Exports of fresh fruits also fluctuated. Coffee exports have declined dramatically, from \$86.8 million in 1994 to \$5.3 million in 2003. Cotton, sugar, and cereal exports also declined, while exports of crustaceans have grown over the past decade.

⁶⁷ "Top Vanilla Region Feel the Pain of Boom and Bust," Reuters, Feb. 5, 2005; "World Market Prices for Vanilla is Facing a Crack," Finance CustomWire, Aug. 22, 2004; and "Country Report: Madagascar," Feb. 2005, found at www.creditguarantee.co.za, retrieved Feb. 10, 2005.

Unofficially recorded mining exports were estimated at \$200 million, compared with \$37 million in reported mining exports in 2000.⁶⁸ Tourism is expected to account for 10.8 percent of 2004 exports, with total receipts of \$367 million.⁶⁹

Madagascar's main export markets are the European Union and United States. In 2003, the United States was the destination for 34.6 percent of exports; France, 34.4 percent; Germany, 6.2 percent; and Mauritius, 4.4 percent (table MD-4). Other export markets include Italy, Japan, Singapore, and the United Kingdom. The European Union, United States, and Japan account for 80 percent of Madagascar's agricultural exports, although there has been a shift away from the United States to France, the Middle East, and North Africa.⁷⁰ France is traditionally the leading trading partner and remains important because of historical ties and common language. The share of Madagascar's exports to the United States increased from 10.7 percent in 1994 to 34.6 percent in 2003 because of growth in apparel and vanilla exports. Exports to Mauritius, the fourth-largest trading partner, have grown considerably because of common language, the relationship between the apparel industries of the two countries, and preferential access under the Indian Ocean Commission (IOC).⁷¹ Exports to Singapore, Hong Kong, and China have also increased during the past 10 years.

Table MD-4
Madagascar: Leading exports markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United States	59,673.4	85,326.9	401,188.9	34.6	23.6
France	205,524.3	326,829.8	398,729.7	34.4	7.6
Germany	54,626.0	56,195.4	71,453.0	6.2	3.0
Mauritius	11,676.7	23,633.6	50,431.2	4.4	17.7
Italy	27,979.1	43,326.9	36,739.9	3.2	3.1
Japan	37,471.5	27,481.9	32,311.0	2.8	-1.6
Singapore	10,696.1	16,944.3	29,949.5	2.6	12.1
United Kingdom	28,792.4	35,073.5	27,127.9	2.3	-0.7
Belgium	(¹)	28,366.2	15,794.7	1.4	(²)
Spain	15,926.1	23,985.2	14,759.1	1.3	-0.8
Other	105,225.7	129,898.8	79,972.9	6.9	-3.0
Total	557,591.4	797,062.6	1,158,457.8	100.0	8.5

¹ Not available.

² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

⁶⁸ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 103.

⁶⁹ World Travel and Tourism Council, *Madagascar, The 2004 Travel and Tourism Economic Research*.

⁷⁰ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 84.

⁷¹ For additional information on regional organizations, see app. C.

Sectors with the Greatest Export Growth Potential

Export sectors with potential for growth include agriculture, minerals, tourism, and business process outsourcing. Textiles and apparel may have some opportunity for short-term growth, but the sector faces increased international competition since the end of quotas in 2005.⁷² The top 10 export products with the highest revealed comparative advantage⁷³ (RCA) indices, in order from highest to lowest, are vanilla; cloves; fresh fruit; crustaceans; prepared or preserved fish; and jerseys, pullovers, cardigans, and sweaters (appendix E, table E-18). Only 1 product in the top 10, petroleum oils, showed a negative RCA index. Madagascar government officials have identified agribusiness, ecotourism, mining, textiles and apparel, and handicrafts as having the greatest export potential.⁷⁴ Other products with export potential include spices (chilies and ginger), fruit (litchis, rambutan, pineapple, and mangoes), vegetables (french beans, gherkins, onions, garlic, asparagus, and potatoes), essential oils, and organic products.⁷⁵

Although coffee exports have declined in recent years, there may be potential to increase exports in the future. There is an EU-funded project to help farmers increase the bean size of robusta coffee through pruning techniques, and the European Union is also financing a project to revive traditional production of arabica coffee in highland areas.⁷⁶ Sugar may have potential for increased exports despite low capacity utilization and yields, as the transfer of production units of the national sugar refinery Sirama to private firms may increase incentives for production. Madagascar fulfilled only 10 percent of its sugar quota to the European Union in 2001-02.⁷⁷ Although it fulfilled its quota to the United States during 2001-02, it did not export any sugar to the United States in FY2004 because of cyclone damage to the sugar refinery.⁷⁸ Cotton production also should increase with the privatization of the HASYMA ginnery. The French company Dagrís plans to invest \$6 million over 3 years to increase the production of cottonseed to 22,000 short tons in 2005 and to 50,000 short tons in future years.⁷⁹

Another sector with growth potential is fisheries. New aquaculture projects in Madagascar should increase shrimp production by 8,000 short tons over 5 years,⁸⁰ and Madagascar has reportedly been recognized by developed-country markets as an environment-conscious aquaculture producer.⁸¹ Other fish and seafood products such as crab, octopus, and mussels are also potential exports.

⁷² For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

⁷³ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁷⁴ Embassy of Madagascar official, interview by USITC staff, Washington, DC, Feb. 28, 2005.

⁷⁵ "Madagascar Support Fund to the Private Sector," found at www.madagascar-contacts.com/fasp/US, retrieved Feb. 10, 2005.

⁷⁶ EIU, *Madagascar Country Profile*, pp. 30-31.

⁷⁷ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 96.

⁷⁸ U.S. Department of State telegram, "Non-use of Tariff Rate Quota for Raw Sugar, 2004-Madagascar," message reference No. 00805, prepared by U.S. Embassy, Antananarivo, Aug. 2004.

⁷⁹ Dagrís, "Dagrís controle 90% de Hasyma, producteur de coton-fibre malgache," Sept. 17, 2004, found at www.dagris.fr, retrieved Apr. 7, 2005.

⁸⁰ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 99.

⁸¹ EIU, *Madagascar Country Profile*, p. 39.

Madagascar has extensive mineral resources that have not been exploited, including chromium, nickel, cobalt, iron, ilmenite (iron-titanium oxides), copper, gold, tin, quartz, marble, and semiprecious stones.⁸² As part of a World Bank \$30-million mining reform program, a British firm was awarded a 3-year contract (2005-08) to prepare a geological map of northern and central Madagascar that may help identify potential mineral deposits.⁸³ In addition to mineral extraction, the potential exists for mineral processing and downstream manufacture of products such as jewelry.⁸⁴ Improved freight services on the recently privatized northern railroad may encourage investment by foreign mining companies,⁸⁵ and new regulations in 2005 allow foreigners to export gemstones. The previous policy reserving gemstone export rights for Malagasy companies only encouraged the smuggling of millions of dollars worth of gemstones. In addition, China has announced plans to increase imports of chrome from Madagascar.⁸⁶

There are a number of other mining projects that can increase output or are being evaluated for new investment. The \$350-million Rio Tinto project has the potential to increase production of mineral sands, although there have been international concerns about the environmental impact of the project.⁸⁷ The Ambatovy nickel project also has the potential to expand nickel ore and cobalt ore output.⁸⁸ Other minerals that could be developed are quartz, gemstones, bauxite, and iron ore (the rehabilitation of the northern railway may encourage investment in iron predevelopment), but further reforms to regulations and concession terms may be needed to attract international investors.⁸⁹ Gold output could be more than doubled from its current production level.⁹⁰

A private firm, Galana, has acquired the national oil refinery, which has a nominal capacity of more than double domestic consumption; the remaining production could be exported to nearby countries.⁹¹ In addition, in 2005, a Chinese firm, Sino Union Petroleum and Chemical International, announced that it had signed a letter of intent with the Government of Madagascar for exclusive rights under a joint venture to explore for petroleum, and to operate a refinery, oil storage facilities, oil ports, and oil transportation facilities for 50 years.⁹²

With unique flora and fauna, 16 national parks, a World Heritage Site, and 5,000 kilometers of coastline, Madagascar has the potential to become “one of the prime ecotourism

⁸² Madagascar Consulate General in Johannesburg, “10 Good Reasons to Invest in the Mining Industry.”

⁸³ UK Trade and Investment, “British Geological Survey Charts Success in Madagascar,” Dec. 13, 2004.

⁸⁴ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 103; and Madagascar Consulate General in Johannesburg, “10 Good Reasons to Invest in the Mining Industry.”

⁸⁵ EIU, *Madagascar Country Profile*, p. 16.

⁸⁶ “Mining: Madagascar,” *Business Africa*, Mar. 24, 2005.

⁸⁷ EIU, *Madagascar Country Profile*, p. 33.

⁸⁸ “Nickel Exploration – Dynatec to acquire all of Ambatovy,” *Canadian Mining Journal*, Feb. 2, 2005.

⁸⁹ EIU, *Madagascar Country Profile*, p. 31.

⁹⁰ *Ibid.*, p. 32.

⁹¹ *Ibid.*, p. 18.

⁹² “China plans Madagascar oil venture,” China Economic Net, Jan. 19, 2005, found at http://en.ce.cn/Industries/Energy&Mining/200501/19/t20050119_2889582.shtml, retrieved Feb. 15, 2005.

destinations in the world.”⁹³ Besides ecotourism, expansion into niche markets for sport tourism (fishing, windsurfing, surfing, and diving) is a possibility, as well as expanding opportunities for cultural tourism and beach vacation tourism.⁹⁴ Madagascar also has potential to increase the number of cruise ship visitors because it is located between well-traveled cruise ship destinations Mombasa, Kenya, and Cape Town/Durban, South Africa.⁹⁵ The potential also exists to attract tourists from countries other than France, which accounts for the majority of tourists because of historical reasons, cultural ties, and air routes. A major potential market, South Africa, only accounted for about 3 percent of visitors in 2002.⁹⁶

Outsourcing services are another potential growth area as international demand for information technology (IT) and related services are increasing. Outsourcing services currently in existence include data processing centers and French language call centers.⁹⁷ There has been significant growth in the IT industry in Madagascar. Currently, there are 50 companies, 20 of which are in the EPZ, employing 4,000 people in software development, web design, and data entry. Wages are much lower than in France and similar to those in India.⁹⁸

Apparel has been one of the fastest-growing export sectors over the past 10 years, despite the loss of 3,000 jobs in the last year. While Madagascar’s textile and apparel industry is facing increased international competition, there may be some opportunity to increase exports in the short term and into niche products. Some factors favoring increased exports in the textile and apparel industry are the current presence of a vibrant apparel sector, the existence of a well-established EPZ, good artisanal skills, low wages, and access to regional sources for raw material and textiles.⁹⁹ In addition, new investment in the cotton industry in Madagascar will provide access to raw materials. Possible export opportunities include hand-loomed textiles utilizing Madagascar’s artisan heritage and skills; apparel from manmade fiber; and apparel manufactured from locally or regionally produced materials.

Markets with potential for growth in exports include the Common Market for Eastern and Southern Africa (COMESA),¹⁰⁰ South Africa, the European Union, and the IOC. With its entry into the Southern African Development Community, Madagascar has the potential to access the South African market, particularly for agriculture products, spices, and shrimp.¹⁰¹ The cotton sector may also benefit as Dagrif, the major investor in the cotton industry, has a number of suppliers and customers in South Africa. COMESA is a potential destination for exports of tea, tobacco, sugar, live animals, cotton and textile products, and rice.¹⁰² The

⁹³ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 124.

⁹⁴ *Ibid.*, p. 130.

⁹⁵ Iain T. Christie and D. Elizabeth Crompton, “Republic of Madagascar: Tourism Sector Study,” World Bank, Africa Region Working Paper Series No. 63, Nov. 2003, p. 32.

⁹⁶ *Ibid.*

⁹⁷ “Morocco fears Madagascar as competitor in call center market,” Business CustomWire, Nov. 8, 2004

⁹⁸ ProInvest, *Sector Orientation Report: East Africa and Indian Ocean*, Feb. 2004, found at www.proinvest-eu.org/files/files/Sectorial%20reports/EAOI-Website.pdf, retrieved May 2, 2005.

⁹⁹ East and Central Africa Global Competitiveness Trade Hub (ECAHUB), “Impact of the end of the MFA quotas on COMESA’s Textile and Apparel Exports under AGOA,” 2005, p. 46.

¹⁰⁰ For additional information on regional organizations, see app. C.

¹⁰¹ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 75.

¹⁰² IF, *Madagascar: Diagnostic Trade Integration Study*, addendum to vol. 1 - Analysis of Regional and Preferential Trade Agreements, Aug. 2003, p. 7.

European Union is a potential market for organic agricultural products, exotic fruits, and vegetables, and the IOC is a potential market for fruits and vegetables.¹⁰³

Domestic and International Barriers

Madagascar faces a number of constraints to increasing exports, particularly the business environment, inadequate infrastructure and transportation, limited access to capital, high utility costs, and a lack of trained workers to facilitate diversification into higher skill-intensive industries.

In terms of the business environment, Madagascar scored better than the regional average except for recovery rate when closing a business, legal rights with respect to credit, private bureau coverage, and difficulty of firing, but scored significantly worse than the OECD average (table MD-5). Madagascar's rating in terms of economic freedom has improved from 1995, when it was rated as less free than the regional average, to 2005, when it was rated significantly more free than the regional average (table MD-6). Madagascar's poorest scores were in informal market activity and fiscal burden of government.

Impediments related to the business environment include lack of transparency in the judicial, tax, and customs systems, high taxes, labor market rigidity, and customs inefficiency. Other impediments include excessive bureaucracy and unpredictable and arbitrary government decision making.¹⁰⁴ For example, incentive schemes for investors in tourism are offered on a case-by-case basis.¹⁰⁵ Investors in the EPZ noted that they invested because incentives in the EPZ legislation allowed them to reduce the costs of government bureaucracy.¹⁰⁶ Also, the length of time to get expatriate work permits is a constraint.

Taxes are another obstacle. The tax rate is 30 percent and there are reportedly delays in value-added tax refunds. While EPZ firms and small firms avoid taxes, larger manufacturers are targeted by tax authorities and reportedly are subject to many tax audits, inspections, and the like.¹⁰⁷ Although the government has taken steps to improve customs administration by contracting with a private firm to provide customs support services, customs administration continues to exact unofficial payments.¹⁰⁸

Inadequate and costly transportation infrastructure is a major impediment to increased exports. Only 11.6 percent of roads are paved (table MD-7), although 1,850 km of roads have been repaired since 2001.¹⁰⁹ Inadequate road maintenance and cyclone damage are problems. The rail network is also in disrepair, although the northern rail network was privatized in 2003 and there has been new investment.¹¹⁰ High port fees are another constraint to exporters, and lack of adequate port facilities, poor road infrastructure from the

¹⁰³ "Madagascar Support Fund to the Private Sector," found at www.madagascar-contacts.com/fasp/US, retrieved Feb. 10, 2005.

¹⁰⁴ Christie and Crompton, "Republic of Madagascar: Tourism Sector Study," p. 7.

¹⁰⁵ *Ibid.*, p. 28.

¹⁰⁶ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 119.

¹⁰⁷ *Ibid.*

¹⁰⁸ *Ibid.*

¹⁰⁹ EIU, *Madagascar Country Profile*, p. 16.

¹¹⁰ *Ibid.*

Table MD-5
Madagascar: Business environment

	Madagascar	Regional average	OECD average
Closing a Employment: Cost (<i>percent of estate</i>)	(¹)	20.5	6.8
Closing a Employment: Recovery rate (<i>cents on the dollar</i>)	0	17.1	72.1
Closing a Employment: Time (<i>years</i>)	(¹)	3.6	1.7
Getting Employment: Cost to create collateral (<i>percent of income per capita</i>)	39.0	41.8	5.2
Getting Employment: Credit information Index	3.0	2.1	5.0
Getting Employment: Legal rights index	4.0	4.6	6.3
Getting Employment: Private bureau coverage (<i>borrowers per 1000 capita</i>)	0.0	39.4	577.2
Getting Employment: Public credit registry coverage (<i>borrowers per 1000 capita</i>)	3.0	1.1	76.2
Enforcing Employment: Cost (<i>percent of debt</i>)	22.8	43.0	10.8
Enforcing Employment: Number of procedures	29.0	35.0	19.0
Enforcing Employment: Time (<i>days</i>)	280.0	434.0	229.0
Registering a Employment: Number of procedures	(²)	6.0	4.0
Registering a Employment: Cost (<i>percent of property value per capita</i>)	(²)	13.2	4.9
Registering a Employment: Time (<i>days</i>)	(²)	114.0	34.0
Starting a Employment: Number of procedures	13.0	11.0	6.0
Starting a Employment: Cost (<i>percent of income per capita</i>)	65.3	225.2	8.0
Starting a Employment: Minimum capital (<i>percent of income per capita</i>)	50.7	254.1	44.1
Starting a Employment: Time (<i>days</i>)	44.0	63.0	25.0
Employment: Difficulty of firing index	60.0	50.6	26.8
Employment: Difficulty of hiring index	28.0	53.2	26.2
Employment: Firing costs (<i>weeks</i>)	41.0	59.5	40.4
Employment: Rigidity of employment index	49.0	56.0	34.4
Employment: Rigidity of hours index	60.0	64.2	50.0
Import tariffs	Simple average of ad valorem duties		
	(Madagascar, applied rate, 2000)		
All goods			5.7
Agricultural goods			5.7
Nonagricultural goods			5.7

¹ No practice.
² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table MD-6
Madagascar: Economic freedom

	Madagascar	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	3.7	3.6	2.5
2000 Overall score	3.4	3.7	2.2
2005 Overall score	2.7	3.4	2.2
Trade policy score	2.0	3.9	2.2
Fiscal burden of government score	3.3	3.9	3.6
Government intervention in the economy score	1.5	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table MD-7
Madagascar: Infrastructure-related indicators

	MRY ¹
Roads, total network (km, 1999)	49,827.0
Roads, paved (percent of total roads, 1999)	11.6
Transport services (percent of service exports, BoP, 2002)	18.8
Transport services (percent of service imports, BoP, 2002)	36.2
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	14.0
Internet users (per 1,000 people, 2002)	3.5
Mobile phones (per 1,000 people, 2002)	10.2
Telephone mainlines (per 1,000 people, 2002)	3.7
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

port, and the lack of transportation from the port inhibit cruise ship tourism.¹¹¹ High airfares and a lack of flight routes also constrain exports. Prices have been lowered on flights to Europe, although they remain high because of the high cost of fuel.¹¹² Internal air flights are reportedly costly and unreliable, with frequent cancellations.¹¹³

Lack of access to, and high costs of, telecommunications is another impediment. Only 14 out of 1,000 people had telephones in 2002, including cell phones (up from 4.2 in 1998). The fixed line system is in poor condition although the mobile phone system is liberalized and highly competitive.¹¹⁴ Limited data connections (lack of bandwidth) are a constraint to data entry services as companies have to transfer data via courier services.¹¹⁵ In addition, unreliable and costly electricity is a problem, particularly outside of the capital.¹¹⁶

Financial constraints were cited as the most important problem faced by firms other than multinationals that are funded by parent companies.¹¹⁷ Specific problems are the high lending rate (the real short-term interest rate was 20.9 percent in 2003); the lack of operating banks, an equity market, and microfinance; and crowding out of private investment. Banks are reportedly more interested in foreign exchange and treasury trading. Short-term interest rates are higher than in many other countries.¹¹⁸ Banks reportedly demand personal guarantees and high levels of collateral, and will not lend to small firms.¹¹⁹ Short-term credit is difficult to obtain and long-term loans are reportedly rare. Excessive discretionary government powers reportedly prevent firms from entering the banking industry. Banks have difficulty obtaining information to assess the creditworthiness of borrowers, and a weak and ineffective legal system makes it difficult and costly to obtain recourse if a borrower defaults on a loan. Only

¹¹¹ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 148; and Christie and Crompton, "Republic of Madagascar: Tourism Sector Study."

¹¹² EIU, *Madagascar Country Profile*, p. 16.

¹¹³ Christie and Crompton, "Republic of Madagascar: Tourism Sector Study," p. 6.

¹¹⁴ EIU, *Madagascar Country Profile*, p. 17.

¹¹⁵ ProInvest, *Sector Orientation Report: East Africa and Indian Ocean*.

¹¹⁶ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 113.

¹¹⁷ *Ibid.*, pp. 115-116.

¹¹⁸ Short-term interest rates were 18 percent in Madagascar compared to 5.5 percent in China, 11 percent in India and Mauritius, 13 percent in Kenya, 15 percent in Ethiopia, and 19 percent in Uganda. ECAHUB, "Impact of the end of the MFA quotas," p. 46.

¹¹⁹ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 115.

5 percent of total lending is to agriculture. Difficulty in acquiring the title to land is most frequently mentioned as the main impediment to hotel investors.¹²⁰

There is a lack of trained workers, especially skilled mid-level managers and technicians, which are necessary for diversification into more skill-intensive industries and services. For example, apparel firms have to bring in managers, supervisors, and quality control experts.¹²¹ Madagascar lacks a training school for apparel workers.¹²² Lack of computer software developers and training institutes are also constraints. Another obstacle is lack of language training. Lack of English speakers has inhibited the ability to attract tourists from English-speaking countries and other countries such as Japan.¹²³

Many constraints hinder agricultural exports.¹²⁴ Impediments to agricultural exports include limited technology, deteriorated irrigation infrastructure, inadequate research and extension, lack of access to credit, vulnerability to weather, and lack of education. Other factors are low use of nontraditional inputs such as fertilizer, pesticides, and improved seed varieties because of lack of availability and high prices; the absence of rural markets and programs to promote associations; and the lack of investment because of the risk of droughts, floods, and crop diseases. A major issue is ill-defined property rights, in particular the absence of land titles and the lack of administrative capacity to survey and register land titles. Also, degradation of natural resources and loss of forest cover has resulted in high rates of erosion, lower productivity in lowland areas, and the spread of farming to marginal lands. Marketing, processing, and quality control are particular problems for rice, cotton, sugar, and wheat growers. Currently, only 300 farms (0.005 percent of total agricultural area) are producing organic products (fruit juices and pulp), which require extensive traceability documentation. Lack of agricultural extension services and the expense of certification are also constraints.¹²⁵

Lack of domestic capacity to satisfy sanitary and phytosanitary (SPS) requirements in the European Union is an impediment for some agricultural products. Most small and medium enterprises are unable to export shrimp to the European Union, although 42 companies in Madagascar are approved by the European Union for export of prawns and other seafood.¹²⁶ Crabs and lobsters that are caught by traditional methods do not meet EU SPS standards, but have been sold to Mauritius and South Africa.¹²⁷ Exports of essential oils directly to consumers in the European Union face technical barriers and a lack of transparency of regulations and procedures.¹²⁸ A number of impediments have also been identified in the tourism sector.¹²⁹ Domestic and international transport were cited as the main constraint to tourism development.¹³⁰ Air transport constraints include high international and domestic air

¹²⁰ EIU, *Madagascar Country Profile*, p. 29; and Christie and Crompton, "Republic of Madagascar: Tourism Sector Study," p. 6.

¹²¹ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 117.

¹²² ECAHUB, "Impact of the end of the MFA quotas," p. 46.

¹²³ Christie and Crompton, "Republic of Madagascar: Tourism Sector Study," p. 60.

¹²⁴ IF, *Madagascar: Diagnostic Trade Integration Study*, pp. 89, 105-106; and EIU, *Madagascar Country Profile*, p. 29.

¹²⁵ ProInvest, *Sector Orientation Report: East Africa and Indian Ocean*.

¹²⁶ Common Market for Eastern and Southern Africa (COMESA), "Market Access Constraints—Prepared by the COMESA Secretariat," May 2003, found at www.comesa.int/trade/multilateral/epa, retrieved Feb. 8, 2005.

¹²⁷ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 102.

¹²⁸ COMESA, "Market Access Constraints."

¹²⁹ IF, *Madagascar: Diagnostic Trade Integration Study*, pp. 126-129 and xix.

¹³⁰ Christie and Crompton, "Republic of Madagascar: Tourism Sector Study," p. 113.

transportation costs, late and canceled flights, and few gateway cities in tourist markets. Other impediments include impassable roads in the wet season, absence of medical facilities, inadequate telecommunications, and the inability of hotels to accommodate tour groups. Investment in tourism is hampered by difficulty in acquiring land, lack of financing, bureaucracy, lack of transparency in investment incentives, and the tax structure.¹³¹

One of the major impediments is related to Madagascar's location. The long distance from markets, including mainland Africa, and the fact that Madagascar is not on major shipping routes, increases costs and shipping times. For example, shipping time from Madagascar to the East Coast of the United States is 35 days compared to 20 days for China and India, and 30 days for Kenya and Mauritius.¹³² Another impediment is difficulty complying with international standards on port security, thereby lengthening the stay of vessels at foreign ports and the possibility that vessels may be refused (particularly at U.S. ports).¹³³ Other international impediments include insufficient knowledge of international markets, trading practices, and international standards.

Impediments to increasing exports to COMESA include transportation costs, language differences, and lack of market knowledge.¹³⁴ Barriers and impediments to increasing exports to South Africa include transportation costs, rules of origin, language barriers, production volumes, lack of market knowledge, and standards and quality issues.¹³⁵

¹³¹ Ibid., p. 6-7.

¹³² ECAHUB, "Impact of the end of the MFA quotas," p. 67.

¹³³ Embassy of Madagascar official, interview by USITC staff, Washington, DC, Feb. 28, 2005.

¹³⁴ IF, *Madagascar: Diagnostic Trade Integration Study*, p. 72.

¹³⁵ Ibid., p. 75.

Economic Overview

A small tropical island¹³⁷ in the Indian Ocean between India and East Africa, Mauritius has a land mass of 1,969 square kilometers¹³⁸ and a population of 1.2 million people (table MR-1). Mauritius is a middle-income, diversified economy, and at \$4,354, its annual gross national income per capita ranks second amongst the AGOA countries after Seychelles.¹³⁹ During 1999-2003, real GDP growth averaged 4.6 percent¹⁴⁰ and annual inflation averaged 5.5 percent.¹⁴¹ Despite a strong domestic economy, Mauritius' relatively small population and finite resources reinforce the importance of trade and integration in the global economy. Trade as a share of GDP represented 116.1 percent in 2003.

Table MR-1
Mauritius: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	5,224.8
GDP growth (annual percent, based on local currency, 2003)	3.2
GDP per capita growth (annual percent, based on local currency, 2003)	2.1
Inflation, consumer prices (annual percent, 2003)	4.2
External debt, total (current US\$, millions, 2002)	1,803.1
Total debt service (percent of exports of goods and services, 2002)	8.2
Exports of goods and services (percent of GDP, 2003)	59.4
Trade (percent of GDP, 2003)	116.1
Official exchange rate (local currency unit per US\$, period average, 2003)	27.9
Population, total (millions, 2003)	1.2
Population growth (annual percent, 2003)	1.1
Labor force, total (millions, 2003)	0.5
Labor force participation rate, total (percent, 2002)	44.0
Literacy rate, adult total (percent of people ages 15 and above, 2000)	84.3
Primary school enrollment ratio, total (percent, 2000) ²	109.0
Secondary school enrollment ratio, total (percent, 2000)	77.0
Land use, arable land (percent of total, 2001)	49.3
Gross capital formation (percent of GDP, 2003)	22.4
Gross fixed capital formation (percent of GDP, 2003)	22.5
Foreign direct investment, net inflows (percent of GDP, 2002)	0.6

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

¹³⁶ Prepared by Kimberlie Freund, Office of Industries.

¹³⁷ Mauritius also has several dependencies, islands located east and north of the main island of Mauritius. Among these are the islands of Rodrigues and Agalega Cargados Carajos.

¹³⁸ Government of Mauritius, *Mauritius in Figures*, p. 1, found at www.mauritius.gov.mu/mif03/mif.pdf, retrieved Jan. 19, 2005.

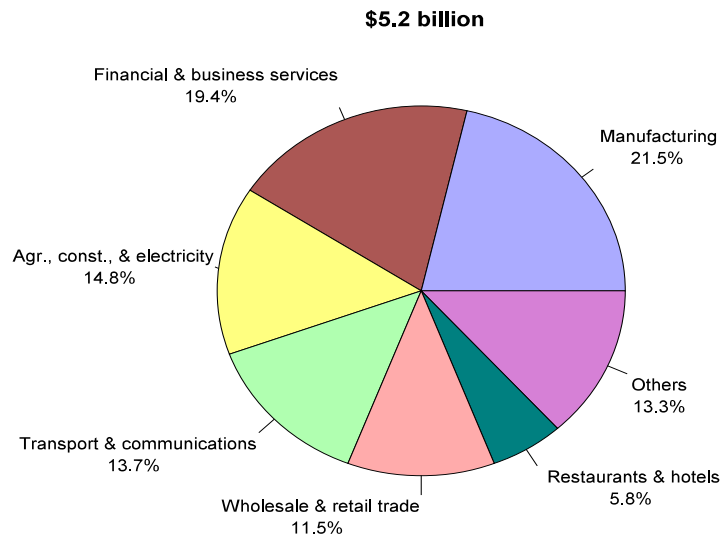
¹³⁹ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 5, 2005.

¹⁴⁰ Based on annual percentage growth rate of GDP at market prices based on constant local currency. World Bank, "World Development Indicators."

¹⁴¹ Inflation as measured by the consumer price index. World Bank, "World Development Indicators."

In 2003, manufacturing accounted for 21.5 percent of GDP, followed by financial and business services at 19.4 percent (figure MR-1). All services accounted for approximately two-thirds of GDP. The Government of Mauritius has been working to shift the economy away from one based on production and exports of goods to one based more heavily on services. Mauritius has several growing services sectors, including tourism, information and communication technologies (ICT), and international financial services. In the past year, Mauritius has also started to position itself as a seafood hub by providing the intermediate and final processing services to the large Asian fishing boats that operate off the coast of Mauritius.

Figure MR-1
Mauritius: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

The apparel sector dominates the manufacturing industry in terms of employment, exports, and foreign direct investment (FDI). This sector was established in Mauritius largely by Asian investors that were looking for additional access to the U.S. and EU markets.

In 2001, nearly one-half of the land mass of Mauritius was being used for agriculture, most of which was sugar cane production.¹⁴² The share of land under cultivation reportedly has decreased, as some of the arable land has been designated for high-income housing communities and business parks.¹⁴³ The agricultural sector was built almost entirely on sugar, sugar cane being one of the few commodities that can survive the 2-3 cyclones the island receives each year. In addition, Mauritius receives preferential treatment for sugar exports

¹⁴² Economist Intelligence Unit (EIU), *Mauritius Country Profile*, 2004, p. 24.

¹⁴³ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

to the European Union under the Cotonou Agreement.¹⁴⁴ Under the Agreement, the European Union committed to buy a certain quantity of sugar from each African, Caribbean, and Pacific, or ACP, sugar-supplying country, including Mauritius, at guaranteed prices.¹⁴⁵ With the impending reform of the EU sugar market, the Government of Mauritius estimates that it will need to reduce its cost of sugar production by at least 22 percent in the short term, and by 45 percent in the longer term, to remain competitive.¹⁴⁶

Mauritius has a total labor force of 531,000 workers, including both domestic and foreign workers.¹⁴⁷ Compared with much of sub-Saharan Africa (SSA), Mauritius has a relatively literate population, with a literacy rate of about 84 percent in 2000.¹⁴⁸ English is the official language in Mauritius, though most of the population speaks a French-based Creole.¹⁴⁹

The Government of Mauritius encourages FDI, particularly for export-oriented industries. The government is encouraging diversification both in its industrial and agricultural sectors, and has extended other tax incentives once put in place for its export processing zones (EPZs) to the services sectors. The government grants tax concessions and other investment incentives for numerous sectors, including ICT, manufacturing, tourism, agriculture and agroprocessing, fishing and marine resources, global business services, and foreign trade zone (FTZ) activities.¹⁵⁰

Net inflows of FDI totaled \$27.6 million in 2002,¹⁵¹ accounting for 0.6 percent of GDP. During 1993-2002, net FDI fluctuated, reaching a high of \$265.6 million in 2000, before dipping to a negative \$27.7 million in 2001.¹⁵² The apparel sector in the EPZs has experienced an outflow of FDI in recent years, in part because of disinvestment in the sector, but also because local investors have replaced many of the original Asian investors that helped to develop the sector in the 1980s. The apparel sector is now over 80-percent locally owned.¹⁵³ During 1999-2003, more than one-half of the FDI was accounted for by the sale of shares of Mauritius Telecom to France Telecom in 2000.¹⁵⁴

¹⁴⁴ European Commission, Agricultural Directorate-General, *A Description of the Common Organisation of the Market in Sugar*, Sept. 2004, AGRI/63362/2004, p. 16. For additional information on the Cotonou Agreement, see app. C.

¹⁴⁵ Mauritius has the largest European Union sugar commitment of the ACP countries at 491 million metric tons in 2003/04. This amount was more than double the next largest commitment for an ACP supplier (app. C). European Commission, *A Description of the Common Organisation of the Market in Sugar*, pp. 16 and 27.

¹⁴⁶ "Mauritius Country Profile," *SADC Trade, Industry, and Investment Review 2004*, found at www.sadcreview.com/country_profiles/mauritius, retrieved Mar. 11, 2005.

¹⁴⁷ Foreign workers totaled about 18,000 in 2004, employed largely the textile and apparel sector, as well as tuna canning, construction, and hotel and catering services. U.S. Department of State telegram, "Mauritius: 2005 Investment Climate Statement," message reference No. 00030, prepared by U.S. Embassy, Port Louis, Jan. 2005.

¹⁴⁸ Literacy rate is the share of people ages 15 and above who are literate. World Bank, "World Development Indicators." According to another source, the literacy rate for those aged 30 and under in Mauritius was 95 percent in 2003. EIU, *Mauritius Country Profile*, p. 14.

¹⁴⁹ EIU, *Mauritius Country Profile*, p. 15.

¹⁵⁰ U.S. Department of State telegram, "Mauritius: 2005 Investment Climate Statement."

¹⁵¹ World Bank, "World Bank Development Indicators."

¹⁵² *Ibid.*

¹⁵³ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁵⁴ World Trade Organization (WTO), *Trade Policy Review: Mauritius*, Report by the Government, Oct. 5, 2001, p. 10; and data on foreign direct investment by sector from Bank of Mauritius, *Monthly Statistical Bulletin*, Dec. 2004, found at <http://bom.intnet.mu>, retrieved

Export Profile

Total exports of services and merchandise totaled about \$3.0 billion in 2003, of which services accounted for about 43 percent, or \$1.3 billion.¹⁵⁵ Tourism, financial services, and ICT are among the top foreign exchange earners in the services sector. Total merchandise exports from Mauritius were \$1.7 billion in 2003, accounting for 57 percent of total exports (table MR-2). The European Union is the major market for foreign exchange income from services. France and the United Kingdom are the primary markets for ICT services, primarily business processing and call centers.¹⁵⁶ The European Union is also the major market for tourism in Mauritius, along with South Africa.¹⁵⁷

Table MR-2
Mauritius: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
61	Articles of apparel and clothing accessories, knitted or crocheted	412,586.6	543,527.6	593,672.5	34.3	4.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	335,731.8	423,680.5	374,367.5	21.6	1.2
17	Sugars and sugar confectionery	338,198.7	310,826.9	308,374.8	17.8	-1.0
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	25,006.0	83,796.2	101,396.5	5.9	16.8
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	36,310.0	45,084.4	69,317.3	4.0	7.4
03	Fish & crustacean, mollusc & other aquatic invertebrates	5,160.1	41,670.4	26,554.6	1.5	20.0
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	16,709.9	19,359.2	24,711.3	1.4	4.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	7,586.1	6,316.9	24,559.6	1.4	13.9
91	Clocks and watches and parts thereof	28,236.3	27,262.6	19,677.5	1.1	-3.9
52	Cotton, including yarns and woven fabrics thereof	11,065.3	15,138.1	19,034.0	1.1	6.2
	Other	88,572.4	99,837.4	168,809.3	9.8	7.4
	Total	1,305,163.2	1,616,500.3	1,730,474.9	100.0	3.2

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Total merchandise exports from Mauritius grew by 33 percent, or at a compound annual growth rate (CAGR) of 3.2 percent in the last 9 years, to \$1.7 billion in 2003. Export growth was fueled in large part by the apparel sector. Apparel exports from Mauritius grew by 29 percent during 1994-2003, though most of this growth occurred prior to the implementation of AGOA in 2000. Apparel exports fell for the first couple of years of AGOA, in part reportedly because Mauritius, along with South Africa, was excluded from

Mar. 13, 2005. The telecommunications sector accounted for 58 percent of total FDI during 1999-03.

¹⁵⁵ Government of Mauritius, Central Statistics Office, *National Accounts*, Table 7, Dec. 2004, found at <http://statsmauritius.gov.mu/indicate.htm>, retrieved Mar. 9, 2005; and EIU, *Mauritius Country Profile*, p. 45.

¹⁵⁶ Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁵⁷ EIU, *Mauritius Country Profile*, p. 29.

the special AGOA lesser-developed beneficiary-country provision allowing the use of third-country fabrics.¹⁵⁸ At the same time, labor costs in Mauritius increased relative to other SSA clothing suppliers.

Mauritius' merchandise exports are concentrated in apparel, which accounted for 55.9 percent of total exports in 2003. Six of the leading export products were apparel (table MR-3). Most of Mauritius' apparel exports went to the European Union in 2003 (approximately 68 percent of the total), followed by the United States (30.7 percent).¹⁵⁹ Sugar is the second-largest export sector, accounting for 17.8 percent of total exports. Over 98 percent of the value of Mauritius' sugar exports go the European Union. The next largest group of exports included diamonds and jewelry of precious metals, which accounted for 5.9 percent of total exports, and canned tuna and frozen fish, which together accounted for another 5.5 percent of exports.

Table MR-3
Mauritius: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
1701	Cane or beet sugar and chemically pure sucrose, in solid form	327,236.9	306,207.4	300,292.3	17.4	-1.0
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	108,321.4	202,870.0	277,212.7	16.0	11.0
6110	Sweaters, pullovers, sweatshirts, waist-coats (vests) and similar articles, knitted or crocheted	192,351.5	199,068.5	192,832.6	11.1	0.0
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	43,215.2	93,436.9	118,819.3	6.9	11.9
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	89,631.5	159,470.6	113,230.6	6.5	2.6
6205	Men's or boys' shirts, not knitted or crocheted	132,519.4	120,678.4	100,432.3	5.8	-3.0
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	24,116.5	43,018.8	69,181.2	4.0	12.4
7113	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal	11,617.6	31,004.3	49,967.2	2.9	17.6
6105	Men's or boys' shirts, knitted or crocheted	44,290.5	75,663.4	49,650.9	2.9	1.3
7102	Diamonds, whether or not worked, but not mounted or set	3,443.6	34,025.8	38,742.5	2.2	30.9
	Other	328,419.2	351,056.3	420,113.4	24.3	2.8
	Total	1,305,163.2	1,616,500.3	1,730,474.9	100.0	3.2

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The European Union as a whole is Mauritius' largest market, accounting for 71.7 percent (\$1.2 billion) of its exports in 2003. The United Kingdom and France are the largest individual country markets, followed by the United States (table MR-4). These countries accounted for 30.7 percent, 23.6 percent, and 18.3 percent, respectively, of Mauritian exports. In 2003, the United Kingdom was the principal market for Mauritius' exports of sugar and canned fish, France was the leading market for jewelry of precious metals and clothing, and apparel accounted for over 90 percent of the value of Mauritius' exports to the United States. Mauritius' investment in apparel production in neighboring Madagascar resulted in increased exports of apparel inputs from Mauritius to Madagascar.

¹⁵⁸ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁵⁹ Based on official data of the United Nations.

Table MR-4

Mauritius: Leading export markets, 1994, 1999, 2003, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
United Kingdom	448,322.8	497,797.1	531,498.2	30.7	1.9
France	296,486.8	358,195.4	408,220.4	23.6	3.6
United States	233,853.8	274,787.5	316,047.5	18.3	3.4
Belgium	(¹)	71,862.9	66,247.7	3.8	(²)
Italy	56,275.4	52,433.8	64,977.1	3.8	1.6
Germany	91,117.0	78,727.7	57,391.0	3.3	-5.0
Madagascar	2,263.4	6,377.6	37,942.9	2.0	36.8
Spain	25,149.1	42,954.9	33,731.0	1.9	3.3
Portugal	13,389.5	21,847.9	27,728.4	1.6	8.4
Netherlands	25,519.5	37,257.8	24,790.3	1.4	-0.3
Other	112,785.9	174,257.6	161,900.4	9.4	4.1
Total	1,305,163.2	1,616,500.3	1,730,474.9	100.0	3.2

¹ Not available.² Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

The revealed comparative advantage¹⁶⁰ (RCA) analysis shows a high RCA for 9 of Mauritius' top 10 export items (appendix E, table E-22). However, with the exception of frozen and prepared fish, the other items listed are either clothing products, exports of which are not likely to increase given removal of quotas in 2005,¹⁶¹ or sugar products, which are subject to existing sugar quotas.

Because of the elimination of textile quotas in 2005, the apparel industry faces substantially more competition in its major markets from other large apparel suppliers that are no longer constrained by quotas. Many of the major U.S. retailers have closed or are closing their regional SSA buying offices that are located in Mauritius.¹⁶² Mauritius' apparel manufacturers are not cost competitive compared with major Asian suppliers. According to an industry official in Mauritius, wage rates (income per head per day) in Mauritius are 3-4 times those in China.¹⁶³ Mauritius is also less competitive with Asia in terms of lead times. Not only does Mauritius take about twice as long as East Asia to ship to the United States,¹⁶⁴ it also takes considerable time to acquire the needed inputs, as the quantity, quality, and

¹⁶⁰ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁶¹ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹⁶² Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005; and association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

¹⁶³ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005. For the textile industry, hourly labor costs (direct and indirect costs) in Mauritius were \$1.57, compared with \$0.67 in India, and \$0.48 to \$0.76 in China. Werner International Management Consultants, "Primary Textiles Labor Cost Comparisons," Winter 2004/2005.

¹⁶⁴ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005; and association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

variety of yarns available regionally are not sufficient. For the U.S. market, Mauritius apparel exporters are also at a disadvantage in terms of the economies of scale required by large U.S. retailers.¹⁶⁵ Mauritius does not have large companies able to fill large orders, nor a supply of subcontractors to tap for large rush orders.¹⁶⁶ Mauritius may be able to compete better in the EU market, which is less price conscious and allows for greater lead times than its U.S. customers. In addition, EU customers often require smaller lot sizes that may not be attractive to the large Asian suppliers.¹⁶⁷

With the reform of the EU sugar market, Mauritius will need to bring its cost of production down within the next 3 years in order to be competitive in the EU market.¹⁶⁸ Nevertheless, even if Mauritius is able to bring down its cost of production and continue to export the same volume of sugar to the European Union, the lower per-pound price will result in a significant decline in the value of sugar exports. The one exception for potential growth in the sugar sector is speciality sugars, which can be sold at a premium over raw sugar exports. According to a Mauritius association official, speciality sugars account for about 10 percent of Mauritius' total sugar production.¹⁶⁹ However, as a niche product, it is unlikely to totally offset expected losses in the larger aggregate sugar sector.

The products that ranked highest in terms of RCA index, other than sugar and clothing, include parachutes, items of precious or semiprecious stones,¹⁷⁰ watch straps, and prepared fish. Parachutes are an offshoot from the apparel sector, in an attempt to diversify production. However, according to Mauritius government officials, they are not seen as a growth industry.¹⁷¹ With the exception of the fish sector, all of these sectors are considered niche areas that are unlikely to grow substantially in the future.¹⁷²

The largest growth opportunities will likely come from Mauritius' established and growing services industries, including tourism, ICT, and international financial services, as well as distribution services, repackaging, and minor processing of goods for export. Tourism is likely to continue to expand and be one of the growth sectors for the economy in the foreseeable future. The number of new arrivals increased by 21 percent during 2001-03 to reach 702,000 in 2003.¹⁷³ For 2005, tourism is expected to grow by 8 percent.¹⁷⁴ Mauritius is served by 15 international airlines, including the national airline, Air Mauritius.¹⁷⁵ Mauritius has 97 hotels in operation, 38 of which are "large" hotels (large beach hotels with more than 80 rooms). The occupancy rate of hotels in operation was 66 percent of total

¹⁶⁵ Ibid.

¹⁶⁶ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005; and Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁶⁷ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁶⁸ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005; and association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

¹⁶⁹ Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁷⁰ Even though this subheading covers articles of pearls and precious or semiprecious stones, all of Mauritius' exports in 2003 consisted of articles of precious or semiprecious stones, based on UN data.

¹⁷¹ Government officials, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁷² Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005; and association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

¹⁷³ Mauritius Ministry of Tourism, "International Travel and Tourism Overview – Year 2003," found at <http://tourism.gov.mu/yr2003.htm>, retrieved Feb. 4, 2005.

¹⁷⁴ U.S. government official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁷⁵ EIU, *Mauritius Country Profile*, p. 17.

capacity in 2003, so the hotel business has room for growth, even without opening new hotels.¹⁷⁶ Mauritius is promoting upscale tourism; it has five 6-star resorts. To further grow its tourism business, Mauritius is also reportedly working with some of the big tour operators and other African countries to offer joint safari/deep-sea fishing or beach vacations.¹⁷⁷ Mauritius is also trying to increase the revenues it receives from tourist arrivals by expanding the range of activities available for tourists, such as deep-sea fishing, ecotourism, nightclubs, and opportunities to buy handicrafts. A related area that Mauritius is trying to develop is conference facilities. A new conference center was recently built with Indian government financing.¹⁷⁸ Mauritius is also looking at other opportunities for attracting people to Mauritius, including the provision of medical services in combination with tourism.¹⁷⁹

The ICT sector, which is also referred to as business processing, is a growing sector area encompassing a number of different services, including call centers and “backroom processing” for customer care, finance, human resources, payment services, and administration business processing. Mauritius has developed the infrastructure to grow the ICT business. The sector has been buoyed by the opening of a fiber optic cable at the end of 2002 and the recent establishment of Ebène CyberCity, a business park that reportedly contains a world-class telecommunications network.¹⁸⁰ Ebène CyberCity was established by Business Parks of Mauritius, Ltd. with a \$100-million line of credit from the Government of India, of which \$20 million has been used to date.¹⁸¹ In 2004, it completed construction of a large “Cyber Tower” that provides fully functional office space for this sector at \$1 per foot. Roughly 80 percent of the tower is now occupied, and construction has started on a second tower. Mauritius is active in call centers, which can serve a large variety of functions, from offshore gambling to bill payment and human resources. The multilingual population, fluent in French and English, gives the call centers an advantage in servicing both the European and U.S. markets, and Mauritius reportedly has a particular advantage in French-speaking markets over other regional and global providers.¹⁸² In addition to call centers, the CyberCity is encouraging businesses to consider its facilities for use in business processing and more skilled services, such as information technology infrastructure management. The time zone difference between Mauritius and the United States allows U.S.-based companies to send data processing or other backroom processing to Mauritius during nonbusiness hours in the United States and have the completed results by start of business the next day without having to pay any overtime and at less expensive labor rates overall.¹⁸³

The business services sector can also build on its success in international financial services, most notably offshore banking, by providing additional support services to companies that are already in Mauritius. At the end of 2004, Mauritius had 12 offshore banks operating in the global business sector.¹⁸⁴ Mauritius’ offshore banking business benefits from double-

¹⁷⁶ Mauritius Ministry of Tourism, “International Travel and Tourism Overview.”

¹⁷⁷ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁷⁸ U.S. government official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁷⁹ Association officials, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁸⁰ Information from Ebène CyberCity Internet site, found at <http://e-cybercity.mu>, retrieved Feb. 28, 2005.

¹⁸¹ Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁸² Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁸³ Association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

¹⁸⁴ In September 2004, Mauritius passed a new law that that ended the distinction between offshore and domestic banks. U.S. Department of State telegram, “Mauritius: 2005 Investment Climate Statement.”

taxation treaties with 29 countries, particularly those with India and South Africa.¹⁸⁵ Companies incorporated in Mauritius reportedly are the largest foreign investors in India.¹⁸⁶ The double-taxation treaty allows companies to incorporate in Mauritius and pay the lower Mauritius tax rates for their investments in India. Mauritius is learning to capitalize on the offshore business to offer more financial services to investors, including investment advisory services, fund management, trusteeship of offshore accounts, and private banking.¹⁸⁷ Nevertheless, the potential for growth through spin-off business is reportedly relatively limited, and the offshore business itself could be threatened by legal challenges to the bilateral investment treaty with India and easing of foreign exchange controls in South Africa.¹⁸⁸

While Mauritius does not appear to have a large number of product sectors from which it can grow its exports, it does have the capability to grow its business as a regional distributor and a minor processor or repackager of goods for export. For example, Mauritius is looking at increasing its business in food processing, using raw materials from the region such as potatoes.¹⁸⁹ Mauritius is promoting itself as a “regional warehousing, distribution, marketing and logistics center for Eastern and Southern Africa and the Indian Ocean Rim.”¹⁹⁰ Mauritius’ location lends itself to its goal of becoming a provider of all types of business and logistics services. Mauritius’ membership in the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community¹⁹¹ have helped to strengthen its role as a regional trading hub for Southern African countries. Boxmore, a U.S. company, recently set up operations to produce polyethylene terephthalate (PET) bottles for soda and water in the FTZ for export to COMESA countries.¹⁹² Production costs are reportedly 5 percent less in Mauritius than in South Africa; this is an example of the type of business that Mauritius could expand. The production process is highly mechanized, and benefits from its location in the Freeport, which is geared towards technical, high-volume industries.

As part of the minor processing and repackaging business, Mauritius will also likely be able to further grow its tuna exports, and not only to regional markets. Mauritius has developed a world-class port infrastructure, including cold storage, to provide the impetus needed for investment in this sector. The Mauritius Freeport describes its services as “an integrated logistics platform for the transshipment, warehousing, handling, processing and re-export of frozen sea foods.”¹⁹³ Taiwanese fishing companies mostly use the Mauritius Freeport as a transit zone, storing fish in the Freeport cold room and exporting the product directly to buyers.¹⁹⁴ In addition, many fishing boats, which are largely Asian-owned, do the intermediate processing offshore on their boats and ship the fish back to Asia for final

¹⁸⁵ EIU, *Mauritius Country Profile*, p. 12.

¹⁸⁶ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁸⁷ U.S. Department of State telegram, “Mauritius: 2005 Investment Climate Statement,” and Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

¹⁸⁸ African Development Bank/Organization for Economic Cooperation and Development, “Mauritius,” *African Economic Outlook*, 2004, p. 216.

¹⁸⁹ Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

¹⁹⁰ U.S. Department of State telegram, “Mauritius: 2005 Investment Climate Statement.”

¹⁹¹ For additional information on regional organizations, see app. C.

¹⁹² Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁹³ Mauritius Freeport Authority, “Mauritius Freeport...A World Class Sea Food Hub in the Indian Ocean,” brochure given to USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁹⁴ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

processing before being sent to the EU and or U.S. markets.¹⁹⁵ Energy and labor costs for tuna processing in Mauritius reportedly are on par with many of the Asian factories.¹⁹⁶ Processing in Mauritius could save Asian firms shipping time and costs. Mauritius currently has one tuna canning factory, jointly owned by Princes Tuna Ltd. (United Kingdom) and Ireland Blyth Ltd. (Mauritius).¹⁹⁷ A U.S. company, Casamar Holdings, also recently established itself in Mauritius for tuna processing.¹⁹⁸ In an effort to attract more tuna processing to the country, Mauritius is hosting a conference with international invitees in July 2005.¹⁹⁹

Domestic and International Barriers

While specific data are not reported on the business environment for Mauritius (table MR-5), compared to the region, it is generally seen as a safe, supportive environment for business.²⁰⁰ Mauritius has the legal and regulatory framework to fight against corruption, money laundering, and terrorism. The Independent Commission Against Corruption was set up in 2002, and is seen as a model for Africa. A joint public- and private-sector committee issued a new Code of Corporate Governance in July 2004 and a financial intelligence unit was established by the government under the Financial Intelligence and Anti-Money Laundering Act.

Table MR-5
Mauritius: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties (Mauritius, applied rate, 2001)
All goods	19.0
Agricultural goods	19.7
Nonagricultural goods	18.9

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

In terms of economic freedom, Mauritius scored 2.9 out of a scale of 1 to 5, indicating that Mauritius was "mostly free" (table MR-6). Mauritius' score of 5.0 for trade policy reflects its relatively high average import tariff rate of 19.0 percent ad valorem. Mauritius also scored higher than the OECD average and the regional average on the wages and prices score,

¹⁹⁵ Association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

¹⁹⁶ Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

¹⁹⁷ IDDRA Ltd., *Analysis of the Impact on ACP Countries of the Opening up the EU Import Market for Canned Tuna*, Feb. 2004, p. 17.

¹⁹⁸ U.S. Department of State telegram, "Business Facilitation Incentive Fund FY 05 Project Proposals," message reference No. 00043, prepared by U.S. Embassy, Port Louis, Jan. 2005.

¹⁹⁹ Ibid.

²⁰⁰ The information in this paragraph is based on the following, unless otherwise noted. U.S. Department of State telegram, "Mauritius Input for 2005 President's Report on AGOA," message reference No. 00104, prepared by U.S. Embassy, Port Louis, Feb. 2005; and U.S. Department of State telegram, "Mauritius: 2005 Investment Climate Statement."

Table MR-6
Mauritius: Economic freedom

	Mauritius	Regional average ¹	OECD average
<i>Heritage Foundation indicators</i>			
1995 Overall score	(?)	3.6	2.5
2000 Overall score	(?)	3.7	2.2
2005 Overall score	2.9	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.0	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	2.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	2.0	3.2	1.9
Wages and prices score	4.0	2.8	2.1
Property rights score	2.0	3.7	1.6
Regulation score	3.0	3.7	2.7
Informal market activity score	3.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, “2005 Index of Economic Freedom Database,” found at www.heritage.org, retrieved Feb. 11, 2005.

which indicates that the government has a high level of involvement in setting wage rates and the prices of goods and services. For the capital flows and foreign investment score, Mauritius rated a 3.0, which is considered a “moderate” impediment to foreign investment, largely reflecting the bureaucratic approval process for new investments. However, the 2004/05 budget seeks to facilitate private investment by streamlining the approval process for new investments.²⁰¹

As a small island economy, it is difficult for Mauritian industries to achieve the economies of scale required to satisfy single-order requirements. In addition, Mauritius must import virtually all of its inputs, which puts it at a cost and time disadvantage as compared with countries that have abundant raw materials. Its 19.0 percent average tariff rate adds to the cost of doing business. In addition, construction costs for new buildings in every sector are boosted by the need to import building materials, even cement. China’s increased demand for international transport services has led to an increase in the already high shipping rates, which has doubled the cost of cement in Mauritius.²⁰²

Mauritius has laid the foundation for growth in distribution services, repackaging, and minor processing of goods for export, and its location, port facilities, and participation in regional trade agreements makes it well suited to expand its trade within the region. However, the lack of purchasing power for much of the region will mean that Mauritius will need to look elsewhere in the near term for significant export growth opportunities.

One of the largest impediments to growth in Mauritius is its shortage of resources, particularly skilled labor required for diversification of exports into more skill-intensive industries, especially services. Despite an unemployment rate of about 10.6 percent

²⁰¹ U.S. Department of State telegram, “Mauritius FY 2004-2005 Budget: A Budget With A Strong Social Bias,” message reference No. 00452, prepared by U.S. Embassy, Port Louis, July 2004; and EIU, *Mauritius Country Profile*, pp. 21-22.

²⁰² Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

(mid-2004),²⁰³ the skills of workers leaving the clothing and sugar sectors are not interchangeable with those required for the ICT or tourism sectors.²⁰⁴ In an effort to increase its skill base, the government made secondary education mandatory to age 16.²⁰⁵ Mauritius has also increased the number of its pre-vocational or technical schools from 25 in 2000 to 114 schools in 2003.²⁰⁶ Despite these efforts, the Government of Mauritius and the private sector recognize the need to increase further the education levels of its population to meet the growing needs of the service sector. The 2004/05 budget contained reforms to the education sector and funding for training programs to boost employment.²⁰⁷ For the ICT sector in particular, Mauritius is paying up to 70 percent of the training cost for workers in such areas as software development.²⁰⁸ It has also been recommended that Mauritius establish special training institutes for the ICT sector.²⁰⁹

Labor seems to be in short supply for the EPZ, which employs 67,000 people.²¹⁰ The EPZ reportedly has 5,000 to 6,000 available jobs that it is unable to fill with locals.²¹¹ Hence, labor is imported from India and other countries.²¹² In addition, there reportedly is a high rate of absenteeism.²¹³

Mauritius has a good telecommunications network, with 560 fixed line and mobile phone subscribers per 1,000 people in 2002 (table MR-7), compared with 103 subscribers per 1,000 people for the region as a whole. However, for the ICT sector, the high cost of telecommunications is frequently cited as a major impediment to growth in this sector.²¹⁴ Mauritius Telecom owns the landing station for the fiber optic cable system, giving it monopolistic pricing power.²¹⁵ The cost of using the fiber optic cable between Mauritius and Paris is over five times as costly as the cost between Réunion and Paris.²¹⁶ As a result, Mauritius reportedly is a higher-cost provider for ICT services than its main competitors, India and the Philippines, though costs in India reportedly are increasing.²¹⁷

²⁰³ EIU, *Mauritius Country Profile*, p. 23.

²⁰⁴ Association official, interview with USITC staff, Port Louis, Mauritius, Mar. 17, 2005; and association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

²⁰⁵ Secondary school enrollment was 66 percent in 2003. Government of Mauritius, *Mauritius in Figures*, found at www.mauritius.gov.mu/mif03/mif.pdf, retrieved Jan. 19, 2005

²⁰⁶ Government of Mauritius, *Mauritius in Figures*, found at www.mauritius.gov.mu/mif03/mif.pdf, retrieved Jan. 19, 2005.

²⁰⁷ U.S. Department of State telegram, "Mauritius FY 2004-2005 Budget: A Budget With A Strong Social Bias," message reference No. 00452, prepared by U.S. Embassy, Port Louis, July 2004; and EIU, *Mauritius Country Profile*, pp. 21-22.

²⁰⁸ Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

²⁰⁹ Board of Investment, Business Processing Secretariat, "Survey on the ITES BPO Sector in Mauritius," Feb. 2005 and Joint Economic Council (Mauritius), "A Road Map for Achieving Meaningful Competitiveness," Feb. 3, 2005.

²¹⁰ Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²¹¹ Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

²¹² Association official, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005.

²¹³ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²¹⁴ Board of Investment, Business Processing Secretariat, "Survey on the ITES BPO Sector in Mauritius;" and Joint Economic Council, "A Road Map for Achieving Meaningful Competitiveness."

²¹⁵ Joint Economic Council, "A Road Map for Achieving Meaningful Competitiveness."

²¹⁶ *Ibid.*

²¹⁷ Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 18, 2005; and association official, interview with USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

Table MR-7
Mauritius: Infrastructure-related indicators

	MRY ¹
Roads, total network (<i>km, 2001</i>)	2,000.0
Roads, paved (<i>percent of total roads, 2001</i>)	98.0
Transport services (<i>percent of service exports, BoP, 2002</i>)	24.0
Transport services (<i>percent of service imports, BoP, 2002</i>)	36.2
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	559.5
Internet users (<i>per 1,000 people, 2002</i>)	99.1
Mobile phones (<i>per 1,000 people, 2002</i>)	289.1
Telephone mainlines (<i>per 1,000 people, 2002</i>)	270.3
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

For tourism, the strict rules on passenger visits and a lack of a competitive air policy are considered impediments to growth.²¹⁸ To help encourage more tourism, it has been recommended that Mauritius allow for greater competition in its code sharing with other airlines, allow selective charters, and increase the capacity and frequency of its flights.²¹⁹

Mauritius does not own large boats needed for tuna fishing.²²⁰ For the tuna sector, the lack of large fishing vessels is an impediment to growth, because it makes it more difficult for Mauritius to meet the rules of origin requirements for preferential treatment under the Cotonou Agreement²²¹ and AGOA.²²² Mauritius is also at a disadvantage in terms of the tuna migration routes, which only just enter the national waters of Mauritius.²²³ Finally, the type of tuna caught in the waters off Mauritius is of a darker flesh color and cannot be sold to international premium brands.²²⁴

The largest international impediment cited by business and government people in Mauritius is the lack of recognition of Mauritius. In an effort to overcome this lack of recognition, Mauritius' businesses participate in international trade fairs.²²⁵ Mauritius also hosts its own conferences to develop interest and recognition by foreign investors and importers, but does not always get full international participation.²²⁶

²¹⁸ Joint Economic Council, "A Road Map for Achieving Meaningful Competitiveness;" and Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

²¹⁹ Joint Economic Council, "A Road Map for Achieving Meaningful Competitiveness."

²²⁰ Industry official, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²²¹ For additional information, see app. C.

²²² To receive duty-free treatment in the European Union, tuna must be caught within national waters and must be landed from nationally-owned vessels or vessels operating under a joint venture. IDDRA Ltd., *Analysis of the Impact on ACP Countries*, p. 2; and industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²²³ IDDRA Ltd., *Analysis of the Impact on ACP Countries*, p. 16.

²²⁴ Industry officials, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²²⁵ Government officials, interview by USITC staff, Port Louis, Mauritius, Mar. 17, 2005.

²²⁶ For example, a planned agribusiness conference was recently cancelled because of lack of interest on the part of U.S. companies. Association official, interview by USITC staff, Washington, DC, Feb. 15, 2005.

Sanitary and phytosanitary standards (SPS) are considered a major barrier for entry into the U.S. market for food processing and agricultural products. The small scale of Mauritius' companies compounds the difficulties of conforming and compliance with SPS requirements.²²⁷

²²⁷ Embassy of Mauritius official, interview by USITC staff, Washington, DC, Feb. 22, 2005.

CHAPTER 10

Transportation Services-Exporting Countries: Cape Verde, Djibouti, and Seychelles

Cape Verde, Djibouti, and Seychelles are all located along strategic transportation routes. The archipelagos of Cape Verde and Seychelles are located along major shipping lanes in the Atlantic and Indian Oceans, respectively. Djibouti is located along the Bāb al Mandab straits, which link the Red Sea and Gulf of Aden and thus the Mediterranean and Arabian Seas. Therefore, all three countries are important ports of transshipment, providing port and logistics services that do not appear in the merchandise trade data. Available United Nations Comtrade data indicate that 77 percent of Cape Verde's total exports in 1999-2000 consisted of re-exports, and 23 percent of the total exports of Seychelles in 2003 consisted of re-exports. The share of re-exports in Djibouti's total trade is also high, though not reported in the Comtrade data.¹ Seychelles is also a provider of offshore business services.

Table 10-1 summarizes the merchandise exports of these countries. Cape Verde's exports include apparel, electronic components, and parts of footwear. Djibouti's exports include salt, miscellaneous fuels, live animals, wheat, and gold. Seychelles' exports consist largely of fisheries products. A summary of findings for each of the three countries with respect to potential export growth sectors and domestic and international barriers is provided below.

Table 10-1
Cape Verde, Djibouti, and Seychelles, 1999-2003 average share of total exports, by sector

Sector	Cape Verde	Djibouti	Seychelles
	Shares of total exports, 1999-2003 (<i>percent</i>)		
Fish and related products	4.1	1.0	88.8
Coffee, tea, and spices	0.2	1.3	0.1
Cocoa	(¹)	(¹)	(¹)
Other agriculture	3.0	24.6	0.3
Forest-based products	1.0	3.7	0.1
Minerals, metals, and metal products	4.3	23.2	0.7
Fuels and electrical energy	3.3	12.7	2.6
Textiles and fibers	0.5	1.6	(¹)
Apparel and related articles	23.4	0.7	0.1
Other manufactures	60.2	31.2	7.2

¹ Average share of less than 0.05 percent during 1999-2003.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

¹ The share of re-exports for The Gambia and Senegal is also relatively large. See ch. 6.

Cape Verde

Because export-led growth is one of Cape Verde's key development objectives, the government has identified export sectors that it believes will deliver strong growth in the medium to long term. Such sectors include apparel, footwear, light manufacturing, tourism services, and transport support services. Although these industries currently account for a large share of Cape Verde's exports of goods and services, capacity constraints in each sector severely hamper further growth. Limited domestic access to capital further hinders domestic investment in these industries. The inability to meet sanitary and phytosanitary requirements is also an international impediment to export growth.

Djibouti

Djibouti's market is dominated by port-related services, which have increased significantly in recent years after Ethiopia diverted its port-related business to Djibouti following the loss of its ports in a 1998 regional conflict. Potential exports include services involving transshipments, international money transfer, and telecommunications, as well as goods such as livestock and related-products, salt, and fisheries products. Barriers to increased exports include insufficient infrastructure and regional instability.

Seychelles

Given its extensive fisheries resources, lack of arable land, and small, educated population, the main components of Seychelles' economy—services and fisheries—have the most potential for export growth. Specifically, the export sectors with the strongest potential for growth are fisheries, tourism, and business and shipping services. There is potential for export growth to its main trading partner, the European Union; however, other markets also offer potential, in particular South Africa and the Middle East. The major barriers to export growth are the fixed exchange rate policy, lack of government transparency, and price controls, as well as factors related to the country's small size, location, and human and natural resource limitations. The inability to meet rules-of-origin requirements was also identified as an international impediment to export growth.

Cape Verde²

Economic Overview

Cape Verde, a small archipelago of 10 islands, is located approximately 400 miles off the coast of West Africa. GDP totaled \$831 million in 2003 (table CV-1). Since 1993, Cape Verde's GDP grew at an average annual rate of 7.0 percent, falling to 5.0 percent in 2003. Cape Verde's per capita GDP of approximately \$1,662 in 2003 ranks among the highest in sub-Saharan Africa (SSA).³ Remittances from Cape Verdeans abroad approximated \$82 million in 2003, or about 10 percent of GDP.⁴ Foreign direct investment (FDI) in Cape Verde totaled \$14.8 million in 2003. Portugal is the leading source of FDI in Cape Verde as a result of historic and linguistic ties, with most of that investment focused on hotel construction.⁵

Table CV-1
Cape Verde: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	831.1
GDP growth (annual percent, based on local currency, 2003)	5.0
GDP per capita growth (annual percent, based on local currency, 2003)	2.4
Inflation, consumer prices (annual percent, 2002)	1.9
External debt, total (current US\$, millions, 2002)	413.5
Total debt service (percent of exports of goods and services, 2002)	7.6
Exports of goods and services (percent of GDP, 1999)	30.7
Trade (percent of GDP, 2003)	96.1
Official exchange rate (local currency unit per US\$, period average, 2003)	97.7
Population, total (millions, 2003)	0.5
Population growth (annual percent, 2003)	2.6
Labor force, total (millions, 2003)	0.2
Labor force participation rate, total (percent, 2002)	40.5
Literacy rate, adult total (percent of people ages 15 and above, 2002)	75.7
Primary school enrollment ratio, total (percent, 2000) ²	139.0
Secondary school enrollment ratio, total (percent, 2000)	76.0
Land use, arable land (percent of total, 2001)	9.7
Gross capital formation (percent of GDP, 2003)	19.4
Gross fixed capital formation (percent of GDP, 2003)	19.4
Foreign direct investment, net inflows (percent of GDP, 2002)	2.3

¹ Most recent year for which data are available between 1999 and 2003.

² Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

² Prepared by Eric Forden, Office of Industries.

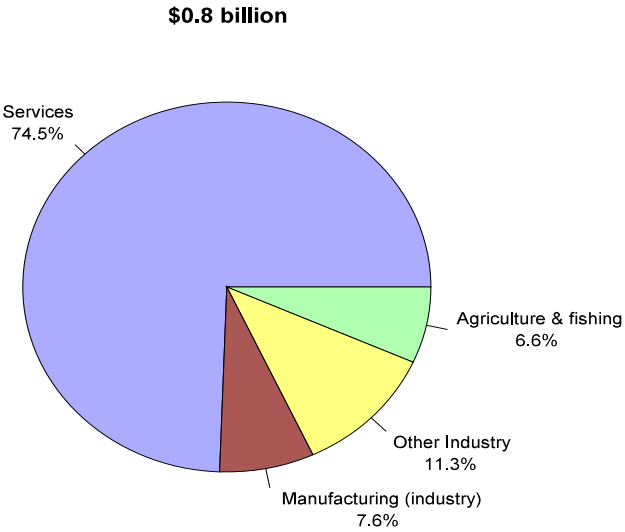
³ Economist Intelligence Unit (EIU), *Cape Verde Country Profile*, 2005, p. 18.

⁴ In 2003, important sources of remittances included Portugal (\$21 million; 26 percent), France (\$19.6 million; 24 percent), and the United States (\$19.6 million; 24 percent). EIU, *Cape Verde Country Profile*, pp. 14 and 23-24.

⁵ U.S. & Foreign Commercial Service (US&FCS), "Cape Verde Country Commercial Guide 2004," July 2003, found at www.buyusainfo.net, retrieved Feb. 14, 2005.

The services sector, which accounted for 74.5 percent of GDP in 2003, dominates Cape Verde’s economy (figure CV-1). Principal services include tourism, transportation support services, and public services. Manufacturing and construction industries represented approximately 19 percent of GDP in 2003. Cape Verde’s manufacturing sector consists of approximately 120 small- and medium-sized industrial enterprises, and accounted for 7.6 percent GDP in 2003.⁶ Leading manufacturing industries, most of which are export oriented, include apparel and shoe production and, to a lesser extent, fish canning, rum distilling, and beverage bottling.

Figure CV-1
Cape Verde: Composition of GDP (2003)



Source: EIU, “Economic Structure,” found at www.viewswire.com, retrieved Feb. 1, 2005.

The fishing and agriculture sectors accounted for 6.6 percent of Cape Verde’s GDP in 2003. Fish production is estimated to be less than one-third of the country’s annual production potential of 50,000 short tons of fish because of the informal nature of Cape Verde’s fishing industry, a lack of access to deep-water fishing technology, and an obsolete fishing fleet.⁷ Frequent droughts and limited available arable land severely limit Cape Verde’s agricultural production. Leading crops are sugar cane, maize (corn), and beans, although bananas, pineapples, and coffee are increasingly produced. Bananas are Cape Verde’s primary agricultural export.⁸

⁶ US&FCS, “Cape Verde Country Commercial Guide 2004;” and EIU, *Cape Verde Country Profile*, p. 20.
⁷ US&FCS, “Cape Verde Country Commercial Guide 2004.”
⁸ EIU, *Cape Verde Country Profile*, pp. 19-20.

Export Profile

In 2003, Cape Verde's services exports totaled approximately \$224.1 million, making it the primary source of foreign exchange earnings.⁹ Overall tourist arrivals increased from approximately 60,000 in 1998 to 162,000 in 2001. In contrast, Cape Verde's merchandise exports totaled approximately \$23.6 million in 2003 (tables CV-2 and CV-3). The Government of Cape Verde views tourism as an important component of its overall economic development strategy.¹⁰ The main tourist markets include Germany, Italy, and Portugal.¹¹ Goods exports have increased almost threefold since 1994, growing at an average annual rate of 12.3 percent. Export growth is the result of the Government of Cape Verde's export-oriented growth policy and FDI that has targeted export production. Cape Verde's leading goods exports in 2003 included apparel, footwear, and electronic components, representing 31.7 percent, 16.6 percent, and 4.6 percent of total exports, respectively. Other leading exports in 2003 included live trees and plants; fish, crustaceans, and molluscs; and hides and skins. While categories of turbojets and turbopropellers and ships, boats, and floating structures technically rank among Cape Verde's leading exports, almost all such goods are re-exports and are attributed to Cape Verde's growing importance as a servicing and refueling hub for aircraft traveling between Africa and the Americas. Cape Verde shipped 41.9 percent of its merchandise exports to Portugal, its largest export market; exports to the United States and the United Kingdom accounted for 25.2 percent and 23.2 percent of total exports, respectively (table CV-4).

Table CV-2
Cape Verde: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	157.1	8,472.5	5,925.7	25.1	49.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	1.1	2,146.9	4,706.9	19.9	153.4
64	Footwear, gaiters and the like; parts of such articles	2,123.2	6,510.1	3,923.8	16.6	7.1
61	Articles of apparel and clothing accessories, knitted or crocheted	0.0	4.0	2,777.6	11.8	(¹)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	299.3	805.4	1,079.3	4.6	15.3
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.0	1.7	763.4	3.2	(¹)
89	Ships, boats and floating structure	10.8	0.0	406.5	1.7	49.6
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	262.0	152.0	342.3	1.4	3.0
03	Fish and crustaceans, molluscs and other aquatic invertebrates	2,386.7	1,838.9	323.4	1.4	-19.9
41	Raw hides and skins (other than furskins) and leather	60.6	106.0	271.7	1.2	18.1
	Other	2,978.8	1,879.7	3,091.5	13.1	0.4
	Total	8,279.7	21,917.3	23,612.0	100.0	12.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

⁹ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Mar. 25, 2005.

¹⁰ Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005.

¹¹ EIU, *Cape Verde Country Profile*, p. 22.

Table CV-3

Cape Verde: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
8411	Turbojets, turbo propellers and other gas turbines, and parts thereof	5.7	8,170.8	5,472.7	23.2	114.7
6406	Parts of footwear; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	951.6	5,121.3	3,744.9	15.9	16.4
6107	Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted	0.0	0.0	1,967.4	8.3	(¹)
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (no swimwear), not knitted or crocheted	0.7	61.4	1,863.4	7.9	140.2
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	0.0	0.0	1,226.8	5.2	(¹)
6205	Men's or boys' shirts, not knitted or crocheted	0.0	2,084.1	1,124.8	4.8	(¹)
0602	Live plants nesoi (including their roots), cuttings and slips; mushroom spawn	0.0	1.7	737.5	3.1	(¹)
8532	Electrical capacitors, fixed, variable or adjustable (pre-set); parts thereof	0.0	34.8	671.5	2.8	207.9
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	0.0	0.0	616.1	2.6	(¹)
8901	Vessels for the transport of persons or goods, including cruise ships, excursion boats, ferry boats, cargo ships and barges	0.0	0.0	406.5	1.7	(¹)
	Other	7,321.8	6,443.1	5,780.4	24.5	-2.6
	Total	8,279.7	21,917.3	23,612.0	100.0	12.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table CV-4

Cape Verde: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Portugal	3,209.7	10,337.3	9,892.1	41.9	13.3
United States	127.0	117.5	5,958.6	25.2	53.4
United Kingdom	741.3	3,922.5	5,488.8	23.2	24.9
Germany	143.0	4,636.2	543.0	2.3	16.0
Denmark	4.6	0.0	415.6	1.8	65.0
Indonesia	0.0	47.4	295.0	1.2	(¹)
Netherlands	70.4	135.8	175.3	0.7	10.7
France	236.7	107.1	174.2	0.7	-3.4
Ireland	80.0	701.2	112.5	0.5	3.9
Japan	107.1	53.4	88.4	0.4	-2.1
Other	3,560.0	1,858.9	468.5	2.0	-20.2
Total	8,279.7	21,917.3	23,612.0	100.0	12.3

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Cape Verde's main comparative advantage is its geographic location 400 miles off the coast of West Africa, making it a convenient regional hub for passengers and cargo crossing the Atlantic by both sea and air. Cape Verde's beaches and mountainous terrain make it an attractive tourist destination. Cape Verde also is located in one of the world's few remaining underdeveloped fishing grounds.¹² The country's official development strategy emphasizes the promotion of tourism and transport support services, as well as increasing capacity in the manufacturing and fish processing industries.¹³ According to official country representatives, the Government of Cape Verde also is attempting to expand its export-oriented manufacturing base, focusing mainly on light manufacturing and assembly operations in the textiles, footwear, and electronics industries.¹⁴

Given the large percentage of services exports and the potential data discrepancies stemming from transshipments, the revealed comparative advantage¹⁵ (RCA) analysis provides limited insight into Cape Verde's potential exports. Nevertheless, several apparel products have strong RCA indices, indicating the possibility of certain apparel as a competitive potential export for Cape Verde (appendix E, table E-6). This potential, however, is dampened by the increasing international competition stemming from the end of textile and apparel quotas in 2005.¹⁶ Similarly, footwear emerges as a leading export with a strong and stable RCA index.

Domestic and International Barriers

In addition to sound macroeconomic management and a best-practice investment code, Cape Verde offers a comprehensive set of foreign investment incentives including tax holidays, interest rate subsidies, and import duty waivers, as well as sector-specific incentives for export-oriented investment in light industry, fishing, and tourism.¹⁷ Although business environment indicators are not available for Cape Verde (table CV-5), in terms of economic freedom, it ranked better than the regional average in 9 of 10 indicators, and was better than the OECD average in 5 to 10 indicators. However, Cape Verde's high trade policy score of 5.0 indicates a low degree of trade policy freedom (table CV-6). The trade policy score is likely a result of its high import tariffs, which equaled a weighted average of approximately 20 percent in 2004. Such tariffs may increase costs for Cape Verde's export-oriented manufacturers.

¹² Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005; US&FCS, "Cape Verde Country Commercial Guide 2004;" and EIU, *Cape Verde Country Profile*, p. 20.

¹³ Ministry of Finance and Planning, Republic of Cape Verde, "Interim Poverty Reduction Strategy Paper," Jan. 2002, pp. 15-16, found at www.worldbank.org, retrieved Apr. 18, 2005; and Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005.

¹⁴ Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005.

¹⁵ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

¹⁶ For additional information on the Multifiber Arrangement and the end of textile and apparel quotas in 2005, see app. C.

¹⁷ US&FCS, "Cape Verde Country Commercial Guide 2004."

Table CV-5
Cape Verde: Business environment

Country data not available.

Import tariffs **Simple average of ad valorem duties**

Country data not available.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table CV-6
Cape Verde: Economic freedom

	Cape Verde	Regional average¹	OECD average
	— <i>Heritage Foundation indicators</i> —		
1995 Overall score	(2)	3.6	2.5
2000 Overall score	3.7	3.7	2.2
2005 Overall score	2.8	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.4	3.9	3.6
Government intervention in the economy score	2.0	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	3.0	3.7	1.6
Regulation score	2.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

As with many SSA countries, high cost of, and limited domestic access to, capital is a significant constraint to the expansion of production capacity.¹⁸ Other economywide impediments to exports include inadequate infrastructure and the lack of technological capacity.¹⁹ Cape Verde's transportation infrastructure is better than that of most SSA countries (table CV-7); however, the high cost of transportation associated with Cape Verde's relatively remote geographic location likely inhibits the growth of domestic exports.²⁰ Cape Verde's role as a regional hub for transportation and cargo is constrained by limited port and airport facilities. A lack of fish processing and refrigeration facilities limits Cape Verde's fishing and fish processing potential.²¹

¹⁸ Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005; and World Bank, *Development Policy Review: Cape Verde*, Report No. 29340-CV, Nov. 1, 2004, pp. 18 and 22.

¹⁹ Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005; and World Bank, *Development Policy Review: Cape Verde*, p. 28.

²⁰ World Bank, *Development Policy Review: Cape Verde*, p. 9.

²¹ EIU, *Cape Verde Country Profile*, pp. 20-21; US&FCS, "Cape Verde Country Commercial Guide 2004;" and U.S. Department of State, *Post Reports: Cape Verde*, June 29, 2004, found at www.foia.state.gov, retrieved Mar. 10, 2005.

Table CV-7
Cape Verde: Infrastructure-related indicators

	MRY¹
Roads, total network (<i>km, 1999</i>)	1,100.0
Roads, paved (<i>percent of total roads, 1999</i>)	78.0
Transport services (<i>percent of service exports, BoP, 2003</i>)	47.3
Transport services (<i>percent of service imports, BoP, 2003</i>)	48.5
Fixed line and mobile phone subscribers (<i>per 1,000 people, 2002</i>)	257.7
Internet users (<i>per 1,000 people, 2002</i>)	36.4
Mobile phones (<i>per 1,000 people, 2002</i>)	97.8
Telephone mainlines (<i>per 1,000 people, 2002</i>)	159.9
Electric power transmission and distribution losses (<i>percent of output</i>)	(2)
Energy imports, net (<i>percent of commercial energy use</i>)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Trade is also inhibited by the high cost of telecommunications, water, and energy,²² and a shortage of skilled workers necessary for diversification into more skill-intensive industries and services.²³ Administrative and regulatory constraints include burdensome and ambiguous administrative procedures that increase the cost and time of doing business in Cape Verde.²⁴ Lack of awareness among foreign investors, particularly U.S. investors, and lack of access to new technology and technical assistance across a broad range of areas, including fishing and fish processing, light manufacturing, and sanitary and phytosanitary compliance, limit the country's ability to capitalize on its comparative advantages.²⁵

²² Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005; and World Bank, *Development Policy Review: Cape Verde*, p. 18.

²³ World Bank, *Development Policy Review: Cape Verde*, p. 26.

²⁴ *Ibid.*, p. 19.

²⁵ Embassy of Republic of Cape Verde official, interview by USITC staff, Washington, DC, Mar. 10, 2005.

Economic Overview

Djibouti is a relatively small, arid country in East Africa, notable for its strategic position at the confluence of the Red Sea and the Gulf of Aden. Its common borders with Ethiopia, Somalia, and Eritrea and its deep-water port allow it to serve as a port for transshipments and refueling. Since 1999, Djibouti's GDP increased by 4 percent annually, reaching \$625.0 million in 2003 (table DJ-1). Approximately 65 percent of Djibouti's population of 700,000 live in the capital city and are mainly employed by the government or port-related businesses, while the remaining population is mostly nomadic. Immigrants and refugees from conflict-stricken neighboring countries²⁷ have exacerbated the existing stress on Djibouti's economy and increased unemployment to 45 percent of the workforce.²⁸

Table DJ-1
Djibouti: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	625.0
GDP growth (annual percent, based on local currency, 2003)	3.5
GDP per capita growth (annual percent, based on local currency, 2003)	1.8
Inflation, consumer prices (annual percent)	(2)
External debt, total (current US\$, millions, 2002)	335.3
Total debt service (percent of exports of goods and services)	(2)
Exports of goods and services (percent of GDP, 1999)	44.6
Trade (percent of GDP, 2000)	107.4
Official exchange rate (local currency unit per US\$, period average, 2003)	177.7
Population, total (millions, 2003)	0.7
Population growth (annual percent, 2003)	1.7
Labor force, total (millions)	(2)
Labor force participation rate, total (percent, 2002)	0.05
Literacy rate, adult total (percent of people ages 15 and above)	(2)
Primary school enrollment ratio, total (percent, 2000)	40.0
Secondary school enrollment ratio, total (percent, 2000)	19.0
Land use, arable land (percent of total, 2001)	0.0
Gross capital formation (percent of GDP, 2000)	12.9
Gross fixed capital formation (percent of GDP, 2001)	12.8
Foreign direct investment, net inflows (percent of GDP, 2002)	0.6

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

²⁶ Prepared by Selamawit Legesse, Office of Economics.

²⁷ There were an estimated 100,000 Ethiopian and Somali refugees in Djibouti in 1991. An additional 50,000 people entered Djibouti to escape famine in 2000. U.S. Department of State, "Background Note: Djibouti," found at www.state.gov, retrieved Mar. 2005.

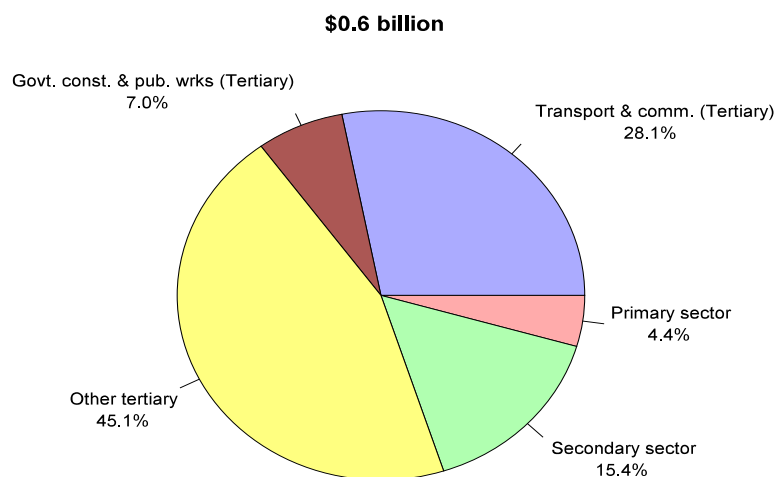
²⁸ U.S. Department of State telegram, "USITC AGOA Study on Export Opportunities and Barriers Information Request: Ethiopia," message reference No. 000545, prepared by U.S. Embassy, Addis Ababa, Feb. 2005.

Djibouti's strategic location, one of its greatest assets, provides an enabling environment for port-related businesses such as transshipment, storage, air cargo, and refueling to thrive. The relatively well-developed seaport, railway, and airport in the country and its positive reputation for safety and security make Djibouti the preferred transportation hub for its neighboring countries. The rerouting of trade because of the conflict between Ethiopia and Eritrea has increased seaport-related business in Djibouti since 1998.

Djibouti's strategic position has attracted a foreign military presence that also makes a significant contribution to the economy. For example, the United States and its allies have chosen Djibouti as a base from which to pursue the international war against terrorism;²⁹ France has had a long standing military presence in the country and Germany maintains a base to monitor sea traffic between Somalia and the Arabian Peninsula.³⁰

The tertiary sector—primarily port-related services, public administration, banking, and insurance—accounted for 80.2 percent of GDP in 2002 (figure DJ-1). Port-related activities, a major source of foreign currency, significantly increased after 1998 when Ethiopia lost access to its ports in Eritrea and had to rely exclusively on Djibouti's port for ocean-going freight. Investment in port facilities by Dubai Ports International, the manager of the port of Djibouti since 2000, significantly improved cargo-handling capacity and has made the port one of the fastest-growing container terminals on the Red Sea.³¹

Figure DJ-1
Djibouti: Composition of GDP (2002)



Note.—Primary is defined as agriculture, fisheries, mining, and quarrying; secondary is defined as manufacturing, construction, electricity, water, and other utilities; and tertiary is defined as primarily services activities such as retail, financial, real estate, and government services.

Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

²⁹ Economist Intelligence Unit (EIU), *Djibouti Country Profile*, 2004, p. 21.

³⁰ EIU, *Djibouti Country Profile*, p. 21.

³¹ Embassy of Djibouti official, interview by USITC staff, Washington, DC, Feb. 9, 2005.

The manufacturing sector accounted for 15.4 percent of GDP in 2002³² and is limited to a few industries such as food processing and shipbuilding and repair.

In 2002, agriculture, fisheries, mining, and quarrying accounted for 4.4 percent of GDP, and consisted mainly of livestock, fishing, salt production, and limited production of fruits and vegetables.³³ Demand for Djibouti's salt increased when Ethiopia lost its source of salt in Eritrea because of the war. Djibouti's commercial fishing industry is limited, consisting of a fleet of approximately 140 small boats that catch less than 1,000 short tons annually.³⁴

The level of foreign direct investment (FDI) in Djibouti has been among the lowest in sub-Saharan Africa (SSA), ranging between \$1 million and \$5 million during 1993-2002.³⁵ Most FDI is from the Middle East, mainly from the United Arab Emirates, and is targeted at port-related infrastructure. Recent projects include a new port with a deep-water container terminal, an oil terminal, and an international logistics and industry center for the industrial and commercial free zone in Djibouti.³⁶

Export Profile

Re-exports, primarily from Ethiopia and Somalia, account for approximately 81 percent of Djibouti's total exports.³⁷ Djibouti's exports started to increase in 1998 as a result of the Ethiopian-Eritrean war during 1998-2000, which forced Ethiopia to abandon its ports in Eritrea and rely exclusively on the port in Djibouti for all ocean-going shipments. The leading domestically produced exports are live animals, skins, and salt (tables DJ-2 and DJ-3).³⁸ Exports of live animals increased at a compound annual growth rate (CAGR) of 18.5 percent during 1994-2003, although it is not clear how much of this increase reflects transshipments. The 83.2-percent CAGR for salt exports largely reflects Djibouti's increased production in response to greater demand from Ethiopia, which lost its salt-producing regions during its war with Eritrea. Djibouti also exports limited amounts of dried anchovies and sardines to neighboring countries.³⁹ In general, earnings from services, including the provision of port services, exceed receipts from merchandise exports and are the single-largest earner of foreign exchange.⁴⁰

In 2003, Djibouti's main export destination by far was Ethiopia, followed by Egypt, Hong Kong, France, and the United Kingdom (table DJ-4). During 1994-2003, the largest CAGRs for Djibouti's exports were registered by Hong Kong, the United States, and Egypt, at 41.4 percent, 27.7 percent, and 18.2 percent, respectively.

³² Ibid.

³³ U.S. Department of State, "Background Note: Djibouti."

³⁴ EIU, *Djibouti Country Profile*, p. 26.

³⁵ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Feb. 1, 2005.

³⁶ The first phase of the project, the oil terminal, is already near completion. Embassy of Djibouti official, interview with USITC staff, Washington, DC, Feb. 9, 2005.

³⁷ EIU, *Djibouti Country Profile*, p. 28.

³⁸ Ibid.

³⁹ United Nations (UN), Food and Agriculture Organization (FAO), "Structure and Characteristics of the Industry," found at www.fao.org, retrieved Feb. 10, 2005.

⁴⁰ EIU, *Djibouti Country Profile*, pp. 28-29.

Table DJ-2
Djibouti: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	59.5	2,890.8	13,812.4	32.1	83.2
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2,790.0	590.4	8,016.3	18.6	12.4
10	Cereals	0.0	122.7	4,516.9	10.5	(¹)
01	Live animals	846.1	223.1	3,911.0	9.1	18.5
41	Raw hides and skins (other than furskins) and leather	1,765.6	2,151.6	2,835.0	6.6	5.4
88	Aircraft, spacecraft, and parts thereof	0.0	7.4	1,168.1	2.7	(¹)
09	Coffee, tea, mate and spices	625.9	840.5	944.5	2.2	4.7
03	Fish and crustaceans, molluscs and other aquatic invertebrates	131.5	374.3	884.9	2.1	23.6
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	14.9	1,701.0	810.2	1.9	55.9
34	Soap etc.; lubricating products; waxes, polishing or scouring products; candles etc.; modeling pastes; dental waxes and dental plaster preparations	0.0	71.5	695.4	1.6	(¹)
	Other	3,402.7	9,973.6	5,416.2	12.6	5.3
	Total	9,636.2	18,947.0	43,010.9	100.0	18.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table DJ-3
Djibouti: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
2501	Salt (incl table & denaturd salt) & pure sodium chloride, whether/not in aqueous solution or contain added anticaking/free flowing agents; sea water	0.0	2,730.2	13,727.3	31.9	(¹)
1001	Wheat and meslin	0.0	2.8	4,500.3	10.5	(¹)
2713	Petroleum coke, petroleum bitumen and residues of petroleum oils or of oils obtained from bituminous minerals	0.0	0.0	3,990.0	9.3	(¹)
0106	Animals, live, nesoi	807.7	32.9	3,911.0	9.1	19.2
2714	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks	14.3	468.3	3,577.7	8.3	84.7
8804	Parachutes (including dirigible parachutes) and rotochutes; parts and accessories thereto	0.0	0.0	1,045.0	2.4	(¹)
4102	Raw skins of sheep or lambs, other than astrakhan, broadtail, caracul or similar skins (fresh or preserved, but not tanned or further prepared)	1,022.7	1,275.6	907.9	2.1	-1.3
4101	Raw hides and skins of bovine or equine animals (fresh or preserved, but not tanned or further prepared), whether or not dehaired or split	225.7	178.1	876.5	2.0	16.3
2106	Food preparations nesoi	0.0	7.0	763.3	1.8	(¹)
4104	Leather of bovine or equine animals	0.0	159.8	700.3	1.6	(¹)
	Other	7,565.8	14,092.2	9,011.7	21.0	2.0
	Total	9,636.2	18,947.0	43,010.9	100.0	18.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table DJ-4

Djibouti: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share of total	9-year CAGR
	1,000 dollars			Percent	
Ethiopia (excludes Eritrea)	0.0	4,524.3	26,838.6	62.4	(¹)
Egypt, Arab Rep.	872.7	1.7	3,933.6	9.1	18.2
Hong Kong, China	97.6	1,820.1	2,199.2	5.1	41.4
France	708.6	897.2	1,682.8	3.9	10.1
United Kingdom	571.2	623.9	1,303.9	3.0	9.6
India	332.9	222.9	1,178.2	2.7	15.1
Pakistan	580.0	152.1	954.8	2.2	5.7
Argentina	0.0	0.0	731.8	1.7	(¹)
Italy	747.1	1,671.0	648.2	1.5	-1.6
United States	70.1	119.2	633.3	1.5	27.7
Other	5,656.1	8,914.5	2,906.5	6.8	-7.1
Total	9,636.2	18,947.0	43,010.9	100.0	18.1

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Sectors with the Greatest Export Growth Potential

Djibouti's services sector has great export potential. Djibouti's strategic location provides an environment for service-related industries such as transportation, money transfer, telecommunications, and energy services to thrive. Djibouti also has the potential to increase its exports of livestock, leather products, salt, and fisheries products.

Djibouti's relative social and political stability; the new port of Doralhe, which is currently under construction; and Djibouti's open and friendly business environment create potential for Djibouti to further expand the port services it provides. The new port is being developed to accommodate a petroleum terminal, a container and bulk terminal, a petroleum refinery, and Djibouti's first free trade zone.⁴¹ Djibouti currently provides transshipment services mainly to Ethiopia and Somalia; however, it has the potential to provide port services to other land-locked countries in the region such as Burundi, Central African Republic, Rwanda, and Uganda.

The military bases in Djibouti have helped it to develop one of the best telecommunications networks in the region.⁴² Unlike in other countries in the region, the telecommunications network in Djibouti, although expensive, is very reliable. Therefore, Djibouti has potential to be a network center that further integrates customers in Africa, the Middle East, Europe, and Asia. Current plans to improve Djibouti's transportation infrastructure by repairing the 100-year old railway shared by Djibouti and Ethiopia, developing a new port, and increasing efficiency in airport management are likely to lower transport costs for many goods throughout the region, thereby increasing Djibouti's potential as a transshipment center.⁴³ Djibouti has already begun to develop its export market potential for hides and skins. There are approximately one million head of livestock in Djibouti consisting of sheep, goats, and camels. The Regional Food Security Program, sponsored by the United States, plans to

⁴¹ EIU, *Djibouti Country Profile*, p. 16.⁴² *Ibid.*, p. 28.⁴³ Embassy of Djibouti official, interview with USITC staff, Washington, DC, Feb. 9, 2005.

provide \$4 million to support the export of livestock from Djibouti, Ethiopia, and Somalia.⁴⁴ In addition to the potential export of livestock, Djibouti has the potential to export downstream products such as leather goods. This potential is also supported by revealed comparative advantage⁴⁵ (RCA) analysis, where sheep, goats, and other live animal exports exhibit strong and stable RCA indices (appendix E, table E-9).

Given Djibouti's salt lakes, there is potential for increasing salt production and exports. This potential for salt exports is further supported by RCA analysis, where salt exports exhibit very high and stable RCA indices. Currently, the export of salt is concentrated in low- and middle-income countries, indicating a potential for increased salt exports by penetrating alternative markets.

Another identified potential export sector is fisheries. The fisheries sector in Djibouti is generally considered to be significantly underutilized and is limited to only a few species such as tuna. For the most part, production is limited to the Gulf of Tadjourah and a few other areas. The reef and demersal fisheries are probably more intensively exploited and therefore have lesser potential for development. The World Bank estimated that only 3 percent of national fisheries resources are being tapped.⁴⁶ The potential catch for fish, shellfish, and lobsters is estimated at 48,000 short tons per year; however, current catch rates are only approximately 1,000 short tons per year.⁴⁷

Domestic and International Barriers

Business environment indicators are not available for Djibouti (table DJ-5). Despite an overall score that was better than the regional average in terms of economic freedom, Djibouti scored significantly worse than the regional average with respect to trade policy and government intervention in the economy (table DJ-6). Although Djibouti's port-related infrastructure is good compared with most other SSA countries, inadequate domestic infrastructure hampers the expansion of production and exports beyond its major cities. For example, less than 13 percent of the road network is paved (table DJ-7). Despite the development of telecommunication services to facilitate military base activities, the general state of the country's telecommunication services is an impediment to expanded commercial activity. There are less than 40 phone subscribers per 1,000 people and Internet penetration is low. With respect to the fishing industry, lack of managerial staff, refrigeration facilities, and newer fish-catching techniques prevent Djibouti's fishing industry from flourishing.

A major international impediment is social and political instability and terrorist attacks in neighboring countries. The protracted conflicts have increased the perception of risk in the region, reducing FDI, restraining tourism activities, and creating volatility in Djibouti's major markets. In addition, U.S. security restrictions that require inspection of all products prior to shipment to the United States are expected to be very expensive and may disrupt Djibouti's transshipment services.⁴⁸

⁴⁴ EIU, *Djibouti Country Profile*, pp. 28-29.

⁴⁵ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁴⁶ EIU, *Djibouti Country Profile*, p. 25.

⁴⁷ UN, FAO, "Structure and Characteristics of the Industry."

⁴⁸ EIU, *Djibouti Country Profile*, p. 25.

Table DJ-5
Djibouti: Business environment

Country data not available.

Import tariffs **Simple average of ad valorem duties**

Country data not available.

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness/>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile/>, retrieved Apr. 5, 2005.

Table DJ-6
Djibouti: Economic freedom

	Djibouti	Regional average ¹	OECD average
	<i>Heritage Foundation indicators</i>		
1995 Overall score	(?)	3.6	2.5
2000 Overall score	3.4	3.7	2.2
2005 Overall score	3.3	3.4	2.2
Trade policy score	5.0	3.9	2.2
Fiscal burden of government score	3.5	3.9	3.6
Government intervention in the economy score	3.5	2.6	2.5
Monetary policy score	1.0	2.4	1.5
Capital flows and foreign investment score	3.0	3.2	2.0
Banking and finance score	3.0	3.2	1.9
Wages and prices score	2.0	2.8	2.1
Property rights score	4.0	3.7	1.6
Regulation score	4.0	3.7	2.7
Informal market activity score	4.0	4.1	1.9

¹ Heritage Foundation data cover 42 of the 48 SSA countries; it does not include Comoros, Eritrea, Liberia, São Tomé & Príncipe, Seychelles, and Somalia.

² Not available.

Note.—Indicator definitions are provided in app. F. A lower score indicates a higher degree of freedom.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Table DJ-7
Djibouti: Infrastructure-related indicators

	MRY¹
Roads, total network (km, 1999)	2,890.0
Roads, paved (percent of total roads, 1999)	12.6
Transport services (percent of service exports, BoP)	(?)
Transport services (percent of service imports, BoP)	(?)
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	38.3
Internet users (per 1,000 people, 2002)	6.9
Mobile phones (per 1,000 people, 2002)	22.9
Telephone mainlines (per 1,000 people, 2002)	15.4
Electric power transmission and distribution losses (percent of output)	(?)
Energy imports, net (percent of commercial energy use)	(?)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Seychelles⁴⁹

Economic Overview

Seychelles consists of 115 islands covering an Exclusive Economic Zone (EEZ) of 1.4 million square kilometers, with a land area of 455 square kilometers. About 90 percent of the population lives on the main island of Mahe, and most of the remaining population live on the islands of Praslin or La Digue. Seychelles has a small population of around 83,000 and a total GDP of \$720.1 million (table SY-1). With one of the highest per capita GDPs in Africa, Seychelles is considered an upper-middle income country.⁵⁰ The labor force is generally highly educated, with a literacy rate of 91.9 percent, and is nearly universally trilingual in Seychelles Creole (Seselwa), English, and French.

Table SY-1
Seychelles: Basic economic indicators

	MRY¹
GDP (current US\$, millions, 2003)	720.1
GDP growth (annual percent, based on local currency, 2003)	-5.1
GDP per capita growth (annual percent, based on local currency, 2003)	-6.5
Inflation, consumer prices (annual percent, 2003)	3.3
External debt, total (current US\$, millions, 2002)	252.7
Total debt service (percent of exports of goods and services, 2002)	2.6
Exports of goods and services (percent of GDP, 2003)	77.4
Trade (percent of GDP, 2003)	154.4
Official exchange rate (local currency unit per US\$, period average, 2003)	5.4
Population, total (millions, 2003)	0.1
Population growth (annual percent, 2003)	1.2
Labor force, total (millions)	(?)
Labor force participation rate, total (percent, 2002)	47.5
Literacy rate, adult total (percent of people ages 15 and above, 2003)	91.9
Primary school enrollment ratio, total (percent)	(?)
Secondary school enrollment ratio, total (percent)	(?)
Land use, arable land (percent of total, 2001)	2.2
Gross capital formation (percent of GDP, 2003)	19.0
Gross fixed capital formation (percent of GDP, 2003)	19.3
Foreign direct investment, net inflows (percent of GDP, 2002)	8.8

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005; and African Development Bank, "Country Tables," found at www.afdb.org, retrieved Feb. 1, 2005.

GDP growth rates were low during 1999-2003, and were negative in 2001 and 2003. GDP declined by 5.1 percent in 2003 because of a cut in government spending and a decline in tourist arrivals.⁵¹ An overvalued and tightly controlled exchange rate has caused a lack of foreign exchange and impaired economic growth. To reduce inflation, in June 2001, the government introduced new strict foreign exchange laws and a new price control unit to

⁴⁹ Prepared by Cindy Cohen, Office of Economics.

⁵⁰ United Nations Development Program (UNDP), *UNDP Human Development Report 2004*, p. 139.

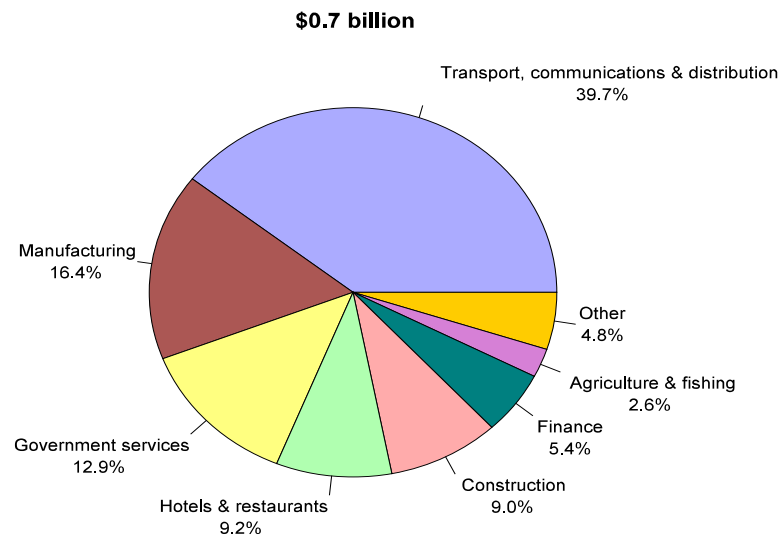
⁵¹ Economist Intelligence Unit (EIU), *Seychelles Country Profile*, 2004, p. 19.

monitor the price of imported goods.⁵² The government plays a major role in the economy. In 2002, 33 percent of all workers were employed by the public sector and 15 percent were employed by parastatals.⁵³ These parastatals include the Seychelles Marketing Board (SMB), which is involved in the production, import, export, and distribution of numerous goods. It is the single largest business in Seychelles and has preferential access to foreign exchange.⁵⁴

As a small island nation, Seychelles is heavily dependent upon trade. Trade represented about one and one-half times total GDP in 2003, while exports of goods and services represented 77.4 percent of GDP. The country imports more than 90 percent of its total primary and secondary production inputs.⁵⁵

The largest contributor to GDP is transport, communications, and distribution services (39.7 percent of GDP), followed by manufacturing (16.4 percent), government services (12.9 percent), hotels and restaurants (9.2 percent), construction (9.0 percent), finance (5.4 percent), and agriculture and fishing (2.6 percent) (figure SY-1). In 2002, exports of transport services were \$115 million and tourism exports were \$161 million.⁵⁶ Seychelles' Port Victoria serves as a tuna transshipment point, and offers repairs, refueling, and shipping services for cruise ships, fishing vessels, and freight carriers.⁵⁷ Income from transportation services includes passenger tickets on Air Seychelles.

Figure SY-1
Seychelles: Composition of GDP (2003)



Source: EIU, "Economic Structure," found at www.viewswire.com, retrieved Feb. 1, 2005.

⁵² EIU, *Seychelles Country Profile*, p. 19.

⁵³ *Ibid.*, p. 17.

⁵⁴ "Seychelles Marketing Board," found at www.seychelles.net/smb, retrieved Mar. 30, 2005; and EIU, *Seychelles Country Profile*, p. 37.

⁵⁵ Stanbic Bank, "Seychelles Economics Blueprint," Jan. 2005.

⁵⁶ International Trade Centre, found at www.intracen.org/countries, retrieved Apr. 11, 2005.

⁵⁷ EIU, *Seychelles Country Profile*, p. 12.

The fishing sector consists of artisanal fisheries (small vessels mostly supplying local consumption), semi-industrial (longline fishing, mostly of tuna for export), and industrial (mostly EU-owned purse seiners). Most tuna vessels are foreign-flagged and -owned. In 2002, there were 36 EU purse seiners (Spain, France, and Italy), 7 from Seychelles, and 17 from other countries, and 190 longliners from Taiwan and Japan. The tuna cannery, Indian Ocean Tuna (IOT), uses only one-third of the 300,000 short tons of the tuna landed each year; about 40,000 short tons are purchased by Princes Tuna (Mauritius) and the rest is transshipped, mostly to the European Union. Fish processing, in particular tuna canning, represents most of the manufacturing base. In 2002, canned tuna accounted for about 90 percent of the value of fish production.⁵⁸ Since Heinz acquired a 60-percent share in IOT, production of canned tuna has risen from 7,500 short tons in 1995 to 36,436 short tons in 2003.⁵⁹ Because of high labor costs, the IOT has invested heavily in capital equipment, and has a high labor efficiency rate. The IOT is also competitive in terms of output and production processes compared with other regional producers such as Mauritius and Ghana.

With the exception of the tuna cannery, manufacturing is small scale, focusing on agroprocessing and import substitution industries. The SMB runs a black tiger prawn processing plant. In 2003, it completed a \$10-million investment in new ponds and other improvements for prawns. Production of prawns increased from 234 metric tons in 2002 to 1,084 metric tons in 2003.⁶⁰

Agriculture contributes only a small percentage to GDP because Seychelles has little arable land. Furthermore, production of copra, the main export in the 1960s, has declined greatly because of rising land prices, high costs of production, and nationalization of the copra plantations. SMB closed its two copra crushers in 2002 and production has fluctuated between 1999 and 2003.⁶¹ Other agroprocessing includes tea production (which has fluctuated) and cinnamon bark production (which declined during 1999-2003).

Export Profile

By far, the two largest export sectors are fish products and services. Exports of fish, molluscs, and crustaceans accounted for 85.5 percent of all merchandise exports in 2003 (tables SY-2 and SY-3). Almost all canned tuna exports go to the European Union (97.3 percent in 2003), which was Seychelles' largest overall export market, accounting for approximately 70 percent of total exports in 2003 (table SY-4). Forty percent of Seychelles' canned tuna is exported to the United Kingdom, accounting for 21 percent of the UK market in 2002.⁶² The largest markets for frozen fish are Thailand and Spain. Exports of fish benefit

⁵⁸ "Seychelles' Ministry of Foreign Affairs," found at www.mfa.govt.sc/seychelles_economy_fish.html, retrieved Mar. 30, 2005.

⁵⁹ "Republic of Seychelles," found at www.virtualseychelles.sc/pages/vs_ie.htm, retrieved Mar. 30, 2005.

⁶⁰ Seychelles Fishing Authority, *Annual Report*, 2003.

⁶¹ EIU, *Seychelles Country Profile*, p. 20.

⁶² Heinz is one of two brands that supplies most of the UK market. IDDRA (UK) Ltd., *Analysis of the Impact on ACP Countries of Opening up the EU Import Market for Canned Tuna*, Feb. 2004, pp. 19-21, found at http://agritrade.cta.int/Tuna_study_30pager_EN.pdf, retrieved Mar. 30, 2005.

Table SY-2
Seychelles: Leading 2003 exports by HS 2-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 2	Description	1994	1999	2003	2003 share of total	9-year CAGR
		1,000 dollars			Percent	
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	17,331.5	103,116.5	208,698.3	53.2	31.8
03	Fish and crustaceans, molluscs and other aquatic invertebrates	45,882.7	31,979.9	126,647.3	32.3	11.9
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.1	316.6	18,741.8	4.8	274.9
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	64.3	5,192.0	17,971.5	4.6	87.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1,358.9	1,436.4	5,456.0	1.4	16.7
23	Residues and waste from the food industries; prepared animal feed	153.9	1,111.7	3,395.1	0.9	41.0
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	300.4	1,545.7	1,214.0	0.3	16.8
93	Arms and ammunition; parts and accessories thereof	0.0	0.0	1,183.4	0.3	(¹)
31	Fertilizers	0.0	0.0	811.8	0.2	(¹)
95	Toys, games & sports equipment; parts and accessories thereof	23.1	757.8	359.0	0.1	35.7
	Other	6,306.5	8,397.1	7,777.3	2.0	2.4
	Total	71,421.4	153,853.8	392,255.5	100.0	20.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

from duty-free access to the EU tuna market under the Cotonou Agreement;⁶³ the fisheries agreement with the European Union; and the fact that Heinz, one of the largest investors in Seychelles, is a multinational company with a major presence in the EU tuna market. Nearly one-quarter of Seychelles' total exports in 2003 were re-exports; some re-exported products include petroleum oils, medical and veterinary equipment, and automatic data processing machines.

⁶³ For additional information, see app. C.

Table SY-3
Seychelles: Leading 2003 exports by HS 4-digit, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

HS 4	Description	1994	1999	2003	2003 share	9-year
		1,000 dollars			of total	CAGR
					Percent	
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	17,331.3	103,116.5	208,704.5	53.2	31.8
0303	Fish, frozen, excluding fish fillets and other fish meat without bones; fish livers and roes, frozen	43,224.6	18,710.0	106,628.1	27.2	10.6
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	0.0	316.6	17,070.3	4.4	(¹)
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences (including electro-medical and sight-testing); parts etc. thereof	7.7	791.6	16,311.8	4.2	134.2
0306	Crustaceans, live, frsh, chilled, frzn etc.; crustaceans, in shell, cookd by stm or boiling watr; flours, meals, & pellets of crustaceans, human consumption	421.4	1,891.9	10,290.9	2.6	42.6
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat without bones; fish livers and roes, fresh or chilled	1,347.2	2,928.2	4,633.6	1.2	14.7
2301	Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans etc., unfit for human consumption; greaves (cracklings)	151.5	1,111.7	2,842.8	0.7	38.5
0307	Molluscs & oth aquatic invertebrates nesoi, live, fresh, chilld, frzn, dried, salted or in brine; flours, meals & pellets of aqua invertebrae human consumption	8.1	50.8	2,683.2	0.7	90.6
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing and processing coded data, nesoi	230.9	317.2	2,651.0	0.7	31.2
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	241.3	8,254.7	2,199.6	0.6	27.8
	Other	8,457.4	16,364.7	18,239.9	4.7	8.9
	Total	71,421.4	153,853.8	392,255.5	100.0	20.8

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

Table SY-4
Seychelles: Leading export markets, 1994, 1999, 2003, percent of 2003 total, and compound annual growth rate (CAGR)

Market	1994	1999	2003	2003 share	9-year	
	1,000 dollars			of total	CAGR	
					Percent	
United Kingdom	14,037.5	56,629.8	87,984.8	22.4	22.6	
France	980.3	27,500.9	74,334.7	19.0	61.8	
Italy	3,274.5	24,247.4	47,323.6	12.1	34.5	
Thailand	41,978.1	8,129.6	41,456.6	10.6	-0.1	
Germany	2,454.0	3,592.2	38,068.0	9.7	35.6	
Spain	133.2	959.8	19,907.6	5.1	74.4	
Japan	523.6	5,590.0	17,635.4	4.5	47.8	
United States	2,869.7	5,241.9	13,878.6	3.5	19.1	
Maldives	0.0	0.0	11,802.2	3.0	(¹)	
Iran, Islamic Rep.	0.0	0.0	9,702.8	2.5	(¹)	
Other	5,170.6	21,962.3	30,161.3	7.7	21.6	
Total	71,421.4	153,853.8	392,255.5	100.0	20.8	

¹ Undefined.

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005.

The other major export category is services, in particular services related to tourism, shipping, and business services. Tourism accounts for the majority of foreign exchange earnings—61.5 percent in 2003.⁶⁴ The European Union is the major source of tourism; 80 percent of tourists in 2002 were from Europe, primarily France (21.4 percent of all tourists), Italy (15.1 percent), Germany (11.5 percent), and the United Kingdom (14.6 percent).⁶⁵ Other sources of tourists are Africa, accounting for 10.5 percent of 2002 tourists; Asia, 5 percent; and North America, 2.8 percent.⁶⁶ Seychelles provides shipping services (such as repairs and refueling) for international cruise liners, fishing vessels, and freight carriers.⁶⁷ In 2001, there were 10,632 international business companies in the business services outsourcing sector; these companies generated \$3.8 million for local agents, lawyers, and accountants.⁶⁸

Exports of goods and services increased during 1999-2002, but declined by 3.0 percent in 2003. Exports of goods from Seychelles grew by a compound annual rate of 20.8 percent during 1994-2003, driven by growth in the canned tuna segment. However, a recent change in EU tariff rates for some Asian suppliers of canned tuna may affect Seychelles' tuna exports. In an agreement with Asian suppliers through the WTO, in July 2003, the European Union decreased the in-quota tariff rate on canned tuna from Thailand, Philippines, and Indonesia from 24 percent to 12 percent for shipments up to 25,000 short tons.⁶⁹ Heinz reported that its exports from Seychelles were negatively affected, although it was unable to quantify the extent of the impact.⁷⁰

Sectors with the Greatest Export Growth Potential

Seychelles has a shortage of arable land, but has significant fisheries resources in its 1.4 million square kilometer EEZ. There is potential for growth in prepared fish and frozen fish, which account for nearly 80 percent of merchandise exports and have high revealed comparative advantage⁷¹ (RCA) indices (appendix E, table E-31). Canned tuna exports are concentrated in the EU market; other markets may offer potential. Other fisheries products besides canned and frozen tuna are potential exports. One possible growth sector is crustaceans, which has a relatively strong RCA index. The shrimp parastatal has recently invested in new shrimp ponds and the government plans to privatize the parastatal.

Tuna exports are expected to increase because of investment in new storage facilities and increased tuna transshipments under the new fisheries agreement with the European Union, which covers January 2005 to January 2011.⁷² In addition, with the opening of new airline routes to the Middle East, Seychelles may be able to export fresh and frozen seafood to these

⁶⁴ "Seychelles' Ministry of Foreign Affairs."

⁶⁵ "Seychelles' Ministry of Information Technology and Communication," found at www.seychelles.net/misdstat/tourism.htm, retrieved Mar. 30, 2005.

⁶⁶ Ibid.

⁶⁷ EIU, *Seychelles Country Profile*, p. 32.

⁶⁸ Ibid., p. 18.

⁶⁹ IDDRA (UK) Ltd., *Analysis of the Impact on ACP Countries*, pp. 19-21.

⁷⁰ Ibid.

⁷¹ RCA indices measure a country's export specialization in certain products, and they indicate whether a country has or lacks comparative advantage in those products. See ch. 1 and app. D for a discussion of RCA indices.

⁷² EIU Viewswire, "Seychelles: Country Outlook," Mar. 17, 2005.

markets.⁷³ Some strengths of the Seychelles tuna industry are an EEZ rich in tuna, an experienced fisheries workforce, and the fact that the product is well established in EU markets.⁷⁴ In addition, Seychelles has a comparatively advanced infrastructure system. The efficiency and geographic convenience of Port Victoria reportedly influenced Heinz's investment in the Seychelles tuna industry.⁷⁵ There has also been recent investment in infrastructure. In 2004, work began to extend the tuna quay at Port Victoria to increase handling and processing capabilities and upgrade facilities.⁷⁶ A World Bank grant of \$2 million and assistance from the Japanese International Cooperation Agency will rehabilitate the artisanal fishing quay.⁷⁷ Renovations on the international airport terminal started in early 2005, financed by the Arab Bank for Economic Development in Africa (nearly \$2 million) and the Government of Seychelles.⁷⁸

Privatization of the tourism parastatals in the 1990s and a new open skies policy could increase tourism sector exports. Tourism benefits from a favorable climate, beaches, and a generally stable political environment. It also benefits from "sound environmental policies" that protect over 50 percent of the land.⁷⁹ The tourist base could be diversified to attract tourists from a broader range of countries and tourists for different types of vacations such as nature and adventure vacations.⁸⁰ Recent government initiatives to increase tourism include concessions to businesses under the Tourism Incentives Act; a reduction in taxes on food items, wine, and bottled water; and a 200-percent tax rebate on promotion and advertising expenses for trade operators. Also, in 2004, the government adopted an open skies policy, a change from its previous policy of regulating carriers to protect the national airline. The government has also encouraged investment in luxury hotels through incentives including exemptions from taxes and labor regulations.⁸¹ In 2004, a Dubai-based group invested \$50 million in Mahe's third 5-star resort.⁸² New hotel projects are expected to increase capacity by 1,356 beds.⁸³

Most tourism has been from the European Union; however, there is the potential to attract tourists from other regions of the world. Emerging markets for tourism include South Africa and Southeast Asia; in 2003, Seychelles opened tourist offices in Johannesburg and Singapore to attract additional visitors.⁸⁴ In addition, the Middle East has become an emerging source of tourists since Qatar Airways began flights to the country in December 2004 and Emirates Airlines began flights in January 2005. Also, Emirates Holidays and

⁷³ "Emirates Chairman officially inaugurates Seychelles Office," AME Info., Feb. 22, 2005, found at www.ameinfo.com, retrieved Mar. 28, 2005.

⁷⁴ IDDDRA (UK) Ltd., *Analysis of the Impact on ACP Countries*, pp. 19-21.

⁷⁵ "Albert Rene's Legacy," *African Business*, Apr. 2004, Issue 297, p. 44.

⁷⁶ "Franki Africa has Embarked on Construction Contract in Seychelles," *Engineering News*, July 30, 2004, found at www.engineeringnews.co.za, retrieved May 5, 2005.

⁷⁷ "Fishing Funding Flows In," *Seychelles Nation*, Feb. 10, 2005, found at www.nation.sc, retrieved Apr. 1, 2005.

⁷⁸ "Airport Revamp Takes Off," *Seychelles Nation*, Feb. 25, 2005, found at www.nation.sc, retrieved Apr. 1, 2005.

⁷⁹ EIU, *Seychelles Country Profile*, p. 32.

⁸⁰ "Seychelles' Ministry of Foreign Affairs."

⁸¹ EIU, *Seychelles Country Profile*, p. 23.

⁸² Seychelles International Business Authority, *Seychelles International Business Focus*, 2nd quarter 2004.

⁸³ "2005 Budget Speech of President Michel," found at www.siba.net/pdf/Budget_speech_2005.pdf, retrieved Mar. 28, 2005.

⁸⁴ "Seychelles' Ministry of Foreign Affairs."

Seychelles Tourist Marketing Authority have recently begun promoting the island to tourists from the Middle East.⁸⁵

With its high literacy rate, trilingual culture, and telecommunications infrastructure, online business services is another potential export.⁸⁶ The number of fixed and mobile phone subscribers is high (823 of 1,000 people in 2002), Internet access in 2002 was 145 per 1,000 people,⁸⁷ and PC use was 16.1 per 100 people.⁸⁸ Offshore business services is another sector that may increase with recent changes in legislation and new double taxation treaties. The government introduced legislation in July 2003 to promote the offshore business industry. The first offshore bank, Barclays Bank, opened in 2005, as a result of changes in offshore legislation and new double taxation agreements with other countries. It will serve firms primarily in the offshore sector and may encourage other international businesses.⁸⁹ Other services with growth potential include consulting and translation services;⁹⁰ dry docking, technical support, and other shore services;⁹¹ and shipping services, which may benefit from the recently created Port Authority and a proposed transshipment hub.⁹²

Domestic and International Barriers

A recent study by the Foreign Investment Advisory Board identified the lack of foreign exchange and discretionary government decision making as the two main impediments to investment in Seychelles.⁹³ The Seychelles Chamber of Commerce and Industry has lobbied the government for the following reforms: devaluation of the currency, review of foreign exchange allocation procedures, a new investment code, and an end to SMB's monopoly powers.⁹⁴ The controlled exchange rate reportedly is a major impediment; the official exchange rate is double the black market value of the Seychelles rupee. The high value of the Seychelles' rupee has increased prices for tourists, and vacationers have sought less expensive destinations such as Comoros, Mauritius, and Madagascar.⁹⁵

Limited access to capital from international commercial markets and from multilateral financial institutions is also a constraint, and the limited size of the economy discourages investment.⁹⁶ In addition, the cost of labor is high, as are the costs of most other inputs, since

⁸⁵ "Emirates Chairman officially inaugurates Seychelles Office."

⁸⁶ EIU, *Seychelles Country Profile*, p. 23.

⁸⁷ World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

⁸⁸ EIU, *Seychelles Country Profile*, p. 13.

⁸⁹ EIU, "Financial Services: Seychelles," *Business Africa*, Mar. 16, 2005.

⁹⁰ Indian Ocean Rim Network, *Republic of Seychelles: Compendium on Investment and Trade*, found at www.iornet.com/new-iornet/iorarc/wgti/wgti2003index.htm, retrieved Mar. 30, 2005.

⁹¹ Seychelles National Party, found at www.seychelles.net/snp/partb.html, retrieved Apr. 25, 2005.

⁹² Seychelles International Business Authority, *Seychelles International Business Focus*, 1st quarter 2005.

⁹³ "Forex shortage main investment barrier—study," *Seychelles Nation*, Mar. 28, 2005, found at www.nation.sc, retrieved Apr. 1, 2005.

⁹⁴ EIU, *Seychelles Country Profile*, p. 16.

⁹⁵ Central Intelligence Agency, "Seychelles," *World Factbook 2004*, found at www.cia.gov/cia/publications/factbook, retrieved Mar. 28, 2005.

⁹⁶ Republic of Seychelles National Assessment, *Barbados Programme of Action +10 Review*, Jan. 2004.

nearly all inputs have to be imported. The average ad valorem duty on all imports was 28.3 percent in 2001 (table SY-5). Labor is a major constraint to growth in exports because of the small population, high wages, and shortages of certain skills needed to diversify into more skill-intensive industries, especially services. Also, a shortage of flat land, poor soil, water shortages, and a fragile environment are other impediments. The government has invested in desalination plants and land reclamation to address some of these issues. Economic freedom indicators are not available for Seychelles (table SY-6).

Table SY-5
Seychelles: Business environment

Country data not available.

Import tariffs	Simple average of ad valorem duties (Seychelles, applied rate, 2001)
All goods	28.3
Agricultural goods	40.0
Nonagricultural goods	26.5

Source: World Bank, "Doing Business in 2005," found at <http://rru.worldbank.org/DoingBusiness>, retrieved Jan. 25, 2005; and WTO, "Country Profile," Nov. 2004, found at <http://stat.wto.org/CountryProfile>, retrieved Apr. 5, 2005.

Table SY-6
Seychelles: Economic freedom

Country data not available.

Source: The Heritage Foundation, "2005 Index of Economic Freedom Database," found at www.heritage.org, retrieved Feb. 11, 2005.

Seychelles has a relatively well-developed infrastructure, especially telecommunications, where over 80 percent of the population has access to fixed or mobile phones (table SY-7). In addition, of the 456 kilometers of road network, 437 kilometers are surfaced.⁹⁷ However, high transportation costs to export markets and limited air and sea connections to suppliers and markets are impediments.⁹⁸ Furthermore, the islands are over 1,500 kilometers from the continental Common Market for Eastern and Southern Africa countries, limiting the benefit of regional trade agreements.⁹⁹ Capacity at the airport and shipping ports has been a concern, but these facilities are currently being upgraded. The airport is small, but renovations should be complete in 2006. The port has also experienced some problems with capacity. Reportedly, "during peak season, ships berth up to six abreast and delays through double handling have resulted in threats from fleet operators to take their business to Madagascar."¹⁰⁰ However, facilities are currently being upgraded. Challenges to the improvement project include the remoteness of the island and lack of availability of labor, materials, plant, and equipment.

⁹⁷ EIU, *Seychelles Country Profile*, p. 32. Data are for 2002.

⁹⁸ *Ibid.*, p. 39.

⁹⁹ For additional information on regional organizations, see app. C.

¹⁰⁰ "Franki Africa has Embarked on Construction Contract in Seychelles."

Table SY-7
Seychelles: Infrastructure-related indicators

	MRY ¹
Roads, total network (km)	(2)
Roads, paved (percent of total roads)	(2)
Transport services (percent of service exports, BoP, 2002)	37.3
Transport services (percent of service imports, BoP, 2002)	33.6
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	822.5
Internet users (per 1,000 people, 2002)	145.2
Mobile phones (per 1,000 people, 2002)	553.5
Telephone mainlines (per 1,000 people, 2002)	269.1
Electric power transmission and distribution losses (percent of output)	(2)
Energy imports, net (percent of commercial energy use)	(2)

¹ Most recent year for which data are available between 1999 and 2003.

² Not available.

Note.—Indicator definitions are provided in app. F.

Source: World Bank, "World Development Indicators," found at <http://devdata.worldbank.org/dataonline>, retrieved Jan. 25, 2005.

Seychelles faces a number of obstacles to the export of canned tuna.¹⁰¹ It has much higher labor costs than other countries; per-worker labor costs are \$19.20 per day compared to \$4.15 in Thailand, \$6.01 in Philippines, and \$4.00 in Ghana. Moreover, because there are not enough Seychellois to fill jobs at the prevailing wage, foreign workers must be brought in. Other constraints are high utilities costs and seasonal water problems. The need to import raw material and manufactured inputs also increases production costs. For tuna exports, a constraint is the rules of origin requirements for canned tuna exports to the European Union that require the tuna cannery to purchase tuna caught by EU vessels, which is more costly than other tuna.¹⁰²

Some services face sector-specific impediments to increased exports. With regard to tourism, the main impediments are distance from markets and cost and availability of flights. Other constraints are the lack of available foreign exchange, service standards, and human resource availability.¹⁰³ An impediment to increased development of offshore centers is international monitoring bodies that require complex and substantial legislation and reporting mechanisms.¹⁰⁴

¹⁰¹ IDDDRA (UK) Ltd., *Analysis of the Impact on ACP Countries*, pp. 19-21.

¹⁰² Ibid.

¹⁰³ "Albert Rene's Legacy," p. 44.

¹⁰⁴ Republic of Seychelles National Assessment, *Barbados Programme of Action +10 Review*.

APPENDIX A
REQUEST LETTER

11/10/04 10:09 FAX 2023954505
2400
Secretary
Bill Tomko

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

NOV 10 2004

UCZ

The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20426

Dear Chairman Koplan:

On July 13, 2004, the President signed the 2004 AGOA Acceleration Act (the Act). Section 9 of the Act directs the President to conduct a study on each AGOA-eligible sub-Saharan African country. The studies are to: (1) identify economic sectors with the greatest potential for growth; (2) identify domestic and international barriers that are impeding growth in such sectors; and (3) make recommendations on how the U.S. government and the private sector can provide technical assistance to these countries to assist in dismantling such barriers and in promoting investment in such sectors.

To assist the President in this regard, I request, pursuant to section 332(g) of the Tariff Act of 1930, and under authority delegated by the President, that the Commission provide for each AGOA-eligible sub-Saharan African country, a report that:

- identifies major economic sectors with greatest potential for growth in export sales; and
- identifies domestic and international barriers that impede trade growth in such sectors.

The information provided in your report will also help USTR, with the assistance of other government agencies, to carry out the third aspect of the study: develop recommendations on dismantling the barriers and promoting investment in these countries. To that end, if in the course of the Commission's research efforts, you identify private sector initiatives and technical assistance programs that attempt to address such barriers, please include that information in your report.

I request that the Commission provide its report no later than June 30, 2005. I anticipate that the Commission's report will be made available to the public in its entirety. Therefore, the report should not contain any confidential business or national security information.

Thank you for your valuable advice and assistance. I look forward to reviewing your report.

Sincerely,

Bob

Robert B. Zoellick

Thank you for the useful help!

APPENDIX B
FEDERAL REGISTER NOTICE

**INTERNATIONAL TRADE
COMMISSION****[Investigation No. 332–464]****Export Opportunities and Barriers in
African Growth and Opportunity Act—
Eligible Countries****AGENCY:** United States International
Trade Commission.**ACTION:** Institution of investigation and
scheduling of hearing.**SUMMARY:** Following receipt on
November 15, 2004, of a request from
the United States Trade Representative
(USTR) under section 332(g) of the
Tariff Act of 1930 (19 U.S.C. 1332 (g)),
the Commission instituted investigation
No. 332–464, Export Opportunities and
Barriers in African Growth and
Opportunity Act—Eligible Countries**Background**

As requested by the USTR, in its report the Commission will identify, with respect to each of the 37 sub-Saharan African countries that are eligible for African Growth and Opportunity Act (AGOA) trade preferences, (1) the major economic sectors with the greatest potential for growth in export sales, and (2) domestic and international barriers that impede trade growth in such sectors. The Commission will also include in its report any information it identifies, in the course of its research efforts, concerning private sector initiatives and technical assistance programs that attempt to address such barriers. As requested by the USTR, the Commission will seek to provide its report by June 30, 2005.

DATES: *Effective Date:* December 6,
2004.**FOR FURTHER INFORMATION
CONTACT:**

Information may be obtained from the project leader, Nannette Christ (202–205–3263 or nannette.christ@usitc.gov) or the deputy project leader, Laura Polly (202–205–3408 or laura.polly@usitc.gov). For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel (202–205–3091, william.gearhart@usitc.gov). The media should contact Margaret

O’Laughlin, Office of Public Affairs
(202–205–1819,
margaret.olaughlin@usitc.gov).

Public Hearing: A public hearing in connection with this investigation is scheduled to begin at 9:30 a.m. on March 1, 2005, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, no later than the close of business (5:15 p.m.) on February 14, 2005. In addition, persons appearing should file prehearing briefs (original and 14 copies) with the Secretary by the close of business on February 16, 2005. Posthearing briefs should be filed with the Secretary by the close of business on March 11, 2005. In the event that no requests to appear at the hearing are received by the close of business on February 14, 2005, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant may call the Secretary to the Commission (202–205–1806) after February 14, 2005 to determine whether the hearing will be held.

Written Submissions: In lieu of or in addition to appearing at the public hearing, interested persons are invited to submit written statements concerning the investigation. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. To be assured of consideration by the Commission, written statements related to the Commission’s report should be submitted to the Commission at the earliest practical date, and should be received by the close of business on March 11, 2005. All written submissions, including briefs, must conform with the provisions of signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential business information (CBI) must be deleted (see the following paragraph for further information regarding CBI). The Commission’s rules

do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted in section 201.8 of the rules (see Handbook for Electronic Filing Procedures, ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf). Persons with questions regarding electronic filing should contact the Secretary (202–205–2000 or edis@usitc.gov).

Any submissions, including briefs, that contain CBI must also conform with the requirements of section 201.6 of the Commission’s rules (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages clearly be marked as to whether they are the “confidential” or “non-confidential” versions, and that the CBI be clearly identified by means of brackets. All written submissions, except for CBI, will be made available for inspection by interested parties.

The Commission may include some or all of the CBI it receives in the report it sends to the USTR. However, the Commission will not publish CBI in the public version of the report in a manner that would reveal the operations of the firm supplying the information. The public version of the report will be made available to the public on the Commission’s Web site.

The public record for this report may be viewed on the Commission’s electronic docket (EDIS) at matter can be obtained by contacting our TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

List of Subjects

AGOA, Sub-Saharan Africa.
Issued: December 8, 2004.
By order of the Commission.
Marilyn R. Abbott,
Secretary to the Commission.
[FR Doc. 04–27265 Filed 12–10–04;
8:45 am]

APPENDIX C
TRADE- AND ECONOMICS-RELATED TERMS,
UNILATERAL TRADE PREFERENCE
PROGRAMS, AND REGIONAL TRADE
AGREEMENTS

Trade- and Economics-related Terms

Absolute Advantage.—The ability of a country to supply a particular product or class of goods at lower costs than competing nations.

African, Caribbean, and Pacific (ACP) Countries.—Refers to 77 countries—most of them former colonies of member states of the European Union—receiving preferential tariff treatment as well as EU financial and technical assistance under the Cotonou Agreement, the successor to the Lomé Convention.

African Growth and Opportunity Act (AGOA).—AGOA is a U.S. government initiative aimed at assisting the 48 sub-Saharan countries that are potentially eligible to achieve sustained long-term economic growth and development through its provisions on preferential trade and investment policy as contained in the Act.

Agreement on Textiles and Clothing (ATC).—A WTO agreement concluded during the Uruguay Round to phase out the Multifiber Arrangement (MFA). Under the ATC, which entered into force in 1995, the textiles and apparel sector was to be brought into full compliance with the GATT/WTO rules by 2005. Under the ATC, multilateral textiles and apparel quotas ended and importing countries may no longer discriminate between exporters on the basis of multilateral, MFA-like rules.

Appreciation.—An increase in the purchasing power of a currency, relative to one or more other currencies, as a result of market forces rather than government action.

Bilateral Investment Treaty (BIT).—An agreement between two countries providing for nondiscriminatory treatment of direct investments. A BIT usually contains provisions for prompt and adequate compensation in the event of expropriation; guarantees on free transfers of investment earnings; freedom from performance requirements; and mechanisms for resolving disputes such as third-party arbitration.

Biotechnology.—A term used in agriculture to refer to techniques that can be used to increase a plant's ability to control pests and disease, to tolerate environmental stress, and to enhance food qualities, such as flavor, texture, shelf-life, and nutritional content. Other uses include increasing food processing efficiency and developing more effective diagnostic techniques for testing food safety and environmental quality.

Capacity-building.—In trade context, activities supported by the donor community aimed at strengthening the ability of stakeholders in developing countries to develop national trade policy, to undertake analysis, to identify their interests in international trade negotiations, and to integrate increasingly into the international trading environment. See also trade capacity.

Category 1 Certification.—A country's civil aviation authority has been assessed by U.S. Federal Aviation Administration inspectors and has been found to license and oversee air carriers in accordance with International Civil Aviation Organization aviation safety standards.

Common Agricultural Policy (CAP).—The system of production targets, subsidies, price supports, and other marketing mechanisms maintained by the European Union to manage farm trade within the European Union and with the rest of the world.

Common External Tariff.—A uniform tariff schedule applied by members of a customs union or common market to imports from nonmember countries.

Common Market.—A group of countries formally committed to the unrestricted movement of goods, services, and factors of production traded among themselves. Features of a common market include elimination of tariffs and other barriers to internal trade, and common external tariffs.

Comparative Advantage.—Relative efficiency in production of one particular product or class of goods over another class of goods. Differences in comparative advantage among countries are the basis for mutually beneficial specialization and trade. (Not to be confused with absolute advantage, in which comparison is made with other countries; for even if a country were absolutely more efficient than others in producing every product, it could still benefit by specializing in—and exporting—products in which its comparative advantage is greatest, and importing the other products.)

Competitive Advantage.—Different than comparative advantage, a market position established either by providing comparable buyer value more efficiently than competitors or by performing activities at comparable cost but in unique ways that create more buyer value through differentiation.

Cotonou Agreement.—Partnership agreement between the European Union and the ACP countries signed in June 2000 in Cotonou, Benin that replaces the Lomé Convention. Its main objective is poverty reduction, "to be achieved through political dialogue, development aid and closer economic and trade cooperation."

Customs Union.—A group of countries that have agreed to eliminate barriers to trade among themselves while harmonizing their tariffs on imports from nonmember countries into a common external tariff. A customs union represents a level of economic cooperation intermediate between a free trade area and a more closely integrated common market. Unlike a common market, it does not provide for free movement of capital and labor among members.

Depreciation.—A decline in the purchasing power of a currency, relative to one or more other currencies, as a result of market forces rather than government action.

Devaluation.—The lowering of the value of a currency, relative to one or more other currencies, as a result of deliberate government action.

Developing Countries or Less-Developed Countries.—A broad range of approximately 130 countries that are distinguished from industrial countries by their lack of a high degree of industrialization, infrastructure and other capital investment, or of advanced living standards among their populations as a whole.

Drawback.—Also known as duty drawback. The partial or total reimbursement of import duties by a government when the imported goods are re-exported or used in the manufacture of exported goods.

Economies of Scale.—(Also known as increasing returns to scale.) Cost savings that occur in production processes where higher output levels allow a firm to employ more productive technology so that doubling inputs, for example, will result in more than a doubling of output.

Economic Union.—The highest level of economic integration between sovereign countries, in which members proceed beyond the requirements of a common market to unify their fiscal, monetary, and socioeconomic policies.

Effective Rate of Protection.—The overall effect of a nation's tariff system on a specific domestic product, after taking into account the impact of trade restrictions on the industry's inputs. The effective rate of protection is the proportionate increase in value-added in an industry that is possible as a result of the whole structure of protection, on both the output and the inputs of the industry.

Enhanced Structural Adjustment Facility (ESAF).—Facility established in 1987, by the World Bank to provide assistance on concessional terms to low-income member countries facing protracted balance of payments problems. Replaced in 2000 by the Poverty Reduction and Growth Facility (PRGF).

Everything But Arms (EBA).—A 2001 EU initiative to grant least-developed countries duty- and quota-free access for their exports.

Export Processing Zone (EPZ).—A special form of free trade zone in which certain exemptions from duties and regulations are granted as an inducement to export-oriented manufacturing. Usually a manufacturer within the zone may import equipment and raw materials free of duty for goods that are ultimately exported as finished products.

Foreign Direct Investment (FDI).—The acquisition of productive resources such as factories, mines, or transport facilities in a foreign country. For an investment to be considered "direct," it must be large enough to give the investor control or significant influence over the foreign operation. Investments falling below the threshold of active participation in management of the foreign entity are regarded as "portfolio" investments.

Free Trade Agreement (FTA).—An agreement between two or more countries establishing a free trade area.

Free Trade Area (FTA).—A group of two or more countries that agree to remove barriers affecting substantially all trade with each other, while each maintains its own schedule of tariffs and other regulations on imports from nonmember countries.

Free Trade Zone (FTZ).—A designated area within a country in which goods can be imported, stored, or processed without being subject to customs duties and taxes. Also known as a "foreign trade zone," a "free port," or a "bonded warehouse."

Generalized System of Preferences (GSP).—A system of tariff preferences applied by industrial countries to selected manufactured and semimanufactured goods from developing countries, in order to facilitate LDC exports and economic development.

Genetically Modified Organism (GMO).—A new organism created by combining, through genetic engineering, DNA from different species.

Harmonized System (HS).—A system of tariff nomenclature for customs classification negotiated within the World Customs Organization. Participating countries classify goods for customs purposes on the HS basis up to a level of product specificity denoted by six-digit codes.

Highly Indebted Poor Countries Initiative (HIPC).—An agreement among official creditors to help the most heavily indebted countries to obtain debt relief.

Import Licensing.—Procedures requiring the submission of an application or other documentation (other than those normally required for customs purposes) to an administrative body for approval as a prior condition for importation into the customs territory of a country.

Import Substitution Industrialization (ISI).—A policy of promoting domestic production of goods that otherwise would be imported. Such programs may involve a combination of domestic subsidies and import restrictions, and are often justified on grounds of conserving foreign exchange. Also known as infant industry protection.

Informal Economy/Sector.—Whereas the formal sector refers to activities linked to official administrative entities (such as through tax collection), the informal sector refers to activities primarily unmonitored by administrative entities (such as cash payments to employees). It is also referred to as the system of exchange used outside state-controlled economic activities.

Integrated Framework for Trade-related Technical Assistance (IF).—Joint activity and donor-financed trust fund managed by six agencies (IMF, UNCTAD, UNDP, World Bank, WTO, and International Trade Centre (Geneva)) to work with LDCs to undertake diagnostic studies, to assist countries in identifying key constraints to better integration into the world economy, and to provide followup trade-related technical and financial assistance.

Interim Poverty Reduction Strategy Paper (IPRSP).—Document which outlines actions the government intends to take to develop a full Poverty Reduction Strategy Paper (PRSP). It also contains details of intended macroeconomic policy reforms and may also include information on the country's poverty situation.

Kimberley Process.—The Kimberley Process Certification Scheme (KPCS) is a scheme designed to prevent conflict diamonds (also known as blood diamonds) from entering the mainstream rough diamond market. In December 2000, the General Assembly of the United Nations passed a resolution calling for the creation of a scheme that would allow certification of diamonds that had not been sold in order to finance civil war. The KPCS was finally agreed upon by nations involved in the trade of diamonds and having diamond-mining and production companies in November 2002. In order for a country to be able to participate in the scheme, it must ensure that (1) any diamond originating from the country does not finance a rebel group or other entity seeking to overthrow a UN-recognized government, (2)

every diamond export be accompanied by a Kimberley Process certificate proving that any diamond originating from the country does not finance a rebel group or other entity seeking to overthrow a UN-recognized government, and (3) no diamond is imported from, or exported to, a nonmember of the scheme.

Least Developed Countries (LDCs – or sometimes LLDCs, to distinguish from less-developed countries).—Refers to those developing countries experiencing no significant economic growth, very low per capita incomes, and low literacy rates.

Lomé Convention.—A series of preferential trade and economic assistance agreements—the first of which was signed in 1975 in Lomé, Togo—between the European Community and 69 former colonies of the EC member states (the ACP countries). Superseded the Yaoundé Conventions of 1963 and 1969.

Multifiber Arrangement (MFA).—Full name is the Multifiber Arrangement Regarding International Trade in Textiles. A multilateral arrangement under which GATT members could apply quantitative restrictions on imports of textiles and clothing. On January 1, 2005, the Uruguay Round Agreement on Textiles and Clothing (ATC) expired, marking the end of import quotas that had shaped world trade in textiles and apparel. The ATC came into effect with the WTO Uruguay Round Agreements in 1995 and superseded the MFA, an arrangement that permitted importing countries to establish quotas on textiles and apparel outside normal GATT rules during 1974-1994. As such, WTO countries now have quota-free access to the textile and apparel markets of major importing countries, including the United States and the European Union.

Multiple Exchange Rates (also known as Differential Exchange Rates).—A system of officially prescribed rates of exchange for a country's currency that varies depending on the type of transaction involved.

New Partnership for Africa's Development (NEPAD).—Organization adopted by African heads of state and government in Nigeria in October 2001, NEPAD is an agenda set by African leaders to eradicate poverty through sustainable growth and development and through active participation in multilateral fora. NEPAD has seven main initiatives concerning (1) peace, security, democracy, and political governance; (2) economic and corporate governance; (3) infrastructure; (4) human resource development; (5) capital flows; (6) market access; and (7) the environment.

Nontariff Barriers (NTBs).—Measures other than tariffs that burden or restrict international trade.

Nontariff Measures (NTMs).—A broader term than NTBs, including not only import-restricting barriers but also measures that distort trade by stimulating exports.

Parastatal.—An entity with some degree of state ownership.

Poverty Reduction Strategy Paper (PRSP).—Document describing a country's macroeconomic, structural, and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and IMF, and provide the basis for concessional lending and debt relief under the enhanced HIPC initiative.

Poverty Reduction and Growth Facility (PRGF).—The IMF's concessional lending facility, which provides finance for Poverty Reduction Strategy Papers (PRSPs). Previously, this facility was called the Enhanced Structural Adjustment Facility (ESAF).

Poverty Reduction Support Credit (PRSC).—World Bank program loan availability to countries in support of a Poverty Reduction Strategy Paper (PRSP).

Preferential Trade Arrangement (PTA).—A group of countries that grant each other special trade advantages, such as preferential tariff rates, in order to promote member countries' export growth.

Primary Commodity or Primary Product.—An agricultural, forest, mineral, or fisheries product sold in its original form, including such processing as may be necessary to make the product suitable for sale in international trade.

Real Exchange Rate.—The nominal exchange rate adjusted for inflation.

Re-Export Trade.—The export of previously imported products without value added.

Regional Trade Arrangement.—See trade bloc.

Revaluation.—The increasing of the value of a currency, relative to one or more other currencies, as a result of deliberate government action.

Revealed Comparative Advantage (RCA).—A measure of relative competitive performance of a country's exporters of a particular product or class of goods. Calculated by dividing the country's share of world exports of the product in question by the country's share of total world trade. Products having a ratio greater than one may be considered indicative of the country's underlying comparative advantage, relative to products with ratios less than one.

Rules of Origin.—The laws, regulations, and administrative practices that are applied to ascribe a country of origin to goods in international trade.

Sanitary and Phytosanitary (SPS) Measures.—Health and safety standards affecting imports. "Sanitary" regulations are those applying to human and animal products; "phytosanitary" regulations apply to plants and plant products.

Short Term.— One business cycle, or approximately 4 to 5 years.

Special and Differential Treatment.—WTO agreements contain special provisions that give developing countries special rights and developed countries the possibility to treat developing countries more favorably than other WTO members. These provisions are referred to as "special and differential treatment" provisions, and can include longer time periods for implementing agreements and commitments, measures to increase trading opportunities for these countries, provisions requiring all WTO members to consider favorably the trade interests of developing countries, support to help developing countries build the infrastructure for trade purposes, help in handling WTO legal aspects of trade disputes, help in implementing technical standards, and provisions related to LDC members.

Standards.—Rules, regulations, or procedures specifying characteristics that must be met by a product (such as dimensions, quality, performance, or safety).

Structural Adjustment Lending.—A program of lending by the World Bank designed to help developing countries deal with balance-of-payments problems resulting from internal economic patterns that are susceptible to correction. The program provides hard-currency loans conditional upon agreement by the beneficiary country to undertake specified corrective measures.

Structural Adjustment Policies.—Measures—such as worker re-training and placement, capital formation, and R&D support—intended to facilitate the adjustment of factors of production to "structural" economic forces such as increased international competition.

Subsidy.—A payment or economic benefit conferred by a government on a specific industry or enterprise in order to advance an economic objective deemed to be in the public interest.

Symmetric Revealed Comparative Advantage (SRCA).—A revealed comparative advantage index developed by Laursen and Engedal, which ranges between -1 and +1 and is symmetric around zero.

Tariff.—A tax or duty levied upon goods imported into a country or customs area.

Tariff Binding.—In GATT context, commitment by countries not to raise particular tariffs above a specific or "bound" level. Also referred to as ceiling bindings.

Tariff Equivalent.—Measure of the protective effect of a nontariff barrier (NTB); the tariff that would have the exact same effect on imports as the NTB.

Technical Barriers to Trade (also referred to as technical standards).—Government-established specifications of product characteristics—such as levels of quality or purity, performance, safety, environmental impact, or physical dimensions—that must be met in order to receive permission to import the product. The specifications may cover testing and test methods, terminology, symbols, packaging, marking, or labeling requirements.

Terms of Trade.—The volume of exports that can be traded for a given volume of imports; changes in the terms of trade are measured by changes in the ratio of export prices to import prices.

Trade Barrier.—Any governmentally-imposed constraint upon the international exchange of goods or services. Such constraints can take the form of tariffs, quotas, or nontariff barriers.

Trade Bloc.—A general term referring to regional arrangements among countries that have established formal mechanisms for cooperation on trade issues. The term does not necessarily imply a protectionist stance with respect to nonmember countries, although it is sometimes used in this way. No widely accepted definition of "trade bloc" exists, but it is commonly understood to include six types of arrangements. In descending order of political-economic integration, these categories are: economic union, common market, customs union, free trade area, preferential arrangement, and regional cooperation.

Trade Capacity.—The supply-side ability (capacity) of a country to benefit from the opportunities offered by the world market and MFN or preferential access to markets.

Value Added.—The value of output minus the value of all inputs used in production. By definition, equal to the contribution of, and payments to, primary factors of production (labor, capital, and land).

Value-Added Tax (VAT).—An indirect tax, assessed on increments in the value of a product from the raw-material stage through the production process to final sale. At each stage, the tax is levied on the amount by which inputs purchased from the preceding stage have been augmented in value. The final sale price will incorporate all of the VAT payments made along the production chain.

Vertical Integration.—The combination within one firm of two or more different stages in the production process of a particular good or service.

World Integrated Trade Solution (WITS).—A database and software package developed by UNCTAD and the World Bank to allow analysis of trade flows, market access conditions, and the impact of own- and partner-country liberalization.

World Trade Organization (WTO).—The WTO is the multilateral organization that oversees implementation of the multilateral trade rules under the General Agreement on Tariffs and Trade 1994 (GATT 1994) negotiated during the 1986-93 Uruguay Round of trade negotiations and today observed by nearly 150 WTO members.

Source: Nathan Associates, “Terms Related to Trade Policy and Economics,” Compiled for USAID/Support for Trade Capacity, June 2002; World Trade Organization, “Glossary,” found at www.wto.org/english/thewto_e/glossary_e/glossary_e.htm, retrieved Apr. 27, 2005; and U.S. Department of State, “The Language of Trade,” found at <http://usinfo.state.gov>, retrieved Apr. 8, 2005. Edited and supplemented by USITC staff.

Table C-1
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
African Economic Community (AEC) (Also known as the Abuja Treaty)	June 3, 1991. Entered into force in 1994.	All African states.	It envisions a 34-year and six-stage process toward the establishment of an AEC via the coordination of existing regional communities. Its five pillars include: ECCAS, COMESA, SADC, ECOWAS, and the Arab Maghreb Union (AMU). Currently, members are in the first stage, strengthening the five regional economic treaties and creating new ones, as needed. While this first stage was to only last 5 years, it continues today as the regional organizations are at varying levels of trade and economic development and integration.
African Union (AU)	1999-2002	All African states.	In 1999, the Heads of State and Government of the Organization of African Unity issued a Declaration (the Sirte Declaration) calling for the establishment of an African Union. The Durban Summit (2002) launched the AU and convened the first Assembly of the Heads of States of the African Union. The main objectives of the AU are to achieve greater unity and solidarity between the African countries and the peoples of Africa; to defend the sovereignty, territorial integrity and independence of its Member States; to accelerate the political and socio-economic integration of the continent; to promote and defend African common positions on issues of interest to the continent and its peoples; to encourage international cooperation, taking due account of the Charter of the United Nations and the Universal Declaration of Human Rights; to promote peace, security, and stability on the continent; to promote democratic principles and institutions, popular participation and good governance; to promote and protect human and peoples' rights in accordance with the African Charter on Human and Peoples' Rights and other relevant human rights instruments; to establish the necessary conditions that enable the continent to play its rightful role in the global economy and in international negotiations; to promote sustainable development at the economic, social, and cultural levels as well as the integration of African economies; to promote cooperation in all fields of human activity to raise the living standards of African peoples; to coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union; to advance the development of the continent by promoting research in all fields, in particular in science and technology; to work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent.

Table C-1—Continued
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
Common Market for Eastern and Southern Africa (COMESA)	Founded in 1981 as the Preferential Trade Agreement (PTA) and in 1994 was renamed the Common Market for Eastern and Southern Africa (COMESA).	Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.	COMESA plans to achieve an economic community with a common currency and unified monetary policy. Stage one of the integration plan is a preferential trade area with lower tariffs in intra-regional than in extra-regional trade. Stage two is a free trade area (FTA). Stages three and four are a customs union and a common market. COMESA is currently in between the first and second stages. After launching its FTA on October 31, 2000, not all COMESA members haven chosen to participate in the FTA. FTA participants maintain a 100-percent rate of tariff reduction, and non-FTA members promise reductions between 0 percent and 80 percent. COMESA members also benefit from several operational and active institutional structures such as the PTA-Reinsurer Bank, the Eastern and Southern African Trade and Development Bank, and the World Bank-supported African Trade Insurance Agency. The United States maintains a Trade and Investment Framework Agreement (TIFA) with COMESA, which allows both parties to have regular, formal, and high-level discussions.
Cotonou Agreement. Also called the African, Caribbean, Pacific (ACP)–European Community (EC) Agreement or the ACP–EC Agreement	Ratified by ACP and EU partners between 2000 and 2003; expires January 1, 2008. The Cotonou Agreement replaced the 1975 Lomé Agreement.	Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Ethiopia, Eritrea, The Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Malawi, Mali, Mauritania, Madagascar, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Tanzania, Togo, and Zambia.	The Cotonou Agreement has five pillars including a political dimension, participatory approaches, poverty reduction focus, economic and trade cooperation, and financial cooperation. It maintains protocols on sugar, beef, and veal. The European Union sought to begin negotiations of Economic Partnership Agreements (EPAs) in 2004; however to date, there has been little interest. The EPAs will be the successor agreements to the Cotonou Agreement. Only Kenya and Zimbabwe have expressed interest in an EPA given that benefits gained through the "Everything but Arms" initiative are far greater for many countries even if the EBA preferences can be withdrawn at any time. The European Union wants all EPAs to enter into force on January 1, 2008, at which time a transitional 12-year period toward trade liberalization will begin.

Table C-1—Continued
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
East African Community (EAC)	Existed in various forms off-and-on since 1917 before dissolving completely in 1977. Agreement for the Establishment of the Permanent Tripartite Commission for East African Co-operation was signed on November 30, 1993.	Kenya, Uganda, and Tanzania.	Its Customs Union began operation on January 1, 2005. The EAC maintains a common external tariff. The intention is that by 2011 there will be duty-free and quota-free movement of tradeable goods among EAC members. The EAC is seeking a common set of customs rules and procedures, and a common coding for tradeable goods. The union may enter into FTAs with other trading blocs; however, in negotiations with other countries, EAC members are required to retain a common trade policy.
Economic Community of Central African States (ECCAE)/ Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC)	December 1981. Became inactive in 1992 and was reactivated in February 1998.	Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of the Congo, Rwanda, and São Tomé and Príncipe.	Seeks regional economic cooperation and a common market.
Economic Community of West African States (ECOWAS) / Communauté Économique des États de l'Afrique de l'Ouest (CEEAO)	May 28, 1975. An updated ECOWAS Treaty was signed in 1993.	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.	The 1993 treaty seeks increased political cooperation, a common market with a single currency, a common parliament, a Court of Justice and increased responsibility in solving regional conflicts. While the Court of Justice, and the ECOWAS Parliament are operational, it is uncertain as to whether the Court has heard cases or whether the Parliament has the jurisdiction and ability to enforce its decisions. ECOWAS maintains a Defense Protocol, signed in 1981, that allows members to resolve conflicts in other member states. The ECOWAS Peacekeeping Force has been utilized in regional conflicts. Little movement has been made toward a common market.

Table C-1—Continued
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
Indian Ocean Commission (IOC)/ Commission de l'Océan Indien (COI)	January 1984.	Comoros, France (for Réunion), Madagascar, Mauritius, and Seychelles.	Promote cooperation among island states of the southwest Indian Ocean. The IOC encourages diplomatic cooperation, economic and commercial cooperation, and cooperation in the fields of agriculture, maritime fishing, and the conservation of resources and the ecosystems. The IOC receives financial assistance from the European Union on a variety of trade and environmental projects. The IOC's last summit was held in 1999 and chaired by the French President, Jacques Chirac. While the 1999 meeting suggested a quadrennial summit process, no IOC Summit was held in 2003 or 2004.
Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)	March 1997.	African Members: Kenya, Madagascar, Mauritius, Mozambique, South Africa, and Tanzania. Asian and Middle Eastern Members: Australia, Bangladesh, India, Indonesia, Iran, Malaysia, Oman, Singapore, Sri Lanka, Thailand, United Arab Emirates, and Yemen.	Facilitate economic cooperation; seek sustained growth and balanced development of the region; and promote trade liberalization and the removal of barriers to trade in goods, services, and technology.
Inter-Governmental Authority of Development in Eastern Africa (IGAD)	Founded in 1986 and revised in 1996.	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, and Uganda.	Enhance cooperation and coordination of macro-economic policies, agricultural development and food security, environmental policies, and encouragement of conflict prevention, management and resolution; encourage respect for the rights of persons to benefit from humanitarian assistance; and promote trade and the harmonization of trade, transport, and communication policies.
Southern African Customs Union (SACU)	Began in 1910. Updated agreements were made in 1969 and 2002.	Botswana, Lesotho, Namibia, South Africa, and Swaziland.	SACU has a common external tariff and a common excise tax. There are no import duties among members. All members except Botswana share a Common Monetary Area (CMA) and within the CMA, the currencies of Lesotho (loti), Swaziland (lilangeni) and Namibia (dollar) are tied to the South African rand. The 2002 SACU Agreement created a more democratic institutional structure; established a SACU-wide dispute settlement mechanism; encouraged movement toward common policies on industrial development, agriculture, competition, and unfair trading practices; and created a tariff board disallowing unilateral changes to customs, antidumping measures, countervailing and safeguard duties, rebates, refunds, or duty drawbacks.

Table C-1—Continued
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
Southern African Development Community (SADC)	April 1980.	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe. Madagascar's membership is to enter into effect in August 2005.	Seeks economic cooperation, regional economic integration, similar political system choices, and regional solidarity. On the trade front, the SADC Trade Protocol began operation in 2000. By 2008, 85 percent of all intra-SADC trade is to be duty free and by 2012, 98 percent of SADC merchandise trade is to have zero tariffs, in effect making SADC a free trade area. Affected goods are split into four categories and liberalization occurs in stages. There are two side agreements to the Protocol on sugar and textiles. The Sugar Protocol intends full liberalization of the sugar trade by 2013. With textiles, Malawi, Mozambique, Tanzania, and Zambia may export single-stage produced textiles and clothing to SACU countries until August 2005. Textile exports above the quota are subject to "double stage transformation" rules of origin. Each of these agreements has been published.
West African Economic and Monetary Union (WAEMU) / Union Économique et Monétaire Ouest Africaine (UEMOA)	January 10, 1994.	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.	Tariff elimination and common monetary and commercial policies. A common monetary zone was launched in 2000, and the WAEMU Inter-Parliamentary Committee has held discussions about creating a regional parliament. The United States maintains a Trade and Investment Framework Agreement (TIFA) with WAEMU, which allows both parties to have regular, formal, and high-level discussions.
Africa Growth and Opportunity Act (AGOA)	The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title I of The Trade and Development Act of 2000.	Angola, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Democratic Republic of the Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia.	Provides duty-free entry into the United States of over 6,400 products under the United States' Generalized System of Preferences (GSP). AGOA I provided opportunities to export to the United States with zero import duty. Amendments to AGOA were signed into law on August 6, 2002. These amendments, known as AGOA II, expand preferential access. The AGOA Acceleration Act of 2004, signed into law on July 12, 2004, extends preferential access for imports from beneficiary countries until September 30, 2015 and extends the third-country fabric provision until September 2007.

Table C-1—Continued
Unilateral trade preference programs and regional trade agreements

Agreement	Date Established	SSA Membership	Description/Purpose
"Everything but Arms" Initiative of the European Union (EBA)	February 2001.	Countries classified as less-developed: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, and Zambia.	Grants duty-free access to imports of nearly all products, without quantitative restriction, from LDCs, except arms and munitions. Bananas, rice, and sugar are not liberalized immediately and their duties will be gradually reduced; duty-free access is to be granted for bananas in January 2006, for sugar in July 2009, and for rice in September 2009. Certain products are subjected to rules of origin, including cumulative rules of origin. The EBA initiative has no periodic renewal under the European Union's GSP and thus, EBA-granted preferences to lesser-developed countries remain in place for an unlimited period. However, any of the preferences can be withdrawn from any country at any time. In addition, because there are no quantitative restrictions on imports into the European Union, safeguards and temporary withdrawal measures may be considered.

Sources: Government of the Republic of South Africa, "African Economic Community," Department of Foreign Affairs, found at www.dfa.gov.za, retrieved Apr. 4, 2005; African Union (The), "Treaty Establishing the African Economic Community," found at www.africa-union.org, retrieved Apr. 4, 2005; "Common Market for Eastern and Southern Africa," found at www.comesa.int, retrieved Apr. 4, 2005; USTR, "Agreement Between the Government of the United States of America and the Common Market for Eastern and Southern Africa Concerning the Development of Trade and Investment Relations," found at www.ustr.gov, retrieved Apr. 4, 2005; Institute for Security Studies (South Africa), "Common Market for Eastern and Southern Africa," found at www.iss.org.za, retrieved Apr. 4, 2005; European Commission (The), "ACP-EU Agreement," found at <http://europa.eu.int>, retrieved Apr. 4, 2005; "ACP-EU-trade," found at www.acp-eu-trade.org, retrieved Apr. 4, 2005; "East African Community," found at www.eac.int, retrieved Apr. 4, 2005; "Economic Community of Central African States," found at www.ceeac-eccas.org, retrieved Apr. 4, 2005; Institute for Security Studies, "Economic Community of Central African States," found at www.iss.org.za, retrieved Apr. 4, 2005; Government of the Republic of South Africa, "Economic Community of Central African States," Department of Foreign Affairs, found at www.dfa.gov.za, retrieved Apr. 4, 2005; "Economic Community of West African States," found at www.ecowas.int, retrieved Apr. 4, 2005; Institute for Security Studies, "Economic Community of West African States," found at www.iss.org.za, retrieved Apr. 4, 2005; "Indian Ocean Commission," found at www.coi-info.org, retrieved Apr. 4, 2005; Delegation of the European Commission to the Republic of Mauritius, Comoros and the Republic of Seychelles, "Cooperation – Indian Ocean – Overview," found at www.delmus.cec.eu.int, retrieved Apr. 4, 2005; "Indian Ocean Rim Network," found at www.ior.net.org, retrieved Apr. 4, 2005; Government of Australia, "The Indian Ocean Rim Association for Regional Cooperation," Department of Foreign Affairs and Trade, found at www.dfat.gov.au, retrieved Apr. 4, 2005; Government of the Republic of South Africa, "Intergovernmental Authority on Development," Department of Foreign Affairs, found at www.dfa.gov.za, retrieved Apr. 4, 2005; "Intergovernmental Authority on Development," found at www.igad.org, retrieved Apr. 4, 2005; WTO, *Trade Policy Review: Southern African Customs Union*, Report by the Secretariat, T/TPR/S/114, Mar. 24, 2003; Institute for Security Studies, "Southern African Development Community," found at www.iss.org.za, retrieved Apr. 4, 2005; Government of the Republic of South Africa, "West African Economic and Monetary Union," Department of Foreign Affairs, found at www.dfa.gov.za, retrieved Apr. 4, 2005; U.S. Department of State, "West African Economic and Monetary Union," Bureau of African Affairs, Nov. 18, 2002; "Union Economique et Monétaire Ouest Africaine," found at www.uemoa.int, retrieved Apr. 4, 2005; "AGOA," found at www.agoa.gov, retrieved Apr. 4, 2005; European Commission (The), "EBA" - Everything But Arms Initiative," found at <http://europa.eu.int>, retrieved Apr. 4, 2005; and European Commission (The), "EBA" - Everything But Arms Initiative: User's guide to the EU GSP's - Special Arrangements for Least Developed Countries," found at <http://europa.eu.int>, retrieved Apr. 4, 2005.

APPENDIX D
DESCRIPTION OF QUANTITATIVE ANALYSIS

Description of Quantitative Analysis

This appendix discusses the quantitative analysis used to (1) identify potential export growth sectors and (2) determine the categorization of countries for each chapter.

Analysis of Export Growth Potential

In order to identify sectors with potential in export growth, the Commission conducted qualitative and quantitative analyses. This section discusses the methodology applied in the analysis of export statistics, which is based on three considerations:

- (1) comparative advantage and how it has been changing over time;
- (2) degree of export market concentration; and
- (3) strength of global markets.

The rest of this section discusses these considerations along with the data that were utilized and the calculations that were performed.

Comparative Advantage

In the early 1800s, David Ricardo proposed the law of *comparative advantage*.¹⁰⁵ Ricardo defined that country *A* has comparative advantage over other countries in a good or service *Y* when in the absence of trade, that is autarky, country *A* has a lower opportunity cost in the production of *Y* than other countries. The implication of the law of comparative advantage is that each country exports the good in which it has a comparative advantage and it imports the good in which it has a comparative disadvantage and that under trade, the relative prices of goods and services are more equal across countries than under autarky.

Extensions of the simple model of comparative advantage showed that the law of comparative advantage breaks down, and it is not possible to explain trade patterns by comparing relative-autarky-prices.¹⁰⁶ In 1980, however, Alan Deardorff showed that a version of the law of comparative advantage holds in a general model.¹⁰⁷ Deardorff summarized his propositions in the statement that there must exist a negative correlation

¹⁰⁵ David Ricardo, *On the Principles of Political Economy and Taxation* (London: John Murray, Third ed., 1821) (First published in 1817).

¹⁰⁶ See R. W. Jones, "Comparative Advantage and the Theory of Tariffs: A Multi-Country, Multi-Commodity Model," *Review of Economic Studies* 28:161-175, June, 1961; J.R. Melvin, "Production and Trade with Two Factors and Three Goods," *American Economic Review* 58:1249-1268, Dec. 1968; W.P. Travis, "Production, Trade, and Protection When There Are Many Commodities and Two Factors," *American Economic Review* 62:87-106, 1972; and J.Z. Drabicki and A. Takayama, "An Antimony in the Theory of Comparative Advantage," *Journal of International Economics* 9:211-223, May 1979.

¹⁰⁷ A.V. Deardorff, "The General Validity of the Law of Comparative Advantage," *Journal of Political Economy* 88(5):941-957, Oct. 1980.

between any country's net exports, under trade, and relative-autarky-prices. Thus, on average, high relative-autarky-prices are associated with imports under trade, and low relative-autarky-prices are associated with exports.

For several reasons, it is difficult to quantify international differences in comparative advantage. The most important reason is that comparative advantage is defined in terms of relative product prices in the absence of trade, which are not observable.¹⁰⁸ Instead, real world data must be used in measurements of comparative advantage. In 1965, Balassa proposed an index of *revealed* comparative advantage.¹⁰⁹ Balassa's index uses observed export statistics to reveal the underlying pattern of comparative advantage. The Balassa revealed comparative advantage (RCA_{ir}) index measures a good *i*'s share in a country *r*'s total exports relative to that good's share in world trade:

$$RCA_{ir} = \frac{X_{ir} / X_r}{X_i / X}$$

where i is a commodity index and r is a country index,

X_{ir} is exports of commodity i from country r ,
 X_r is total exports from country r ,
 X_i is global trade in commodity i , and
 X is total global trade.

If the share of good i in country r 's exports is larger than its share in world trade (RCA_{ir}>1), the country has a revealed comparative advantage in good i . If the share of good i in country r 's exports is smaller than its share in world trade (RCA_{ir}<1), the country does not have a revealed comparative advantage in industry i .

Since Balassa proposed his RCA index, several other indices have been proposed as alternatives which are based on other statistics, e.g., net exports. In 1987, Ballance *et al.* tested the consistency of alternative RCA indices, and they found that the Balassa index is consistent with other plausible indices when it is used as an ordinal or dichotomous measure.¹¹⁰

The RCA index ranges from zero to infinity and thus is difficult to interpret. Laursen and Engedal developed the symmetric RCA (SRCA) index, which ranges between -1 and +1 and is symmetric around zero:¹¹¹

¹⁰⁸ Other reasons include government interventions that result in trade flows, that do not reflect comparative advantage, and data aggregation.

¹⁰⁹ B.A. Balassa, "Trade Liberalization and "Revealed" Comparative Advantage," *The Manchester School of Economics and Social Studies* 33:99-123, May 1965.

¹¹⁰ R.H. Ballance, H. Forstner, and T. Murray, "Consistency Tests of Alternative Measures of Comparative Advantage," *Review of Economics and Statistics* 69(1):157-161, Feb. 1987.

¹¹¹ K. Laursen and C. Engedal, "The Role of the Technology Factor in Economic Growth: A Theoretical and Empirical Inquiry into new Approaches to Economic Growth," University of Aalborg, Denmark, 1995. Soete and Verspagen proposed a logarithmic transformation of RCA

$$SRCA_{ir} = \frac{RCA_{ir} - 1}{RCA_{ir} + 1}$$

Degree of Export Market Concentration

In addition to identifying sectors for which an AGOA-eligible country either has comparative advantage or is gaining in comparative advantage, the Commission also identified sectors that may have a potential for export growth because of opportunities to expand exports to new markets. The next section discusses the analysis of export markets.

A high degree of export market concentration in one or two markets could suggest difficulties in exporting to other markets. If those difficulties were eased, exports could potentially expand to the other markets.

For each export market s and product i , we compute the market share, MS_{irs} , that is satisfied by exports from AGOA-eligible country r :

$$MS_{irs} = \frac{X_{irs}}{X_{is}}$$

where X_{irs} is exports of good i from AGOA country r to importing country s , and

X_{is} is total imports of good i by country s .

We then compute the standard deviation, σ_{ir} , of market share MS_{irs} from the global market share MS_{ir} :

$$\sigma_{ir} = \sqrt{\frac{\sum (MS_{irs} - MS_{ir})^2}{n}}$$

where $MS_{ir} = X_{ir}/X_{is}$ and

n is the number of markets under consideration in this report.

index, which is not defined when RCA is zero, see L. Soete and B. Verspagen, "Competing for Growth: The Dynamics of Technology Gaps," in L. Pasinetti and R. Solow (eds.), *Economic Growth and the Structure of Long-Term Development* (London: Macmillan, 1994).

Large values for standard deviation σ_{ir} would suggest that exports of good i from AGOA country r are relatively concentrated in a few markets. To standardize the comparison across commodities, we scale σ_{ir} by MS_{ir} to obtain the normalized standard deviation, σ_{ir}^N :

$$\sigma_{ir}^N = \sigma_{ir} / MS_{ir}$$

For each AGOA-eligible country, the analyses of revealed comparative advantage and export market concentration identify sectors that may have a potential for export growth. Some of these sectors, however, may not be as promising as the analyses might suggest, and one of the factors that should be considered is the state of the global market for those products.

Strength of Global Markets

In addition to exploring the degree of comparative advantage for different product groups, it is important to consider whether world markets for these products grow or decline relative to general world trade. As a point of reference, world trade growth averaged 9.87 percent during 1993-2003. In addition to expanding markets, commodities that are characterized by relatively expanding global trade are more likely to be characterized by stable or increasing prices than commodities that are characterized by relatively declining global trade. For some sectors, however, more research may be required to understand price behavior (e.g., new electronic products are characterized by both expanding trade and declining prices).

Trade Statistics and Calculations

The trade statistics used in the analysis of export potential were obtained from World Integrated Trade Solution (WITS). The World Bank, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), has developed WITS for access and retrieval of information on trade compiled by various international organizations.¹¹² The trade statistics in WITS are those provided by the United Nations Statistical Division in the Comtrade (Commodity Trade) database.¹¹³

¹¹² More information about WITS is at http://wits.worldbank.org/witsnet/StartUp/Wits_Information.aspx.

¹¹³ More information about Comtrade can be found at <http://unstats.un.org/unsd/comtrade>.

The trade statistics that were calculated from WITS data are total exports for each commodity by each one of the 37 AGOA-eligible countries.¹¹⁴ The statistics obtained cover trade in 1,241 product aggregates as defined by the Harmonized System (HS) (1988/92) at the 4-digit level, and from Chapters 1-97.¹¹⁵ The time period is 1993-2003.¹¹⁶

SRCA and Trends in SRCA

SRCA_{irt} for all 1,241 products and all 37 countries were calculated for each year. The SRCA_{ir} that are reported in this report are arithmetic means over 2000-03:

$$SRCA_{ir} = (SRCA_{ir,2000} + SRCA_{ir,2001} + SRCA_{ir,2002} + SRCA_{ir,2003})/4$$

Annual changes in the SRCA_{ir} were calculated for each year:

$$\Delta SRCA_{irt} = SRCA_{ir,t} - SRCA_{ir,t-1}$$

The reported average trend in SRCA_{ir} over 2000-03 was computed as:

$$SRCA_{trend_{ir}} = (\Delta SRCA_{ir,2000} + \Delta SRCA_{ir,2001} + \Delta SRCA_{ir,2002} + \Delta SRCA_{ir,2003})/4$$

Market Shares

The analysis of market shares considered seven markets: Australia, Canada, the United States, European Union (15 members), Japan, lower- and middle-income economies (LMI), and the rest of the world (ROW). Appendix table D-1 lists the countries that make up LMI and ROW.

Market shares, MS_{irst}, were computed for the period 2000-03 and the statistics that are reported here are arithmetic means:

$$MS_{irs} = (MS_{irs,2000} + MS_{irs,2001} + MS_{irs,2002} + MS_{irs,2003})/4$$

Standard deviations, σ_{ir} , in market shares were computed using the arithmetic means of market shares. Products were ranked by normalized standard deviation in market shares.

¹¹⁴ The Comtrade database has two values for each bilateral trade flow. One value is reported by the exporting country; the other value is reported by the importing country. Even though trade statistics that are reported by importers typically are on a CIF basis, they are more up to date and they are considered more reliable. Thus, commodity trade reported by all importing countries in the world was obtained from WITS.

¹¹⁵ Special HS chapters 98 and 99 were not considered in this report because Comtrade does not provide data for these chapters.

¹¹⁶ That is 505,087 (=37×1241×11) trade values were calculated from WITS data.

Growth of Global Trade on a Commodity-by-Commodity Basis

Annual growth rates in global trade were computed for each one of the 1,241 products:

$$gr_{it} = (X_{i,t+1} - X_{i,t}) / X_{i,t}, t=1994, \dots, 2003.$$

Average growth rates for each product, gr_i , were computed as arithmetic means:

$$gr_i = \frac{\sum_{t=1994}^{2003} gr_{it}}{10}.$$

Table D-1
Makeup of lower- and middle-income economies (LMI) and rest of the world (ROW)

LMI — Lower- and Middle-Income Countries:

Afghanistan	Djibouti	Lesotho	Rwanda
Albania	Dominica	Liberia	Samoa
Algeria	Dominican Republic	Libya	São Tomé and Príncipe
Angola	Ecuador	Lithuania	Saudi Arabia
Antigua and Barbuda	Egypt, Arab Rep.	Macedonia, FYR	Senegal
Argentina	El Salvador	Madagascar	Seychelles
Armenia	Equatorial Guinea	Malawi	Sierra Leone
Azerbaijan	Eritrea	Malaysia	Slovak Republic
Bangladesh	Estonia	Maldives	Solomon Islands
Barbados	Ethiopia (excludes Eritrea)	Mali	Somalia
Belarus	Fiji	Malta	South Africa
Belize	Gabon	Marshall Islands	Sri Lanka
Benin	Gambia, The	Mauritania	St. Kitts and Nevis
Bhutan	Georgia	Mauritius	St. Lucia
Bolivia	Ghana	Mexico	St. Vincent and the Grenadines
Bosnia and Herzegovina	Grenada	Micronesia, Fed. Sts.	Sudan
Botswana	Guatemala	Moldova	Suriname
Brazil	Guinea	Mongolia	Swaziland
Bulgaria	Guinea-Bissau	Morocco	Syrian Arab Republic
Burkina Faso	Guyana	Mozambique	Tajikistan
Burundi	Haiti	Myanmar	Tanzania
Cambodia	Honduras	Namibia	Thailand
Cameroon	Hungary	Nepal	Togo
Cape Verde	India	Nicaragua	Tonga
Central African Republic	Indonesia	Niger	Trinidad and Tobago
Chad	Iran, Islamic Rep.	Nigeria	Tunisia
Chile	Iraq	Oman	Turkey
China	Jamaica	Pakistan	Turkmenistan
Colombia	Jordan	Palau	Uganda
Comoros	Kazakhstan	Panama	Ukraine
Congo, Dem. Rep.	Kenya	Papua New Guinea	Uruguay
Congo, Rep.	Kiribati	Paraguay	Uzbekistan
Costa Rica	Korea, Dem. Rep.	Peru	Vanuatu
Côte d'Ivoire	Kyrgyz Republic	Philippines	Venezuela
Croatia	Lao PDR	Poland	Vietnam
Cuba	Latvia	Romania	Yemen
Czech Republic	Lebanon	Russian Federation	Zambia
			Zimbabwe

Table D-1—Continued
Makeup of lower- and middle-income economies (LMI) and rest of the world (ROW)

ROW — Rest of the World			
Andorra	East Timor	Monaco	Saint Helena
Anguila	Faeroe Islands	Montserrat	Singapore
Aruba	Falkland Island	Nauru	Slovenia
Bahamas, The	Fr. So. Ant. Tr	Netherlands Antilles	Special Categories
Bahrain	Free Zones	Neutral Zone	Switzerland
Bermuda	French Polynesia	New Caledonia	Taiwan, China
Br. Antr. Terr	Gibraltar	New Zealand	Tokelau
British Indian Ocean Ter.	Greenland	Niue	Turks and Caicos Isl.
British Virgin Islands	Hong Kong, China	Norfolk Island	Tuvalu
Brunei	Iceland	Northern Mariana Islands	United Arab Emirates
Bunkers	Israel	Norway	Unspecified
Cayman Islands	Korea, Rep.	Occ.Pal.Terr	Us Msc.Pac.I
Christmas Island	Kuwait	Pitcairn	Wallis and Futura Isl.
Cocos (Keeling) Islands	Macao	Qatar	Western Sahara
Cook Islands	Mayotte	Saint Pierre and Miquelon	Yugoslavia
Cyprus			

Source: WITS

Country Categorization

As current exports generally represent products for which the AGOA-eligible countries have a comparative advantage, grouping countries together based on similar export patterns essentially develops resource- or endowment-based categories to facilitate the reader's ability to compare similarly endowed countries. The country groupings were developed in part by explorations using cluster analysis.

Cluster analysis is a statistical technique that groups observations in statistical data together based on a measure of their similarity. There are a number of different similarity measures which are employed in practice. In this case, the cluster analysis was applied to the average export market shares of the countries in question for the period 1999-2003. The groupings reflect both forward and backward linkages among products as well as the types of exports observed in the countries included in this study. The tables introducing each chapter reflect 10 aggregates of trade data originally collected at the chapter (2-digit) level of the Harmonized System, chosen so as to reflect the particular features of the commodities exported by AGOA-eligible sub-Saharan African countries. For example, HS chapters 16 and 23 are grouped with "fish and fish products" even though they contain a number of nonfish products because, in the case of AGOA-countries' exports, they consist primarily of processed fish products; and HS 40, in the context of AGOA, refers primarily to natural rather than synthetic rubber and is thus grouped with forest-based products. The categories are designed to illustrate similarities and differences in patterns of exports specific to the 37 countries.

Table D-2 lists the concordance between the HS2 trade data and nine trade categories. A tenth trade category, “transport services,” is not shown in table D-2 because information on services trade is not reflected in the merchandise trade data shown. The cluster analysis did not suggest the existence of a grouping of countries based on “cocoa” exports. Thus, there is no such country grouping in this report. The three country groupings “predominantly mineral,” “moderately mineral,” and “cotton” were identified after indepth analysis of the exports of the countries in the groupings resulting from cluster analysis. Thus, the corresponding three trade categories are not listed in table D-2.

The data shown in each chapter introduction are averages of market shares for the 5-year period 1999-2003. This procedure was chosen so as to smooth out fluctuations in commodity prices or other factors affecting markets in a single year. Thus, the data shown may not fully capture the most recent trends that may be reflected in the country profiles. Cluster analysis was used to develop a first approximation of the groupings presented, supplemented by the judgment of Commission staff. The country groups are based on similarity of the overall pattern of trade across all trade categories. Thus, the sector with the largest share of trade may be different for countries in the same country group.

Table D-2
Concordance for summary trade categories

HS Chapter	Description
Fish and Related Products	
Chapter 3	Fish and crustaceans, molluscs and other aquatic invertebrates
Chapter 16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
Chapter 23	Residues and waste from the food industries; prepared animal feed
Coffee, Tea, and Spices	
Chapter 9	Coffee, tea, maté and spices
Cocoa	
Chapter 18	Cocoa and cocoa preparations
Other Agriculture	
Chapter 1	Live animals
Chapter 2	Meat and edible meat offal
Chapter 4	Dairy produce; birds eggs; natural honey; edible products of animal origin, not elsewhere specified or included
Chapter 5	Products of animal origin, not elsewhere specified or included
Chapter 6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
Chapter 7	Edible vegetables and certain roots and tubers
Chapter 8	Edible fruit and nuts; peel of citrus fruit or melons
Chapter 10	Cereals
Chapter 11	Products of the milling industry; malt; starches; inulin; wheat gluten
Chapter 12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder
Chapter 13	Lac; gums, resins and other vegetable saps and extracts
Chapter 14	Vegetable plaiting materials; vegetable products not elsewhere specified or included
Chapter 15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
Chapter 17	Sugars and sugar confectionery
Chapter 19	Preparations of cereals, flour, starch or milk; bakers' wares
Chapter 20	Preparations of vegetables, fruit, nuts or other parts of plants
Chapter 21	Miscellaneous edible preparations
Chapter 22	Beverages, spirits and vinegar
Chapter 24	Tobacco and manufactured tobacco substitutes
Chapter 41	Raw hides and skins (other than furskins) and leather
Chapter 42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
Chapter 43	Furskins and artificial fur; manufactures thereof
Forest-based products	
Chapter 40	Rubber and articles thereof
Chapter 44	Wood and articles of wood; wood charcoal
Chapter 45	Cork and articles of cork
Chapter 46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
Chapter 47	Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard
Chapter 48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
Chapter 49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
Minerals, metals, and metal products	
Chapter 25	Salt; sulfur; earths and stone; plastering materials, lime and cement
Chapter 26	Ores, slag and ash
Chapter 28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
Chapter 31	Fertilizers
Chapter 71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewelry; coin
Chapter 72	Iron and steel
Chapter 73	Articles of iron or steel
Chapter 74	Copper and articles thereof
Chapter 75	Nickel and articles thereof
Chapter 76	Aluminum and articles thereof
Chapter 78	Lead and articles thereof
Chapter 79	Zinc and articles thereof
Chapter 80	Tin and articles thereof
Chapter 81	Other base metals; cermets; articles thereof
Chapter 82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
Chapter 83	Miscellaneous articles of base metal

Table D-2—Continued
Concordance for summary trade categories

HS Chapter	Description
	Fuels
Chapter 27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
	Textiles and Fibers
Chapter 50	Silk
Chapter 51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric
Chapter 52	Cotton
Chapter 53	Other vegetable textile fibers; paper yarn and woven fabric of paper yarn
Chapter 54	Man-made filaments
Chapter 55	Man-made staple fibers
Chapter 56	Wadding, felt and nonwovens; special yarns, twine, cordage, ropes and cables and articles thereof
Chapter 57	Carpets and other textile floor coverings
Chapter 58	Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery
Chapter 59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
Chapter 60	Knitted or crocheted fabrics
	Apparel and related articles
Chapter 61	Knitted or crocheted fabrics
Chapter 62	Articles of apparel and clothing accessories, knitted or crocheted
Chapter 63	Articles of apparel and clothing accessories, not knitted or crocheted
	Other Manufactures
Chapter 29	Organic chemicals
Chapter 30	Pharmaceutical products
Chapter 32	Tanning or dyeing extracts; dyes, pigments, paints, varnishes, putty and mastics
Chapter 33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations
Chapter 34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modeling pastes, "dental waxes" and dental preparations with a basis of plaster
Chapter 35	Albuminoidal substances; modified starches; glues; enzymes
Chapter 36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
Chapter 37	Photographic or cinematographic goods
Chapter 38	Miscellaneous chemical products
Chapter 39	Plastics and articles thereof
Chapter 64	Footwear, gaiters and the like; parts of such articles
Chapter 65	Headgear and parts thereof
Chapter 66	Umbrellas, sun umbrellas, walking sticks, seatsticks, whips, riding-crops and parts thereof
Chapter 67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair
Chapter 68	Articles of stone, plaster, cement, asbestos, mica or similar materials
Chapter 69	Ceramic products
Chapter 70	Glass and glassware
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
Chapter 86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds
Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
Chapter 88	Aircraft, spacecraft, and parts thereof
Chapter 89	Ships, boats and floating structures
Chapter 90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
Chapter 91	Clocks and watches and parts thereof
Chapter 92	Musical instruments; parts and accessories of such articles
Chapter 93	Arms and ammunition; parts and accessories thereof
Chapter 94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated sign illuminated nameplates and the like; prefabricated buildings
Chapter 95	Toys, games and sports requisites; parts and accessories thereof
Chapter 96	Miscellaneous manufactured articles
Chapter 97	Works of art, collectors' pieces and antiques

Source: Compiled by the Commission.

APPENDIX E
REVEALED COMPARATIVE ADVANTAGE
ANALYSIS BY COUNTRY

This appendix shows the results of the analysis of export statistics for the 37 AGOA-eligible countries. The methodology and the data are discussed in detail in appendix D. The results of the analysis are presented in 37 tables, one table for each AGOA-eligible country (tables E-1 to E-37). Each table shows information for potentially up to 40 products, which are grouped in 4 sets of 10 products each, according to the following indicators:

- (1) top 10 by export share,
- (2) top 10 by SRCA (symmetric revealed comparative advantage) index,
- (3) top 10 by SRCA index trend, i.e., average annual change in SRCA index, and
- (4) top 10 by normalized standard deviation (of share of imports in destination market).

Most country tables, however, do not have 40 products because some products may belong to more than 1 of the 4 above-mentioned groups.

Each country table has the following information, for each product, in the following columns:

- (1) - (2) HS 4-digit product number and truncated description, respectively,
- (3) - (6) 1 to 10 product rank for each of the 4 above-mentioned groups; product ranks higher than 10 are not given in the table,
- (7) average (2000-03) percent share of product exports in country's total exports,
- (8) SRCA index, 2000-03 average,
- (9) annual change in SRCA index, average 2000-03,
- (10) growth rate in global trade for product, average 1993-2003, in percent,
- (11) - (18) export market shares, average 2000-03, in percent, and
- (19) normalized standard deviation in export market shares, in percent.

The types of analysis that could be derived from the information in the tables is as follows:

- (A) An SRCA index that is larger than zero suggests that the country has a comparative advantage in that product; and an SRCA index that is smaller than zero suggests that the country does not have a comparative advantage in that product. Thus,

positive SRCA values suggest products whose exports could increase under more facilitating domestic and international conditions.

- (B) A positive annual change in an SRCA index suggests that the country's comparative advantage in a particular product has improved; a negative change suggests the opposite. A relatively small increase or decline in an SRCA index may not be a significant indicator of a change in comparative advantage. A relatively large change, however, suggests that significant economic developments have taken place in that country-product case. Thus, large changes in SRCA suggest products that are rapidly penetrating the world market and may hold potential for further growth.
- (C) The market share measures exports from an AGOA-eligible country as a share of the imports by a destination market. Relatively large values for normalized standard deviation indicate that exports of the product are relatively concentrated. Thus, a product with large normalized standard deviation values suggests products that may have potential for increasing exports by penetrating additional markets.

The following tabulation defines the abbreviations used in the 37 country tables:

Abbreviations list	
HS 4-digit	Harmonized schedule, 4-digit level
SRCA	Symmetric revealed comparative advantage index
US	United States
EU	European Union (EU-15)
JPN	Japan
AUS	Australia
CND	Canada
LMI	Lower- and middle-income countries ¹
ROW	Rest of world ¹
Norm. SD	Normalized standard deviation

¹The composition of LMI and ROW is specified in table D-1.

Table E-1
Angola: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0208	Other meat and edible meat offal,				8	0.00	-1.00	0.00	9.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.17
0303	Fish, frozen, (excl. those of 03.04	7	9			0.08	-0.39	-0.14	5.11	0.00	0.23	0.00	0.00	0.00	0.06	0.00	0.06	1.39
0306	Crustaceans, fresh, chilled or frozen	5	4			0.28	0.13	-0.02	4.83	0.00	0.61	0.00	0.00	0.00	0.01	0.00	0.16	1.41
0307	Molluscs & aquatic invertebrates,	6	5			0.11	0.09	0.01	6.08	0.00	0.37	0.08	0.00	0.00	0.29	0.00	0.17	0.95
0702	Tomatoes, fresh or chilled				7	0.00	-1.00	0.00	11.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.96
0808	Apples, pears and quinces, fresh				10	0.00	-1.00	0.00	8.74	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	12.89
0902	Tea, whether or not flavored			9		0.00	-0.92	0.15	5.97	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	1.04
1008	Buckwheat, millet and canary seed			1		0.00	-0.64	0.49	5.54	0.00	0.01	0.00	0.00	0.00	0.12	0.00	0.04	1.11
1605	Crustaceans... and other aquatic in		8			0.03	-0.35	-0.06	8.62	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.06	1.51
2505	Natural sands of all kinds,				3	0.00	-0.99	0.00	8.46	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.31
2516	Granite, porphyry, etc, and other	8	3	10		0.07	0.53	0.14	9.51	0.00	0.73	0.00	0.00	0.00	0.02	0.00	0.43	0.96
2603	Copper ores and concentrates			4		0.01	-0.83	0.24	8.84	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.19
2620	Ash and residues containing metals				9	0.00	-0.96	-0.01	8.42	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00	13.85
2709	Petroleum oils and oils obtained					90.31	0.88	-0.01	13.61	3.91	1.08	0.43	0.00	0.21	2.09	1.64	1.94	0.72
2710	Petroleum oils, etc, (excl. crude);	3	7			1.84	-0.10	-0.04	12.03	0.53	0.00	0.00	0.00	0.00	0.01	0.03	0.10	1.81
2711	Petroleum gases and other gaseous	4				0.29	-0.68	-0.10	16.59	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.02	1.67
4203	Articles of apparel and clothing				1	0.00	-1.00	0.00	2.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	203.03
4504	Agglomerated cork and articles of			6		0.00	-0.79	0.21	10.18	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.02	0.96
5207	Cotton yarn (excl. sewing), put		10	2		0.00	-0.53	0.46	3.88	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.04	1.37
5307	Yarn of jute or of other textile			5		0.00	-0.77	0.23	11.20	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02	0.98
7102	Diamonds worked/not worked but not	2	2			6.38	0.74	-0.07	12.66	0.11	2.40	0.00	0.00	0.00	0.00	0.00	0.91	1.10
7301	Sheet piling or iron or steel			7		0.00	-0.88	0.19	5.23	0.00	0.03	0.00	0.00	0.00	0.01	0.00	0.01	1.40
7308	Structures and parts of structures	10		3		0.05	-0.68	0.32	10.70	0.00	0.00	0.00	0.00	0.00	0.00	0.91	0.04	8.98
8409	Accessory parts suitable for engine				6	0.00	-1.00	0.00	12.27	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	21.41
8905	Navigation vessels, floating or				5	0.00	-0.90	-0.06	10.85	0.00	0.38	0.00	0.00	0.00	0.00	0.00	0.01	21.75
9009	Photo-copying, thermo-copying				4	0.00	-1.00	0.00	2.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.94
9015	Surveying equipments, appliances,	9	6	8		0.06	-0.01	0.17	9.38	0.00	0.33	0.00	0.05	0.01	0.06	0.00	0.14	0.95
9704	Postage, revenue stamps, postal				2	0.00	-1.00	0.00	9.02	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	50.33

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-2
Benin: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0101	Live horses, asses, mules and				8	0.00	-0.99	0.00	12.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.43
0106	Other live animals,		10			0.25	0.94	0.00	9.32	0.79	0.05	0.04	0.00	0.00	0.00	0.00	0.15	1.85
0508	Coral; shells of molluscs,			5		0.00	-0.22	1.51	0.66	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.01	3.35
0603	Cut flowers and flower buds for				9	0.00	-1.00	-0.02	7.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.73
0801	Coconuts, Brazil nuts and cashew	2	4			7.91	0.99	0.00	6.11	0.00	0.03	0.00	0.00	0.00	6.24	0.10	1.52	1.48
0803	Bananas, including plantains, fresh				7	0.00	-1.00	0.00	6.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.63
1207	Other oil seeds and oleaginous	4	6			3.51	0.99	0.00	7.99	0.00	2.62	0.09	0.00	0.00	0.70	0.01	0.94	1.07
1214	Swedes, mangolds...and similar fora				4	0.00	-1.00	0.00	3.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.14
1503	Lard stearin, lardoil, oleostearin,		8			0.09	0.97	-0.03	18.87	0.00	0.00	0.00	0.00	0.00	0.22	0.00	0.19	0.93
2306	Oil-cake and other solid residues,	6	7			1.71	0.97	0.02	1.98	0.00	0.34	0.00	0.00	0.00	0.98	0.00	0.36	1.08
2402	Cigars, cigarillos, cigarettes, etc	9				1.44	0.71	0.03	7.50	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.03	2.06
2523	Portland cement, aluminous cement,	10				1.37	0.85	0.32	7.53	0.00	0.00	0.00	0.00	0.00	0.22	0.00	0.08	1.18
2616	Precious metal ores and concentrate				1	0.00	-1.00	0.00	12.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	242.26
2710	Petroleum oils, etc, (excl. crude);	5				3.31	0.19	0.29	12.03	0.01	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.31
2849	Carbides			8		0.02	0.19	1.18	7.43	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	2.13
3211	Prepared driers			10		0.00	0.16	1.04	10.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.95
3501	Casein, caseinates and other casein			6		0.16	0.77	1.44	6.24	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.03	2.16
4105	Sheep or lamb skin leather, without	8				1.53	0.90	-0.04	5.53	0.00	0.93	0.00	0.00	0.00	0.00	0.00	0.28	1.28
4106	Goat or kid skin leather, without	3	5			4.14	0.99	0.01	10.24	0.00	2.91	0.00	0.00	0.00	0.17	0.00	1.54	0.97
4414	Wooden frames for paintings,				10	0.00	-0.99	-0.01	10.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.31
4904	Music, printed or in manuscript		3			0.50	0.99	0.00	6.03	0.00	0.00	0.00	0.00	0.00	38.44	0.00	2.31	6.00
5201	Cotton, not carded or combed	1	2			53.79	1.00	0.00	7.25	0.00	1.61	0.06	0.00	0.00	3.07	0.40	2.35	0.83
5202	Cotton waste (incl. yarn waste and		9			0.26	0.97	0.01	7.82	0.00	0.37	0.00	0.00	0.00	0.50	0.00	0.33	0.87
5207	Cotton yarn (excl. sewing), put			3		0.01	0.69	1.67	3.88	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.02	1.14
5515	Other woven fabrics, <85% synthetic	7				1.69	-0.37	0.05	2.58	0.00	0.00	0.00	0.00	0.00	0.28	0.00	0.16	0.97
5601	Wadding of textile materials and			7		0.03	0.28	1.28	8.22	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.32
7101	Pearls natural, cultured, graded/				6	0.00	-1.00	0.00	8.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.26
7102	Diamonds worked/not worked but not				5	0.05	-0.90	0.07	12.66	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	14.59
7108	Gold (platinum plated) unwrought,				3	0.04	-0.79	-0.23	8.78	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	22.18
7301	Sheet piling or iron or steel			2		0.06	0.78	1.75	5.23	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.03	1.95
8406	Steam turbines and other vapour			4		0.20	0.63	1.61	6.81	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.02	1.01
8459	Machine-tools for drilling, boring			9		0.05	0.16	1.14	5.86	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.99
9604	Hand sieves and hand riddles		1	1		0.59	1.00	1.95	9.42	0.00	0.00	0.00	0.00	0.00	34.11	0.00	11.88	1.16
9701	Hand made decorative materials, other				2	0.00	-0.94	-0.02	4.64	0.00	0.00	0.00	0.00	0.10	0.00	0.00	0.00	225.05

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-3
Botswana: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0201	Meat of bovine animals, fresh or	3	5			5.73	0.90	-0.04	8.39	0.00	0.78	0.00	0.00	0.00	0.00	0.53	0.39	0.94
0202	Meat of bovine animals, frozen	5	7			2.92	0.85	-0.06	3.64	0.00	1.55	0.00	0.00	0.00	0.01	0.28	0.27	2.01
0507	Ivory, tortoise-shell, whalebone		6			0.02	0.86	0.00	-2.24	0.00	1.36	0.00	0.00	0.00	0.11	0.00	0.25	1.92
1103	Cereal groats, meal and pellets			1		0.01	0.06	1.13	1.60	0.00	0.00	0.00	0.01	0.00	0.14	0.00	0.06	1.01
1202	Ground-nuts, not roasted or			9		0.00	-0.65	0.70	2.77	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.20
1522	Degras; residues of fatty substance . .		4			0.03	0.90	-0.16	13.66	0.00	0.00	0.00	0.00	0.00	1.50	0.00	0.38	1.46
2501	Salt and pure sodium chloride; sea . .	9	8			0.73	0.84	-0.10	7.55	0.00	0.00	0.00	0.00	0.00	1.54	0.00	0.35	1.59
2517	Pebbles, gravel, etc; macadam of . . .			10		0.02	-0.16	0.63	6.67	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.03	1.08
2530	Mineral substances not elsewhere . . .				4	0.00	-0.81	-0.02	8.02	0.00	0.00	0.00	0.10	0.00	0.01	0.00	0.00	48.27
2834	Nitrites; nitrates			4		0.01	0.04	0.81	9.11	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.04	1.24
4104	Leather of bovine or equine animals	8				0.74	0.33	-0.11	8.70	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.03	1.31
4107	Leather of other animals, without . . .				1	0.00	-0.66	0.00	2.69	0.00	0.00	0.00	1.28	0.00	0.00	0.00	0.00	210.28
4302	Tanned or dressed furskins (excl. . . .				10	0.00	-0.74	-0.01	7.11	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.91
4401	Fuel wood, in logs..., etc; wood				7	0.00	-0.99	0.00	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.63
4823	Other paper..., cut to size or			7		0.13	-0.10	0.71	5.93	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.03	1.36
4906	Handwritten plans...for				2	0.00	-0.92	-0.16	12.88	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.00	116.78
4907	New stamps; stamp-impressed paper;			8		0.05	0.41	0.70	22.42	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02	0.94
5310	Woven fabrics of jute or of other			2		0.00	-0.42	1.02	1.83	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.02	1.13
5408	Woven fabrics of artificial filament . . .				8	0.00	-1.00	-0.01	-0.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.81
5505	Waste (incl. noils, yarn waste and . . .		10			0.01	0.67	0.00	7.54	0.00	0.02	0.00	0.00	0.00	0.03	0.00	0.02	0.86
6109	T-shirts, singlets and other vests, . . .	10				0.58	0.21	-0.17	12.48	0.02	0.04	0.00	0.00	0.01	0.01	0.01	0.02	0.69
6110	Jerseys, pullovers, cardigans and . . .	7				1.54	0.18	-0.24	8.19	0.01	0.06	0.00	0.00	0.00	0.00	0.00	0.02	1.03
6811	Articles of asbestos-cement,of cell . .			6		0.02	0.03	0.72	10.57	0.00	0.00	0.00	0.00	0.00	0.28	0.00	0.09	1.26
7102	Diamonds worked/not worked but not	1	3			62.70	0.94	0.00	12.66	0.09	4.85	1.02	0.00	0.09	0.26	0.00	1.75	1.06
7105	Dust,powder of natural,artificial				5	0.00	-0.95	0.06	1.20	0.00	0.00	0.00	0.00	0.10	0.01	0.00	0.00	47.45
7401	Copper mattes;cement copper	6	2			2.61	0.99	-0.01	31.33	0.00	0.00	0.00	0.00	40.41	43.63	0.00	20.30	1.02
7501	Nickel mattes,oxide sinters,	2	1			12.62	0.99	0.00	10.66	0.00	0.00	0.00	0.00	87.09	0.57	10.03	4.63	6.79
8307	Flexible tubing of base metal with . . .			5		0.00	-0.61	0.76	10.41	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.60
8544	Insulated wire,cable,other insulate . .	4				3.58	0.56	-0.12	10.59	0.00	0.16	0.00	0.00	0.00	0.03	0.00	0.06	1.08
8601	Rail locomotives powdered by		9			0.02	0.82	0.00	11.40	0.00	0.00	0.00	0.00	0.00	0.39	0.00	0.04	3.30
8607	Parts of rail,tramway locomotives/ . . .			3		0.03	-0.51	0.98	13.90	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.49
9701	Hand made decorative materials, . . .				9	0.00	-0.99	0.00	4.64	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	25.73
9702	Original engravings, prints,				6	0.00	-0.74	0.00	1.93	0.00	0.00	0.00	0.00	0.00	0.56	0.00	0.00	45.05
9703	Original sculptures and statuary,				3	0.00	-0.95	-0.01	7.25	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	93.63

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-4
Burkina Faso: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0101	Live horses, asses, mules and				10	0.00	-0.76	0.03	12.75	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	11.23
0208	Other meat and edible meat offal,			2		0.03	-0.11	1.68	9.21	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.05
0507	Ivory, tortoise-shell, whalebone		9			0.05	0.92	0.01	-2.24	0.00	0.89	0.00	0.00	0.00	0.00	0.00	0.16	2.00
0705	Lettuce and chicory, fresh or				2	0.00	-0.95	0.00	6.09	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	49.14
0708	Leguminous vegetables, shelled or	8	3			1.61	0.99	0.00	11.94	0.00	0.95	0.00	0.00	0.00	0.00	0.18	0.62	0.91
1207	Other oil seeds and oleaginous	2	2			4.95	0.99	0.00	7.99	0.54	0.72	4.48	0.00	0.11	0.31	0.00	0.97	1.54
1605	Crustaceans... and other aquatic				4	0.00	-0.97	0.00	8.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.78
1701	Cane or beet sugar and chemically	4				3.71	0.92	-0.01	9.03	0.00	0.09	0.00	0.00	0.00	0.15	0.00	0.09	0.88
2101	Extracts and preparations of coffee			6		0.07	0.29	1.28	13.15	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.08
2402	Cigars, cigarillos, cigarettes, etc	3				4.17	0.90	0.19	7.50	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.07	2.08
2508	Other clays, andalusite, kyanite,				1	0.00	-0.67	-0.15	9.73	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71.46
2808	Nitric acid; sulphonic acids			8		0.00	-0.36	0.94	16.32	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.69
2820	Manganese oxides		6			0.40	0.97	0.10	3.76	0.00	0.00	0.00	0.00	0.00	1.12	0.00	0.35	1.25
2828	Hypochlorites; commercial calcium			3		0.02	0.66	1.61	8.96	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.02	1.08
3605	Matches (excl. pyrotechnic articles		7			0.07	0.94	0.38	6.45	0.00	0.00	0.00	0.00	0.00	0.26	0.00	0.12	1.03
4105	Sheep or lamb skin leather, without	5	5			2.37	0.98	0.00	5.53	0.00	1.11	0.00	0.00	0.00	0.04	0.00	0.35	1.23
4106	Goat or kid skin leather, without	6	4			1.95	0.99	0.00	10.24	0.00	1.03	0.00	0.00	0.00	0.09	0.00	0.55	0.96
4204	Articles of leather used in machine			9		0.00	-0.37	0.91	2.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.11
4407	Wood sawn or chipped lengthwise,				8	0.01	-0.96	0.01	3.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.97
5201	Cotton, not carded or combed	1	1			44.54	1.00	0.00	7.25	0.00	2.43	0.02	0.00	0.54	1.35	0.85	1.38	0.76
5301	Flax, not spun; flax tow waste (inc			4		0.04	0.68	1.37	22.98	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.02	1.06
5512	Woven fabrics of >=85% synthetic			10		0.03	-0.10	0.90	1.79	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.97
5806	Narrow woven fabrics; narrow fabric			5		0.18	0.17	1.36	10.11	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.02	0.99
7108	Gold(platinum plated) unwrought,	9				1.47	0.55	-0.07	8.78	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.01	1.62
7112	Waste, scrap of precious metal or of				3	0.00	-0.99	0.00	9.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.23
7116	Articles of natural/cultured pearls				6	0.00	-0.47	0.45	2.23	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00	14.70
7614	Stranded wire, cables, etc. the like,		10	7		0.09	0.92	1.15	11.28	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.08	0.97
7805	Lead tubes, pipes and tube or pipe		8			0.01	0.93	0.00	18.47	0.00	0.00	0.00	0.00	0.00	0.11	0.00	0.10	0.93
8446	Weaving machines (looms)			1		0.19	0.74	1.70	3.80	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.03	0.93
8703	Motor cars and other motor vehicles	10				1.35	-0.61	0.00	10.65	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	3.55
8704	Motor vehicles for the transport of	7				1.85	0.12	0.01	10.17	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.92
9015	Surveying equipments, appliances, exc ..				9	0.00	-0.83	-0.56	9.38	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	11.66
9029	Revolution counters, mileometers,				7	0.00	-0.98	0.02	11.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.69
9704	Postage, revenue stamps,postal				5	0.00	-0.63	0.26	9.02	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.87

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table-E-5
Cameroon: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0803	Bananas, including plantains, fresh	3	3			8.43	0.98	0.00	6.87	0.00	6.33	0.00	0.00	0.00	0.43	0.09	3.04	0.99
0901	Coffee; coffee husks and skins;	8	9			2.51	0.90	-0.01	8.74	0.07	1.25	0.00	0.02	0.01	0.68	0.15	0.69	0.84
1801	Cocoa beans, whole or broken, raw	5	2			5.42	0.98	0.00	13.58	0.01	6.38	1.15	0.00	4.32	0.86	0.00	3.66	0.81
1803	Cocoa paste, whether or not		1			1.72	0.99	0.00	20.47	9.30	6.76	0.00	0.00	0.00	0.02	0.00	4.97	0.92
2528	Natural borates and concentrates;				2	0.00	-0.79	0.00	7.72	0.00	0.00	0.00	4.17	0.00	0.00	0.00	0.00	336.95
2605	Cobalt ores and concentrates			8		0.00	0.02	0.71	53.76	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.03	1.11
2616	Precious metal ores and concentrate				1	0.00	-0.99	-0.25	12.50	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.00	682.97
2709	Petroleum oils and oils obtained	1				42.84	0.76	-0.01	13.61	0.11	0.61	0.00	0.00	0.26	0.14	0.32	0.27	0.77
2710	Petroleum oils, etc, (excl. crude);	9				2.26	-0.01	-0.10	12.03	0.17	0.04	0.00	0.00	0.00	0.02	0.04	0.04	1.50
2821	Iron oxides and hydroxides; earth			6		0.00	-0.62	0.75	5.81	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.40
2827	Chlorides...etc; bromides...etc;			9		0.01	-0.28	0.70	7.80	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.02	1.08
3302	Mixtures of odoriferous substances				5	0.00	-1.00	0.00	16.53	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.53
4001	Natural rubber... and similar gums,	10	8			2.04	0.93	0.00	9.86	0.37	3.68	0.00	0.00	0.17	0.22	0.61	0.95	1.31
4403	Wood in the rough or roughly square	4	4			6.56	0.95	-0.01	0.73	0.04	3.24	0.08	0.00	0.01	1.62	0.53	1.57	0.88
4406	Railway or tramway sleepers (cross-		10			0.08	0.89	-0.03	8.47	0.89	3.51	0.00	0.00	0.00	1.49	0.50	1.37	0.92
4407	Wood sawn or chipped lengthwise,	2	5			13.52	0.94	0.01	3.71	0.12	3.22	0.02	0.02	0.09	0.59	0.38	1.27	0.98
4408	Veneer sheets and sheets for plywood		7			1.31	0.94	0.01	7.11	0.22	2.27	0.00	1.42	0.20	0.53	0.15	1.14	0.79
5201	Cotton, not carded or combed	7	6			3.72	0.94	0.00	7.25	0.00	4.00	0.31	0.00	0.74	0.94	0.11	1.25	1.10
5607	Twine, cordage, ropes and cables				8	0.00	-0.97	0.00	6.30	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	27.92
5609	Articles of yarn, strip, etc, twine			10		0.00	-0.26	0.61	12.96	0.04	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.97
5702	Carpets and other textile floor				4	0.00	-1.00	0.00	5.46	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	42.08
6112	Track-suits, ski-suits and swimwear				10	0.00	-0.90	-0.01	8.21	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	23.87
6308	Sets of woven fabric and yarn, for			1		0.00	0.26	1.25	4.78	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.06	0.95
6701	Prepared skins of birds with				9	0.00	-1.00	0.00	4.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.53
7012	Glass inners for vacuum flasks or			3		0.00	-0.09	0.90	-3.91	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.03	1.03
7112	Waste, scrap of precious metal or of			2		0.05	-0.05	0.91	9.84	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.03	1.05
7228	Other bars and rods of alloy steel;			4		0.04	-0.08	0.86	11.75	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.03	1.35
7601	Unwrought aluminium	6				3.76	0.80	-0.02	10.99	0.00	1.00	0.00	0.00	0.00	0.01	0.00	0.35	1.16
8308	Claps, frames, buckles, hooks, eyes, of				6	0.00	-0.97	-0.04	5.22	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	38.49
8310	Sign, name, address plates, of base			5		0.02	-0.08	0.85	8.19	0.00	0.27	0.00	0.00	0.05	0.00	0.00	0.10	1.10
9108	Watch movements, complete and				3	0.00	-1.00	0.00	-3.58	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	196.42
9605	Travel sets for personal toilet,				7	0.00	-0.41	0.52	7.34	0.00	0.00	0.00	0.00	1.48	0.00	0.00	0.02	32.49
9704	Postage, revenue stamps, postal			7		0.00	-0.62	0.72	9.02	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.01	8.96

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-6
Cape Verde: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0502	Pigs'... bristles; brush making		9			0.07	0.96	0.00	7.53	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.02	1.00
0602	Other live plants, cuttings and		10	2		2.36	0.96	1.74	12.62	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.94
0708	Leguminous vegetables, shelled or				8	0.00	-0.90	-1.19	11.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.57
0710	Vegetables, frozen			7		0.03	-0.34	1.29	9.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.78
0802	Other nuts, fresh or dried,				10	0.00	-1.00	-0.02	7.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.94
2524	Asbestos		6			0.38	0.98	0.19	-4.45	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.04	0.93
2711	Petroleum gases and other gaseous	3		1		10.71	0.84	1.83	16.59	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.18
2817	Zinc oxide; zinc peroxide		7			0.39	0.98	0.00	9.75	0.00	0.00	0.00	0.00	0.00	0.06	0.13	0.03	1.81
3102	Mineral or chemical fertilizers,	8				2.85	0.95	-0.01	11.14	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.08
3105	Mineral or chemical fertilizers,	10		8		2.48	0.95	1.28	9.39	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	0.98
5508	Sewing thread of man-made staple			9		0.02	0.66	1.27	6.03	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.92
6107	Men's or boys' briefs and similar	5	4			4.77	0.99	0.01	11.42	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.05	1.09
6202	Woman's or girls' overcoats, and				7	0.04	-0.30	0.31	5.72	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	11.65
6203	Men's or boys' suits, ensembles,	9				2.66	0.78	0.02	7.80	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.01
6204	Women's or girls' suits, ensembles,	6				4.55	0.84	0.29	8.53	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.07
6205	Men's or boys' shirts	4				5.16	0.96	0.00	2.98	0.01	0.04	0.00	0.00	0.00	0.00	0.00	0.02	0.99
6208	Women's or girls' slips, petticoats			3		0.14	0.69	1.66	2.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.12
6217	Other made up clothing accessories;				5	0.01	-0.44	0.24	10.38	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.40
6406	Parts of footwear; removable in-	2	3			14.19	0.99	0.00	4.73	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	1.04
6812	Fabricated asbestos fibres; mixtures			4		0.01	0.65	1.62	-2.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
7007	Safety glass,consisting of				9	0.00	-0.96	-0.40	11.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.99
7118	Coin				3	0.03	0.57	-0.08	80.09	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00	17.13
7206	Iron,non-alloy steel in ingots/	7	1			4.22	1.00	0.00	12.16	0.00	0.00	0.00	0.00	0.00	0.31	0.00	0.22	0.94
7315	Chain and parts thereof, of iron or			5		0.08	0.62	1.61	6.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.17
8411	Turbo-jets ,turbo-propellers and	1				15.22	0.92	0.00	9.91	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.02
8424	Mechanical appliances for				2	0.03	-0.55	0.08	11.06	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	17.61
8428	Other lifting, handling, loading,			10		0.14	0.19	1.18	7.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.23
8469	Typewriters and word-processing			6		0.05	0.94	1.52	-17.55	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.18
8529	Accessory parts for the apparatus				6	0.08	-0.69	-0.04	13.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.49
8532	Electrical capacitors, fixed,				4	0.59	-0.29	0.27	12.14	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.23
8542	Electronic integrated circuits and				1	0.01	-1.00	0.00	15.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	75.00
8907	Other floating structures (rafts, tan		5			0.32	0.98	0.47	22.68	0.00	0.14	0.00	0.00	0.00	0.00	0.00	0.04	1.31
9103	Clocks with watch movements,		8			0.11	0.97	0.00	-1.02	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.02	1.46
9705	Scientific collections and		2			1.41	0.99	0.09	7.96	0.77	0.00	0.00	0.00	0.00	0.00	0.00	0.13	2.13

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-7
Chad: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0703	Onions, shallots, garlic, leeks	8	5	1		0.63	0.94	1.93	8.50	0.00	0.00	0.00	0.00	0.14	0.00	0.05	1.19	
1202	Ground-nuts, not roasted or	10				0.43	0.75	0.29	2.77	0.00	0.00	0.00	0.00	0.14	0.00	0.05	1.23	
1301	Lac; natural gums, resins, gum-	2	1			11.38	1.00	0.00	4.07	11.26	4.11	1.35	0.00	0.05	0.04	3.59	1.11	
2305	Oil-cake and other solid residues,		4			0.03	0.94	0.00	-9.28	0.00	0.00	0.00	0.00	0.15	0.00	0.05	1.23	
2402	Cigars, cigarillos, cigarettes, etc	7				0.64	-0.02	-0.41	7.50	0.00	0.00	0.00	0.00	0.03	0.00	0.01	2.10	
2616	Precious metal ores and concentrate		8			0.21	0.89	0.00	12.50	0.00	0.03	0.00	0.00	0.00	0.00	0.03	0.93	
2709	Petroleum oils and oils obtained	3				7.59	-0.25	0.74	13.61	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.41	
2710	Petroleum oils, etc, (excl. crude);	5				1.70	-0.38	0.61	12.03	0.01	0.00	0.00	0.00	0.00	0.00	0.00	4.02	
2811	Other inorganic acids and other			5		0.02	-0.38	1.06	11.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.58	
3605	Matches (excl. pyrotechnic articles			7		0.06	0.00	0.97	6.45	0.00	0.00	0.00	0.00	0.13	0.00	0.05	1.09	
4013	Inner tubes, of rubber			10		0.01	-0.16	0.81	1.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.05	
4103	Other raw hides and skins, fresh or		3			0.36	0.98	0.08	8.77	0.51	0.34	0.04	0.00	0.01	0.05	0.12	1.57	
4407	Wood sawn or chipped lengthwise,	9				0.51	-0.21	0.74	3.71	0.01	0.00	0.00	0.00	0.00	0.00	0.00	2.16	
4602	Basketwork, wickerwork and other				8	0.00	-0.70	0.19	4.46	0.00	0.00	0.00	0.00	0.01	0.00	0.00	15.88	
5201	Cotton, not carded or combed	1	2			65.85	1.00	0.00	7.25	0.00	4.09	0.25	0.00	0.02	0.40	0.39	0.90	
5202	Cotton waste (incl. yarn waste and		6			0.17	0.93	0.01	7.82	0.00	0.05	0.00	0.00	0.88	0.35	0.00	5.63	
5601	Wadding of textile materials and		9			0.32	0.88	0.05	8.22	0.00	0.00	0.00	0.00	0.08	0.00	0.02	1.30	
5901	Textile fabrics, gum-coated;			6		0.00	0.08	0.98	10.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.23	
6108	Women's or girls' panties and				2	0.00	-0.97	-0.08	10.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40.99	
6208	Women's or girls' slips, petticoats				7	0.00	-0.98	-0.01	2.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.71	
6505	Hats and other headgear, knitted or				6	0.00	-0.91	0.00	7.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.95	
6804	Millstones, grindstones, grinding			4		0.02	-0.41	1.08	8.73	0.00	0.00	0.00	0.00	0.01	0.00	0.00	2.30	
6812	Fabricated asbestos fibres; mixtures			9		0.01	0.63	0.82	-2.75	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.97	
7004	Drawn glass and blown glass, etc.		7			0.09	0.91	0.47	10.70	0.00	0.00	0.00	0.00	0.12	0.00	0.02	1.73	
7320	Springs and leaves for springs, of				3	0.00	-0.93	0.06	10.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.46	
8001	Unwrought tin		10			0.14	0.82	0.00	1.72	0.00	0.04	0.00	0.00	0.00	0.00	0.01	1.28	
8411	Turbo-jets, turbo-propellers and	6				0.95	-0.16	-0.07	9.91	0.00	0.01	0.00	0.00	0.01	0.00	0.00	1.84	
8485	Machinery parts, non-electrical			8		0.22	-0.10	0.89	8.31	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.24	
8523	Prepared unrecorded media for sound				10	0.00	-0.99	0.00	4.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.04	
8543	Electrical machines, apparatus with			3		0.23	-0.21	1.10	12.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.30	
8714	Parts and accessories of vehicles				9	0.01	-0.81	-0.03	5.78	0.00	0.00	0.00	0.00	0.01	0.00	0.00	15.75	
8802	Other aircraft, spacecraft, and space	4				2.04	0.09	-0.32	6.92	0.00	0.01	0.00	0.00	0.00	0.00	0.00	1.04	
9014	Direction finding compasses; other			2		0.40	0.72	1.72	6.45	0.00	0.01	0.00	0.00	0.00	0.00	0.01	1.00	
9701	Hand made decorative materials,				4	0.00	-0.99	0.01	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.66	
9703	Original sculptures and statuary,				5	0.00	-0.98	0.00	7.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.24	
9705	Scientific collections and				1	0.00	-0.51	-0.60	7.96	0.00	0.00	0.00	0.00	0.07	0.00	0.00	42.03	

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-8
Democratic Republic of the Congo: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA		Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD
							Percent	Index			US	EU	JPN	AUS	CND	LMI	ROW	
0101	Live horses, asses, mules and				10	0.00	-1.00	0.00	12.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.03	
0106	Other live animals,		10			0.09	0.80	0.02	9.32	0.03	0.48	0.08	0.00	0.00	0.13	0.00	0.22	0.91
0302	Fish, fresh or chilled (excl. those				5	0.00	-0.98	0.00	7.38	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	18.33
0901	Coffee; coffee husks and skins;	8				1.08	0.71	-0.06	8.74	0.03	0.28	0.00	0.03	0.00	0.08	0.02	0.15	0.86
1302	Vegetable saps and extracts derived		8			0.48	0.82	0.09	8.60	0.09	0.74	0.00	0.00	0.00	0.00	0.00	0.28	1.08
2302	Brans, sharps and other residues,		6			0.13	0.85	0.02	5.07	4.74	0.00	0.00	0.00	0.00	0.04	0.00	0.30	5.65
2524	Asbestos			5		0.01	0.28	0.92	-4.45	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.03	0.93
2530	Mineral substances not elsewhere				6	0.00	-0.94	-0.01	8.02	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	15.53
2605	Cobalt ores and concentrates	3	1			6.05	1.00	0.00	53.76	0.00	92.56	0.00	0.00	0.00	19.50	0.00	60.54	0.91
2608	Zinc ores and concentrates			8		0.02	-0.33	0.67	10.84	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.01	2.54
2609	Tin ores and concentrates		4		7	0.14	0.96	0.02	0.67	0.00	0.00	0.00	0.00	0.00	0.83	44.72	1.08	15.26
2611	Tungsten ores and concentrates		5			0.01	0.90	0.00	22.87	0.42	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.95
2615	Niobium, tantalum, vanadium or		7			0.28	0.83	0.48	16.54	2.45	1.07	0.00	0.00	0.00	0.24	0.00	0.50	1.72
2709	Petroleum oils and oils obtained	2				11.40	0.33	-0.05	13.61	0.14	0.03	0.07	0.00	0.00	0.00	0.01	0.04	1.29
2710	Petroleum oils, etc, (excl. crude);	6				2.19	-0.30	0.25	12.03	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.02	2.56
2716	Electrical energy	4				3.95	0.53	0.46	16.84	0.00	0.00	0.00	0.00	0.00	2.53	0.00	0.42	2.10
2832	Sulphites; thiosulphates			1		0.01	-0.09	1.78	5.24	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.06	1.06
4403	Wood in the rough or roughly square	7				1.09	0.74	0.02	0.73	0.01	0.42	0.00	0.00	0.00	0.00	0.04	0.13	1.19
4407	Wood sawn or chipped lengthwise,	9				0.79	0.28	0.13	3.71	0.00	0.10	0.00	0.00	0.00	0.02	0.01	0.04	1.00
4414	Wooden frames for paintings,				9	0.00	-1.00	0.00	10.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.45
4819	Cartons, boxes, etc; box files, etc				2	0.00	-1.00	-0.01	12.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.24
5703	Carpets and other textile floor				1	0.00	-1.00	0.00	6.18	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	55.32
5704	Floor coverings of felt, not tufted				3	0.00	-0.86	0.14	9.88	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	23.55
6803	Worked slate and articles of				8	0.00	-0.68	0.00	13.48	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	14.40
7102	Diamonds worked/not worked but not	1	3			64.72	0.97	0.00	12.66	0.16	3.89	0.36	0.00	0.00	0.00	0.00	1.46	1.08
7313	Barbed, twisted, single wire of iron/			4		0.00	0.31	1.31	3.76	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.04	1.00
7401	Copper mattes; cement copper		9			0.01	0.82	0.27	31.33	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.15	1.18
7403	Refined copper and copper alloys,	10				0.62	0.41	-0.16	7.12	0.19	0.10	0.92	0.00	0.00	0.00	0.08	0.07	4.96
7902	Zinc waste and scrap			6		0.01	0.42	0.74	6.36	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.06	1.24
7903	Zinc dust, powders and flakes			9		0.08	0.61	0.66	6.05	0.00	0.00	0.00	0.00	0.00	1.76	0.00	0.44	1.46
8103	Tantalum and articles thereof,			7		0.02	0.09	0.68	24.78	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.02	1.16
8105	Cobalt mattes, intermediate prdts of	5	2			2.84	0.99	0.00	6.56	4.35	6.16	2.86	0.00	0.00	1.64	0.19	3.45	0.75
8112	All the other base metals (beryllium			3		0.01	0.31	1.31	12.52	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.04	3.35
8484	Gaskets and similar joints of metal				4	0.00	-0.93	0.00	8.96	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	19.54
8604	Rail, tramway maintenance, service			2		0.02	0.57	1.57	8.15	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.07	1.17
9305	Parts, accessories of articles of			10		0.01	-0.31	0.59	6.20	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.10

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-9
Djibouti: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0104	Live sheep and goats	9	7			2.87	0.99	0.10	6.83	0.00	0.00	0.00	0.00	0.00	0.14	0.00	0.07	1.02
0106	Other live animals,	4	5			4.65	0.99	0.03	9.32	0.00	0.00	0.00	0.00	0.00	5.02	0.00	0.80	2.19
0305	Fish, salted, dried...; smoked fish;				5	0.15	0.55	0.07	5.10	0.01	0.00	0.00	0.00	0.18	0.00	0.00	0.00	21.29
0410	Edible products of animal origin,				3	0.00	-0.15	0.00	8.11	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	25.05
0904	Pepper of the genus Piper, Capiscum			10		0.01	-0.08	1.03	9.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.45
1001	Wheat and meslin	5				4.00	0.70	0.93	7.94	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02	0.96
1005	Maize (corn)			9		0.10	-0.31	1.09	6.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.99
1105	Flour, meal, flakes, granules and			4	2	0.02	0.18	1.32	12.39	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.52
1403	Vegetable materials used primarily		4			0.15	0.99	0.00	-1.15	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.09	1.03
1510	Other oils and their fractions,		9			0.13	0.99	0.01	21.17	0.00	0.00	0.00	0.00	0.00	1.22	0.00	0.14	3.05
2005	Other vegetables preserved other				7	0.15	0.01	0.60	8.33	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.00	15.95
2501	Salt and pure sodium chloride; sea	1	2			10.64	1.00	0.00	7.55	0.00	0.00	0.00	0.00	0.00	2.15	0.00	0.49	1.58
2710	Petroleum oils, etc, (excl. crude);	7				3.40	0.02	0.02	12.03	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.44
2713	Petroleum coke, bitumen and other	3				4.97	0.98	0.25	14.05	0.00	0.00	0.00	0.00	0.00	0.27	0.00	0.09	1.18
3404	Artificial waxes and prepared waxes			1		0.19	0.89	1.88	9.17	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.02
4014	Hygienic or pharmaceutical articles		6	7		2.19	0.99	1.18	11.00	0.00	0.00	0.00	0.00	0.00	1.15	0.00	0.34	1.28
4110	Waste... of leather or of		8			0.35	0.99	0.00	9.42	0.00	0.00	0.00	0.00	0.00	0.53	0.00	0.06	2.96
4420	Wood marquetry, inlaid wood; casket				8	0.00	-0.64	-0.06	8.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.57
5513	Woven fabrics, <85% synthetic			6		0.06	0.38	1.23	-0.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.99
5805	Hand-woven tapestries of the type				9	0.00	0.47	0.00	1.86	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.00	13.27
6001	Pile fabrics (incl. long pile and			5		0.03	-0.30	1.27	9.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.98
6111	Babies' garments and clothing				6	0.39	-0.05	-0.03	11.96	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	21.32
6204	Women's or girls' suits, ensembles,				4	0.00	-0.98	-0.01	8.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24.04
7108	Gold (platinum plated) unwrought,	8				2.91	0.64	-0.18	8.78	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	1.79
7210	Flat-rolled products of iron/	6				3.40	0.89	0.43	11.60	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.12
7215	Other bars and rods of iron or			2		0.15	0.84	1.74	6.73	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	3.61
7306	Other tubes, pipes and hollow			3		0.26	0.50	1.37	9.81	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.41
7802	Lead waste and scrap		1			0.43	1.00	0.03	6.75	0.00	0.00	0.00	0.00	0.00	0.00	2.78	0.12	8.66
8468	Machinery and apparatus for			8		0.01	0.17	1.15	6.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.05
8474	Machinery for sorting, screening,				10	0.13	-0.11	0.76	7.15	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	12.18
8703	Motor cars and other motor vehicles	2				4.97	-0.07	0.01	10.65	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	3.43
8704	Motor vehicles for the transport of	10				2.51	-0.04	-0.17	10.17	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.90
8804	Parachutes (dirigible), rotouchutes,		3			1.05	1.00	0.01	10.27	0.00	1.36	0.00	0.00	0.00	0.00	0.00	0.61	1.04
8908	Vessels and other floating		10			0.73	0.99	0.00	14.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.15	0.93
9701	Hand made decorative materials,				1	0.00	-0.91	0.05	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.45

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-10
Ethiopia: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
0201	Meat of bovine animals, fresh or				10	0.01	-0.91	0.01	8.39	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	28.54
0510	Ambergris, castoreum, civet and mus		9			0.17	0.98	0.00	-0.11	0.00	1.27	0.10	0.00	0.00	0.00	1.21	0.72	0.91
0708	Leguminous vegetables, shelled or			7		1.16	0.99	0.00	11.94	0.00	1.30	0.00	0.00	0.00	0.03	0.19	0.85	0.91
0713	Dried leguminous vegetables,	5				3.47	0.97	0.00	6.79	0.19	0.70	0.00	0.00	0.32	0.47	0.52	0.50	0.62
0901	Coffee; coffee husks and skins;	1	3			46.44	0.99	0.00	8.74	0.66	2.33	6.99	1.58	0.73	3.53	1.53	2.29	0.90
0906	Cinnamon and cinnamon-tree flowers			5		0.00	0.09	1.08	-0.49	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.01	2.01
1105	Flour, meal, flakes, granules and				8	0.00	-0.32	0.67	12.39	0.49	0.00	0.00	0.00	0.00	0.01	0.00	0.01	33.94
1205	Rape or colza seeds				3	0.00	-0.98	0.00	8.02	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	77.00
1207	Other oil seeds and oleaginous	2	1			10.75	1.00	0.00	7.99	7.87	1.32	1.68	0.00	3.83	3.62	9.39	3.89	0.83
1301	Lac; natural gums, resins, gum-		8			0.49	0.98	0.00	4.07	0.21	0.63	0.06	0.00	0.02	1.05	0.60	0.68	0.71
1403	Vegetable materials used primarily		5			0.09	0.99	0.01	-1.15	2.31	0.00	0.00	0.00	0.00	1.56	0.00	1.21	0.92
1521	Vegetable waxes (excl. triglyceride)		6			0.23	0.99	0.00	8.02	1.49	0.63	3.31	0.00	0.00	0.00	0.00	0.91	1.28
2103	Sauces and sauce preparations;				4	0.00	-1.00	0.00	11.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45.91
2308	Vegetable materials, waste, residue				1	0.00	-0.26	-0.33	-1.29	0.00	0.00	0.00	0.00	1.34	0.00	0.01	0.01	93.39
2702	Lignite (excluding jet)			8		0.00	-0.10	0.89	0.87	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.62
4102	Raw skins of sheep or lambs, but	3	2			7.29	1.00	0.00	14.57	0.00	6.16	26.49	0.00	0.00	1.75	0.20	3.10	2.97
4104	Leather of bovine or equine animals	9				1.73	0.80	0.08	8.70	0.00	0.15	0.00	0.00	0.00	0.02	0.02	0.06	1.02
4105	Sheep or lamb skin leather, without	8	10			2.11	0.98	0.00	5.53	0.00	1.12	0.14	0.00	0.00	0.60	0.03	0.58	0.88
4106	Goat or kid skin leather, without	6	4			3.38	0.99	0.00	10.24	0.00	3.07	0.07	0.00	0.06	0.38	0.02	1.70	0.93
4206	Articles of gut (excl. silk-worm),				2	0.00	-1.00	0.00	5.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	81.58
5201	Cotton, not carded or combed	10				1.41	0.84	0.11	7.25	0.00	0.08	0.00	0.00	0.00	0.10	0.17	0.09	0.85
5601	Wadding of textile materials and			10		0.01	-0.22	0.77	8.22	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.32
6404	Footwear with rubber, plastic,				9	0.00	-0.99	-0.05	6.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32.21
7018	Glass beads, imitation pearls,				6	0.00	-0.89	0.04	9.55	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	42.79
7108	Gold (platinum plated) unwrought,	4		1		3.89	0.82	1.81	8.78	0.00	0.00	0.00	0.00	0.00	0.00	0.24	0.06	1.46
8304	Filing cabinets, of base metal other			7		0.01	0.52	0.93	7.85	0.00	0.00	0.00	0.00	0.00	0.11	0.00	0.02	1.75
8411	Turbo-jets,turbo-propellers and	7				2.37	0.24	0.03	9.91	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.02	0.98
8469	Typewriters and word-processing			3		0.00	0.27	1.23	-17.55	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.18
8540	Thermionic, cold cathode or photo-			9		0.48	-0.21	0.78	5.41	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	0.95
8545	Carbon electrodes, lamp carbons, with			6		0.03	0.04	1.04	7.48	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.52
9007	Cinematographic cameras, projectors			2		0.03	0.55	1.54	8.26	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.02	1.62
9701	Hand made decorative materials,				7	0.00	-0.94	0.00	4.64	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	38.03
9702	Original engravings, prints,				5	0.00	-0.97	0.00	1.93	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	44.99
9704	Postage, revenue stamps, postal			4		0.01	0.46	1.23	9.02	0.11	0.00	0.00	0.00	0.00	0.00	0.08	0.02	2.79

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-11
Gabon: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg		Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
							Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)		US	EU	JPN	AUS	CND	LMI	ROW		World
0301	Live fish				1	0.00	-0.99	-0.24	3.90	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	190.46
0306	Crustaceans, fresh, chilled or frozen ...	8				0.48	0.38	0.02	4.83	0.00	0.42	0.00	0.00	0.00	0.00	0.00	0.11	1.37
0603	Cut flowers and flower buds for				6	0.00	-1.00	0.00	7.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.15
0702	Tomatoes, fresh or chilled				8	0.00	-1.00	0.00	11.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.23
1106	Flour and meal of the dried			3		0.00	-0.19	0.63	7.07	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.04	1.05
2302	Brans, sharps and other residues,		7			0.05	0.55	-0.06	5.07	1.79	0.00	0.00	0.00	0.00	0.68	0.00	0.32	1.96
2602	Manganese ores and concentrates, ...	3	1			4.26	0.99	0.00	3.99	72.79	34.43	1.88	0.00	0.00	12.24	25.22	19.96	1.23
2709	Petroleum oils and oils obtained	1	4			75.57	0.86	-0.01	13.61	2.11	0.13	0.21	0.79	0.00	0.33	0.32	0.67	1.02
2710	Petroleum oils, etc, (excl. crude);	6				0.65	-0.57	-0.09	12.03	0.03	0.00	0.00	0.00	0.00	0.04	0.00	0.02	1.07
2802	Sulphur, sublimed or precipitated;				3	0.00	-1.00	0.00	10.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72.06
2816	Hydroxide and peroxide of magnesium .		6			0.00	0.58	0.17	9.50	0.00	0.00	0.00	0.00	0.00	0.99	0.00	0.22	1.64
2820	Manganese oxides		8			0.02	0.51	-0.12	3.76	0.00	0.01	0.00	0.00	0.41	0.70	0.00	0.21	1.28
2844	Radioactive chemical elements/	9	9			0.25	0.42	-0.35	8.67	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.14	1.16
3606	Ferro-cerium, pyrophoric alloys;			4		0.00	-0.40	0.57	6.92	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.02	0.97
4403	Wood in the rough or roughly square ...	2	2			14.05	0.98	0.00	0.73	0.05	5.55	0.40	0.00	0.00	8.16	2.99	4.74	0.80
4407	Wood sawn or chipped lengthwise,	5				0.95	0.38	0.14	3.71	0.01	0.25	0.00	0.01	0.02	0.17	0.08	0.13	0.81
4408	Veneer sheets and sheets for	4	3			1.61	0.94	0.03	7.11	1.32	3.31	0.00	0.75	0.50	1.05	0.83	1.96	0.66
4412	Plywood, veneered panels and	7	5			0.51	0.61	0.00	1.57	0.01	0.74	0.00	0.00	0.00	0.04	0.00	0.22	1.27
4413	Densified wood, in blocks, plates,			9		0.00	-0.02	0.38	7.46	0.00	0.10	0.00	0.00	0.00	0.05	0.00	0.06	0.89
4705	Semi-chemical wood pulp			1		0.01	-0.19	0.91	17.07	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.05	1.79
4806	Vegetable parchment, greaseproof				10	0.00	-0.99	0.00	10.63	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	20.90
4906	Handwritten plans for			2		0.00	-0.96	0.01	12.88	0.00	0.01	0.19	0.00	0.00	0.00	0.00	0.00	81.68
4909	Printed or illustrated postcards;		7			0.01	-0.11	0.42	10.79	0.00	0.11	0.00	0.00	0.00	0.00	0.00	0.04	1.16
5404	Synthetic monofilament; strip and				4	0.00	-0.95	-0.09	8.02	0.00	0.00	0.00	0.17	0.00	0.00	0.00	0.00	55.43
5506	Synthetic staple fibres, carded,			2		0.00	-0.22	0.66	2.93	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.04	0.94
7209	Flat-rolled products of iron/			10		0.09	-0.36	0.31	7.74	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.03	0.97
7613	Aluminium containers for compressed ...			5		0.00	-0.23	0.44	5.64	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.03	1.04
8442	Machinery, apparatus (other than			6		0.01	-0.57	0.43	3.17	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.01
8532	Electrical capacitors, fixed,				7	0.00	-0.97	-0.01	12.14	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	28.27
8802	Other aircraft, spacecraft, and space ...	10				0.17	-0.75	0.10	6.92	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.06
9503	Other toys; reduced-size models,				9	0.00	-1.00	0.00	7.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.21
9701	Hand made decorative materials,				5	0.00	-0.99	0.00	4.64	0.00	0.00	0.00	0.00	0.04	0.01	0.00	0.00	54.97
9703	Original sculptures and statuary,			8		0.01	-0.30	0.40	7.25	0.14	0.00	0.00	0.00	0.01	0.00	0.00	0.04	1.21
9705	Scientific collections and		10			0.02	0.42	-0.07	7.96	1.29	0.00	0.00	0.00	0.02	0.00	0.00	0.14	3.14

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-12
The Gambia: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	US	EU	JPN	AUS	CND	LMI	ROW	World	Norm. SD
						Percent	Index		Import market share (percent)									
0306	Crustaceans, fresh, chilled or frozen . . .	8				3.82	0.92	0.01	4.83	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.02	1.35
0708	Leguminous vegetables, shelled or		4			2.50	1.00	0.00	11.94	0.00	0.36	0.00	0.00	0.00	0.00	0.00	0.24	0.95
0801	Coconuts, Brazil nuts and cashew	6				4.27	0.97	0.04	6.11	0.00	0.08	0.00	0.00	0.00	0.59	0.00	0.16	1.33
1202	Ground-nuts, not roasted or	3	3			7.97	1.00	0.04	2.77	0.35	0.74	0.00	0.00	0.00	0.37	0.04	0.48	0.78
1206	Sunflower seeds			3		0.19	0.90	1.80	11.56	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.95
1508	Ground-nut oil and its fractions	5	10			5.64	0.98	0.02	18.57	0.00	2.98	0.00	0.00	0.00	0.10	0.17	1.55	0.97
1804	Cocoa butter, fat and oil		9			1.26	0.98	0.01	10.68	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.05	0.97
2305	Oil-cake and other solid residues,	10	1			2.54	1.00	0.00	-9.28	0.00	5.22	0.00	0.00	0.00	0.00	0.00	3.28	0.95
2606	Aluminum ores and concentrates	7	5			4.12	0.99	0.00	1.51	0.00	0.00	0.00	0.00	2.71	0.00	0.00	0.16	6.25
2615	Niobium, tantalum, vanadium or	9	2			3.42	1.00	0.00	16.54	0.00	0.00	0.00	0.00	0.00	0.70	0.00	0.25	1.15
2819	Chromium oxides and hydroxides			6		0.04	0.89	1.73	7.42	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.47
2930	Organo-sulphur compounds				6	0.00	-0.99	-0.22	11.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38.17
3505	Dextrins and other modified			7		0.05	-0.15	1.70	8.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.53
4006	Other forms and articles of			2		0.03	0.87	1.86	6.80	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.28
5308	Yarn of other vegetable textile				1	0.00	-1.00	0.00	-0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	101.39
5402	Synthetic filament yarn, nprs			9		0.65	0.71	1.69	9.19	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.22
5602	Felt			10		0.04	0.74	1.55	7.96	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.99
5702	Carpets and other textile floor				10	0.00	-0.90	0.09	5.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.21
6914	Other ceramic articles				9	0.00	-0.90	-0.07	6.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.72
7102	Diamonds worked/not worked but not . . .	2				8.16	0.18	-0.48	12.66	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.11
7319	Sewing needles, for hand use needles . .		7	1		0.26	0.98	1.88	4.36	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.06	1.13
7609	Aluminum tube or pipe fittings		6			0.61	0.99	0.00	13.22	0.00	0.00	0.00	0.00	0.00	0.67	0.00	0.19	1.35
8213	Scissors, tailors' shears and similar				5	0.00	-0.48	-0.10	4.02	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	49.16
8502	Electric generating sets and rotary	4	8			6.62	0.98	1.46	8.72	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.09	1.00
8607	Parts of rail, tramway locomotives/			4		0.92	0.92	1.79	13.90	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.01	1.48
8701	Tractors (other than tractors of				4	0.51	0.53	0.66	13.77	0.00	0.00	0.32	0.00	0.00	0.00	0.00	0.00	57.28
8705	Special purpose motor vehicles			8		0.61	0.90	1.70	8.82	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.13
8802	Other aircraft, spacecraft, and space . . .	1				19.99	0.95	0.00	6.92	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.02	2.23
9002	Lenses, prisms, mirrors, other such				3	0.00	-0.96	0.02	12.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	74.94
9005	Astronomical instruments, mountings, . . .				7	0.00	-0.54	0.43	6.73	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	36.48
9006	Photographic apparatus, flashbulbs				8	0.01	-0.81	-0.07	3.69	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	35.07
9601	Worked ivory, bone, tortoise-shell,			5		0.01	0.78	1.78	2.96	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.00	6.34
9701	Hand made decorative materials,				2	0.00	-0.89	0.10	4.64	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	83.56

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-13
Ghana: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0408	Birds' eggs, not in shell, and egg				5	0.00	-0.99	0.00	12.27	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	84.90
0714	Roots and tubers with high starch		9			0.53	0.96	0.01	-2.80	2.40	2.36	0.02	0.01	1.19	0.05	0.10	1.31	0.85
0804	Dates, figs, pineapples...etc,	8	8			2.90	0.97	0.01	14.23	0.00	3.16	0.00	0.00	0.00	0.48	3.40	1.89	0.90
1604	Prepared or preserved fish; caviar	4	10			4.68	0.96	0.00	7.33	0.00	2.69	0.00	0.00	0.00	0.12	0.00	1.19	1.03
1801	Cocoa beans, whole or broken, raw	1	1			33.85	1.00	0.00	13.58	6.03	17.12	69.63	24.32	8.43	14.92	25.21	16.28	1.30
1802	Cocoa shells, husks, skins and		2			0.26	1.00	0.00	22.31	68.61	19.03	0.00	0.00	4.39	4.24	0.00	18.00	1.31
1803	Cocoa paste, whether or not		4			1.95	0.99	0.00	20.47	6.32	2.68	2.17	0.22	0.09	8.46	3.11	3.89	0.75
1804	Cocoa butter, fat and oil	10	5			2.82	0.98	0.00	10.68	3.58	3.62	0.84	0.55	0.83	4.31	2.48	3.21	0.53
2602	Manganese ores and concentrates,	7	3			3.42	0.99	0.00	3.99	0.72	5.30	3.22	0.00	1.64	12.74	4.78	7.66	0.70
2615	Niobium, tantalum, vanadium or			3		0.03	0.59	1.58	16.54	0.00	0.00	0.00	0.00	0.00	0.26	0.00	0.09	1.15
2616	Precious metal ores and concentrate				6	0.01	-0.37	0.32	12.50	0.42	0.02	0.02	0.00	0.00	0.14	3.45	0.02	81.85
2710	Petroleum oils, etc, (excl. crude);	6				3.91	0.27	-0.04	12.03	0.17	0.02	0.00	0.00	0.00	0.01	0.02	0.04	1.39
2715	Bituminous mixtures based on			7		0.00	-0.10	0.83	2.74	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.02	1.18
2832	Sulphites; thiosulphates			6		0.00	0.05	1.05	5.24	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.03	1.06
2851	Other inorganic compounds; liquid				4	0.00	-0.95	-0.19	9.05	0.00	0.00	0.00	0.31	0.00	0.00	0.00	0.00	183.46
4106	Goat or kid skin leather, without				3	0.00	-0.99	0.00	10.24	0.01	0.00	0.00	0.00	0.11	0.00	0.00	0.00	317.51
4404	Hoopwood; split poles; piles, etc;				10	0.00	0.05	0.20	9.34	0.00	0.04	0.00	3.58	0.00	0.04	0.00	0.03	39.10
4407	Wood sawn or chipped lengthwise, sl	3				6.80	0.89	0.00	3.71	0.15	0.86	0.02	0.31	0.26	0.45	0.20	0.43	0.64
4408	Veneer sheets and sheets for	5	6			4.24	0.98	0.00	7.11	3.84	3.51	0.01	2.91	1.58	1.25	0.26	2.54	0.61
4415	Packing cases... of wood; cable-				1	0.00	-0.91	0.03	17.75	0.00	0.00	0.00	1.85	0.00	0.00	0.00	0.00	619.49
4906	Handwritten plans...for				2	0.00	-0.99	0.00	12.88	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	378.28
5501	Synthetic filament tow			5		0.02	0.11	1.11	8.69	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.03	0.94
6115	Panty hose, tights, etc, and			10		0.09	-0.35	0.51	7.79	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.03	2.46
6212	Brassieres, girdles, corsets,				7	0.00	-1.00	0.00	11.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.62
7001	Cullet and other waste and scrap of			4		0.00	0.26	1.24	11.10	0.00	0.00	0.00	0.00	0.00	0.26	0.00	0.04	2.18
7012	Glass inners for vacuum flasks or			8		0.00	-0.29	0.70	-3.91	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.03
7102	Diamonds worked/not worked but not	9				2.86	0.44	-0.15	12.66	0.11	0.10	0.02	0.01	0.18	0.14	0.00	0.08	0.83
7601	Unwrought aluminum	2				10.02	0.92	-0.01	10.99	0.25	1.63	0.00	0.00	0.95	0.01	0.01	0.62	1.02
7806	Other articles of lead			9		0.00	-0.35	0.64	5.33	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.02	1.96
8906	Other vessels including warships,		7	1		1.67	0.98	1.97	8.85	0.00	0.00	0.00	0.00	0.00	0.00	5.45	2.12	1.10
9005	Astronomical instruments, mountings, ..			2		0.06	0.63	1.63	6.73	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.10	1.28
9102	All types of portable watches other				9	0.00	-0.98	0.00	4.37	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	45.42
9208	Musical boxes, fairground organs, not				8	0.00	-0.91	0.01	-3.40	0.00	0.01	0.00	0.15	0.00	0.00	0.00	0.00	50.35

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-14
Guinea: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	US	EU	JPN	AUS	CND	LMI	ROW	World	Norm. SD
						Percent	Index			Import market share (percent)								
0303	Fish, frozen, (excl. those of 03.04	6	7			2.62	0.86	0.04	5.11	0.00	0.30	0.01	0.00	0.00	0.41	0.37	0.23	0.85
0306	Crustaceans, fresh, chilled or frozen . . .	8				0.85	0.57	0.10	4.83	0.00	0.21	0.00	0.00	0.00	0.00	0.00	0.06	1.33
0901	Coffee; coffee husks and skins;	7	10			1.56	0.82	0.00	8.74	0.08	0.06	0.00	0.00	0.01	1.16	0.07	0.17	2.31
1801	Cocoa beans, whole or broken, raw	9				0.77	0.72	0.03	13.58	0.00	0.17	0.00	0.00	6.44	0.25	0.16	0.16	14.98
1802	Cocoa shells, husks, skins and		2			0.29	1.00	0.00	22.31	0.00	15.20	0.00	0.00	0.00	0.00	0.00	7.17	1.02
2302	Brans, sharps and other residues,		5			0.13	0.88	0.01	5.07	0.62	0.00	0.00	0.00	0.00	0.53	0.00	0.24	1.15
2513	Pumice stone; emery; natural			7		0.01	0.17	0.59	6.30	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.10	2.17
2530	Mineral substances not elsewhere				10	0.00	-0.97	0.01	8.02	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	23.53
2603	Copper ores and concentrates	5	4			5.00	0.95	0.05	8.84	0.00	0.85	0.00	0.00	0.00	0.59	4.74	0.72	2.25
2606	Aluminium ores and concentrates	1	1			44.44	1.00	0.00	1.51	27.10	54.89	0.00	0.01	23.80	18.43	7.20	32.67	0.69
2616	Precious metal ores and concentrate . . .				3	0.12	0.55	0.15	12.50	0.06	0.02	0.00	0.00	0.00	0.39	36.39	0.09	150.36
2709	Petroleum oils and oils obtained	4				10.00	0.26	0.01	13.61	0.00	0.02	0.00	0.00	0.00	0.03	0.17	0.03	2.23
2818	Artificial corundum; aluminium	2	3			14.66	0.99	0.00	8.29	0.00	2.24	0.00	0.00	0.25	3.88	0.01	1.99	0.90
3808	Insecticides, rodenticides				9	0.01	-0.94	0.00	12.14	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.64
4004	Waste, parings and scrap of rubber			1		0.01	0.70	1.70	13.98	0.00	0.00	0.00	0.00	0.00	0.32	0.00	0.09	1.37
4106	Goat or kid skin leather, without				1	0.00	-1.00	-0.02	10.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	326.74
4406	Railway or tramway sleepers (cross- . . .		6			0.03	0.87	0.00	8.47	0.00	0.00	0.00	0.00	0.00	0.61	0.00	0.24	1.09
5201	Cotton, not carded or combed	10				0.70	0.72	-0.06	7.25	0.00	0.32	0.00	0.00	0.00	0.08	0.03	0.10	1.18
5202	Cotton waste (incl. yarn waste and		9			0.05	0.86	0.00	7.82	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.20	10.41
6216	Gloves, mittens and mitts			6		0.00	-0.61	0.69	4.04	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	2.09
6307	Other made up articles (incl. dress				6	0.00	-0.99	0.00	13.65	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	29.72
7018	Glass beads, imitation pearls,			8		0.01	-0.40	0.58	9.55	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	1.06
7102	Diamonds worked/not worked but not . .	3	8			12.72	0.86	-0.03	12.66	0.11	0.53	0.01	0.00	0.00	0.00	0.00	0.22	1.01
8407	Spark-ignition reciprocating or				4	0.00	-1.00	0.00	8.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.26
8439	Machinery for making pulp of				8	0.00	-0.99	-0.03	7.69	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	27.14
8447	Knitting machines, stitch-bonding,			9		0.01	-0.48	0.52	3.22	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.01	2.00
8461	Machine-tools for planing, shaping,			5		0.03	0.07	0.83	6.18	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.02	1.09
8516	Electric instantaneous, domestic				5	0.00	-0.99	-0.01	9.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.06
8524	Records, tapes for sound/ similarly				7	0.00	-0.99	0.01	9.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.06
8540	Thermionic, cold cathode or photo-				2	0.00	-1.00	-0.02	5.41	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	280.77
8545	Carbon electrodes, lamp carbons, with . .			2		0.17	0.66	1.52	7.48	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.07	1.83
8901	Cruise ships, excursion/ferry-boats, . . .			10		0.11	-0.50	0.50	8.98	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.36
9023	Apparatus, models designed for demon . .			3		0.05	0.57	1.23	5.25	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.05	1.67
9306	Bombs, grenades, torpedoes,			4		0.03	-0.07	0.91	4.22	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.01	1.52

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-15
Guinea-Bissau: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0302	Fish, fresh or chilled (excl. those				1	0.02	-0.71	0.19	7.38	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	23.06
0303	Fish, frozen, (excl. those of 03.04	4	5			2.53	0.91	0.00	5.11	0.00	0.06	0.00	0.00	0.00	0.02	0.17	0.03	1.85
0304	Fish fillets and other fish meat,			3		0.74	0.78	1.50	9.77	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.01	2.15
0307	Molluscs & aquatic invertebrates,	9	8			1.35	0.87	0.00	6.08	0.00	0.07	0.01	0.00	0.00	0.02	0.00	0.03	0.96
0801	Coconuts, Brazil nuts and cashew	2	1			33.44	1.00	0.00	6.11	0.01	0.02	0.00	0.00	0.00	12.25	0.00	3.02	1.48
0905	Vanilla				2	0.01	0.40	0.00	24.42	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	19.40
1207	Other oil seeds and oleaginous		4			0.28	0.92	0.06	7.99	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.03	1.23
2302	Brans, sharps and other residues,		7			0.09	0.90	0.03	5.07	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.04	1.10
2523	Portland cement, aluminous cement,	5	3	5		2.19	0.95	1.24	7.53	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.04	1.21
2709	Petroleum oils and oils obtained	1	9			41.35	0.81	0.06	13.61	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.02	1.76
2711	Petroleum gases and other gaseous	7				1.78	0.24	0.00	16.59	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.69
3808	Insecticides, rodenticides, and			10		0.11	-0.02	0.97	12.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.08
4013	Inner tubes, of rubber			4		0.02	0.56	1.49	1.90	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.08
4202	Trunks, suit-cases...; handbags...				5	0.00	-0.99	0.00	7.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.73
5201	Cotton, not carded or combed	6	6			1.80	0.91	0.00	7.25	0.00	0.18	0.00	0.00	0.00	0.03	0.00	0.04	1.73
5204	Cotton sewing thread			7		0.00	0.13	1.13	3.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
6204	Women's or girls' suits, ensembles,				4	0.00	-1.00	-0.02	8.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.34
6210	Garments, made up of fabrics of.				10	0.00	-0.91	-0.05	12.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.36
6302	Bed linen, table linen, toilet				8	0.00	-0.98	-0.01	8.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.00
6811	Articles of asbestos-cement, of			8		0.01	0.38	1.11	10.57	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.26
6913	Statuettes and other ornamental				3	0.00	-0.91	-0.02	2.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.80
7010	Carboys, bottles, flasks, jars, etc. of			1		0.21	0.70	1.69	12.30	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.47
7013	Glass articles used for indoor				6	0.01	-0.78	0.11	6.70	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	11.66
8439	Machinery for making pulp of			2		0.27	0.12	1.51	7.69	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.05
8531	Electric sound/visual signalling			6		0.09	-0.42	1.16	14.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.66
8532	Electrical capacitors, fixed,	8				1.62	-0.04	0.81	12.14	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.54
8535	Electrical apparatus for making		10			0.29	0.79	0.75	6.37	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	0.99
8802	Other aircraft, spacecraft, and space	3		9		3.14	0.65	0.99	6.92	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.04
9206	Percussion musical instruments (drum				7	0.00	-0.60	-0.01	8.74	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	10.28
9304	Other arms (spring, air or gas guns,	10	2			0.96	1.00	0.00	17.46	0.00	0.00	0.00	0.00	0.00	2.29	0.00	0.43	1.86
9609	Pencils (other than 96.08), crayons,				9	0.00	-1.00	0.00	5.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.48

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-16
Kenya: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0209	Pig and poultry fat, fresh, chilled				9	0.00	-0.66	-0.91	16.44	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.01	23.08
0304	Fish fillets and other fish meat	6				3.12	0.92	0.00	9.77	0.09	0.35	0.39	5.94	0.00	0.63	5.60	0.70	3.91
0506	Bones and horn-cores				1	0.00	-0.97	0.00	3.32	0.00	0.00	0.00	0.00	0.07	0.00	0.03	0.00	61.31
0603	Cut flowers and flower buds for	3	4			9.66	0.99	0.00	7.52	0.07	6.01	1.12	3.21	0.09	0.56	2.66	4.32	0.72
0708	Leguminous vegetables, shelled or	5	2			4.42	1.00	0.00	11.94	0.00	22.33	0.00	4.24	0.17	0.84	9.26	15.12	0.83
0709	Other vegetables, fresh or chilled	8	10			2.47	0.94	0.01	9.71	0.00	1.75	0.00	0.00	0.00	0.06	0.29	0.93	0.93
0901	Coffee; coffee husks and skins;	4	6			6.74	0.96	0.00	8.74	0.76	2.23	0.45	1.62	0.83	0.73	2.07	1.51	0.47
0902	Tea, whether or not flavoured	1	3			17.17	1.00	0.00	5.97	5.79	18.12	1.41	3.01	4.39	18.12	2.26	13.80	0.67
0903	Mate				2	0.00	-0.61	-0.37	17.10	0.00	3.09	0.00	0.00	0.00	0.00	0.00	0.02	50.96
1003	Barley			3		0.03	-0.14	0.86	8.99	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.02	0.99
1208	Flours and meals of oil seeds or			6		0.13	0.49	0.66	10.01	0.00	0.00	0.00	0.00	0.00	3.23	0.00	1.18	1.13
2008	Fruit, nuts and other parts of plan	9	9			2.43	0.94	0.00	6.89	0.10	2.17	0.02	0.00	0.00	0.05	0.09	1.02	0.98
2526	Natural steatite, crude roughly tri				3	0.00	-0.83	-0.06	6.97	0.00	0.00	0.00	0.35	0.01	0.01	0.01	0.00	47.06
2529	Felspar; leucite nepheline and		5			0.59	0.97	0.00	8.11	0.00	3.05	1.50	0.00	0.00	3.42	1.34	2.04	0.75
2611	Tungsten ores and concentrates			1		0.01	0.87	1.85	22.87	0.74	0.00	0.00	0.00	0.00	0.00	0.00	0.47	0.95
2615	Niobium, tantalum, vanadium or			9		0.03	0.26	0.51	16.54	0.00	0.00	0.00	0.00	0.00	0.08	1.67	0.09	7.07
2710	Petroleum oils, etc, (excl. crude);	2				12.04	0.69	-0.01	12.03	0.00	0.01	0.00	0.00	0.00	0.62	0.01	0.16	1.38
2836	Carbonates; peroxocarbonates;		8			1.34	0.94	0.01	8.75	0.01	0.00	0.00	0.00	0.00	2.41	0.45	1.06	1.00
3704	Photographic plates, film, paper				4	0.00	-0.58	-0.28	7.86	0.00	0.00	0.90	0.00	0.11	0.03	0.00	0.01	41.83
4401	Fuel wood, in logs..., etc; wood				6	0.00	-0.99	0.00	4.09	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	25.79
5304	Sisal, etc, raw or processed but		1			0.52	1.00	0.00	7.05	0.48	16.98	55.77	68.29	34.27	22.19	27.78	20.66	1.18
5906	Rubberized textile fabrics				7	0.00	-0.94	-0.03	10.85	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00	25.00
6203	Men's or boys' suits, ensembles,	10				1.55	0.59	0.11	7.80	0.38	0.01	0.00	0.00	0.10	0.01	0.00	0.13	1.13
6204	Women's or girls' suits, ensembles,	7				2.71	0.64	0.10	8.53	0.50	0.00	0.00	0.00	0.02	0.01	0.00	0.16	1.19
6803	Worked slate and articles of slate				8	0.00	-0.98	0.00	13.48	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.00	24.45
7110	Platinum, unwrought, in				10	0.00	-0.99	-0.01	13.56	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	19.51
7406	Copper powders and flakes			7		0.00	-0.43	0.56	11.94	0.00	0.00	0.00	0.00	0.00	0.01	0.12	0.01	3.31
8001	Unwrought tin				8	0.02	-0.19	0.53	1.72	0.04	0.00	0.00	0.00	0.00	0.25	0.00	0.05	1.76
8002	Tin waste and scrap		7	2		0.01	0.94	1.68	7.41	0.00	1.32	0.00	0.00	0.00	0.00	0.00	1.05	0.93
8006	Tin tubes, pipes, tube or pipe				5	0.00	-0.05	0.70	35.13	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.04	1.14
8105	Cobalt mattes, intermediate prdts of				4	0.14	0.81	0.76	6.56	0.00	0.02	0.00	0.00	0.00	0.52	1.62	0.30	1.88
8112	All the other base metals (beryllium				10	0.00	-0.55	0.45	12.52	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.25
9104	Instrument panel clocks, similar				5	0.00	-0.71	0.00	7.46	0.00	0.00	0.00	0.00	0.00	0.00	0.42	0.01	25.92

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-17
Lesotho: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0304	Fish fillets and other fish meat,				7	0.01	-0.91	-0.02	9.77	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	13.79
1102	Cereal flours, (excl. wheat or			2		0.01	-0.06	1.23	10.80	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.02
1403	Vegetable materials used primarily				3	0.01	0.79	0.00	-1.15	0.00	0.00	0.00	3.16	0.00	0.00	0.00	0.04	33.05
1806	Chocolate and other food				6	0.00	-1.00	0.00	11.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.86
2009	Fruit juices (incl. grape must) and			7		0.04	-0.56	0.80	9.35	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.31
2102	Yeasts; other single-cell micro-			9		0.00	-0.66	0.67	9.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.18
2301	Flours, etc, of meat, fish, etc,			3		0.03	-0.35	1.20	3.50	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.03
2507	Kaolin and other kaolinic clays,				9	0.00	-0.79	0.41	5.44	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	12.07
2520	Gypsum; anhydrite; plasters		9			0.15	0.88	0.00	5.22	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.05	1.44
2523	Portland cement, aluminous cement,	10				0.86	0.35	-0.12	7.53	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.04	1.24
4401	Fuel wood, in logs..., etc; wood				4	0.00	-0.89	0.00	4.09	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	25.80
5102	Fine or coarse animal hair, not		10			0.07	0.86	0.00	10.95	0.00	0.11	0.00	0.00	0.00	0.00	0.00	0.08	0.94
5105	Wool and fine or coarse animal hair			6		0.20	0.45	0.83	7.22	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.03	1.12
6001	Pile fabrics (incl. long pile and			4		0.02	-0.47	1.05	9.26	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.97
6103	Men's or boys' suits, ensembles,	8	1			3.43	0.97	0.01	11.65	1.57	0.01	0.02	0.00	1.48	0.00	0.00	0.55	1.27
6104	Women's or girls' suits, ensembles,	4	2			6.84	0.97	0.01	4.84	1.18	0.01	0.01	0.00	0.28	0.00	0.00	0.38	1.16
6105	Men's or boys' shirts, knitted or	9	6			3.24	0.96	0.01	7.00	0.58	0.00	0.00	0.00	0.14	0.01	0.00	0.26	0.97
6106	Women's or girls' blouses, etc,	7	5			3.68	0.96	0.01	11.41	1.11	0.00	0.00	0.00	0.08	0.01	0.00	0.29	1.37
6109	T-shirts, singlets and other vests,	6	8			4.18	0.88	-0.02	12.48	0.32	0.00	0.01	0.00	0.09	0.00	0.00	0.08	1.44
6110	Jerseys, pullovers, cardigans and	1	3			29.62	0.97	0.00	8.19	0.78	0.01	0.01	0.00	0.13	0.00	0.00	0.28	1.08
6203	Men's or boys' suits, ensembles,	2	4			20.90	0.96	0.00	7.80	0.78	0.00	0.00	0.00	0.46	0.00	0.00	0.26	1.18
6204	Women's or girls' suits, ensembles,	3	7			16.83	0.94	0.00	8.53	0.46	0.00	0.00	0.00	0.22	0.00	0.00	0.15	1.14
6207	Men's or boys' underpants, briefs,			1		0.09	0.17	1.29	5.53	0.16	0.01	0.00	0.00	0.00	0.00	0.00	0.03	1.88
6211	Track suits, ski suits and swimwear			10		0.13	-0.06	0.67	4.55	0.04	0.01	0.00	0.00	0.00	0.00	0.00	0.01	1.88
6403	Footwear, with rubber, plastics,				8	0.02	-0.92	-0.02	6.14	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	13.15
6911	Tableware, kitchenware, other house				2	0.00	-0.99	0.01	4.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.37
7102	Diamonds worked/not worked but not	5				4.56	0.16	-0.92	12.66	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.02	1.10
7210	Flat-rolled products of iron/		8			0.10	-0.57	0.74	11.60	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.70
9005	Astronomical instruments, mountings,				5	0.00	-0.99	0.00	6.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.57
9006	Photographic apparatus, flashbulbs			5		0.04	-0.57	0.85	3.69	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.53
9018	Medical instruments, veterinary				10	0.02	-0.93	-0.05	12.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.23
9702	Original engravings, prints,				1	0.00	-0.98	0.00	1.93	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	45.00

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-18
Madagascar: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0306	Crustaceans, fresh, chilled or frozen . . .	2	8			14.36	0.97	0.00	4.83	0.01	3.21	0.61	0.00	0.01	0.66	0.02	1.06	1.09
0710	Vegetables, frozen				6	0.01	-0.70	0.27	9.89	0.00	0.00	0.00	0.00	0.00	0.00	0.46	0.01	32.39
0810	Other fruit, fresh,	7	6			3.86	0.97	0.00	9.91	0.00	2.55	0.00	0.00	0.06	0.02	0.12	1.39	0.96
0814	Peel of citrus fruit or melons,			9		0.00	-0.56	0.38	3.09	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.31
0905	Vanilla	1	1			16.87	1.00	0.00	24.42	63.80	55.00	62.88	33.71	43.26	29.71	22.52	58.22	0.35
0907	Cloves	4	2			6.64	1.00	0.00	20.90	41.23	28.55	33.62	34.40	26.54	29.35	63.53	44.39	0.32
1401	Vegetable materials of a kind used		4			0.62	0.99	0.00	1.13	5.32	4.93	0.20	4.21	6.79	4.01	1.39	3.78	0.56
1402	Vegetable materials used primarily			4	8	0.00	-0.02	0.78	-5.41	0.00	0.00	0.00	0.00	4.45	0.00	0.00	0.06	27.25
1604	Prepared or preserved fish; caviar	8				3.55	0.94	0.00	7.33	0.00	1.28	0.00	0.00	0.00	0.01	0.01	0.57	1.04
2308	Vegetable materials, waste, residue				10	0.00	-0.99	-0.26	-1.29	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	25.18
2504	Natural graphite		5			0.55	0.99	0.00	3.51	5.40	6.13	0.00	2.06	0.00	0.53	0.00	3.22	0.85
2523	Portland cement, aluminous cement,			2		0.13	0.25	1.24	7.53	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.03	1.26
2525	Mica, including splittings; mica		10			0.05	0.95	0.00	5.70	0.14	0.41	2.61	0.00	0.00	0.80	0.00	0.73	1.23
2601	Iron ores and concentrates,				9	0.00	-1.00	0.00	7.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.25
2614	Titanium ores and concentrates				2	0.00	-1.00	0.00	7.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	70.80
2710	Petroleum oils, etc, (excl. crude);	9				1.85	-0.14	0.02	12.03	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.39
4206	Articles of gut (excl. silk-worm),				1	0.00	-0.33	0.10	5.98	0.00	0.06	0.00	16.07	0.00	0.00	0.48	0.01	670.14
4401	Fuel wood, in logs..., etc; wood				5	0.00	-0.92	0.01	4.09	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00	37.01
5109	Yarn of wool or of fine animal hair			1		0.00	-0.24	1.45	5.30	0.00	0.00	0.00	0.00	0.00	0.14	0.00	0.02	2.42
5202	Cotton waste (incl. yarn waste and			6		0.00	-0.48	0.52	7.82	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	2.00
5207	Cotton yarn (excl. sewing), put			3		0.01	0.16	0.91	3.88	0.00	0.00	0.00	0.00	0.00	0.32	0.00	0.07	1.55
5304	Sisal, etc, raw or processed but		3			0.51	1.00	0.00	7.05	0.00	15.53	9.96	0.00	0.00	6.65	0.00	10.52	0.79
5510	Yarn of artificial staple fibres,			5		0.01	-0.36	0.58	13.30	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.95
6109	T-shirts, singlets and other vests,	10				1.68	0.70	-0.10	12.48	0.14	0.17	0.00	0.01	0.04	0.02	0.00	0.11	0.78
6110	Jerseys, pullovers, cardigans and	3				14.00	0.92	0.00	8.19	0.50	0.74	0.01	0.01	0.09	0.09	0.03	0.43	0.81
6203	Men's or boys' suits, ensembles,	6				4.76	0.85	-0.02	7.80	0.29	0.25	0.00	0.00	0.05	0.04	0.02	0.20	0.78
6204	Women's or girls' suits, ensembles,	5				4.80	0.80	0.02	8.53	0.26	0.16	0.01	0.00	0.08	0.01	0.01	0.15	0.80
6214	Shawls, scarves, mufflers,		7			1.52	0.97	0.00	6.25	0.01	2.61	0.00	0.00	0.03	0.00	0.00	1.22	1.02
6502	Hat-shapes, plaited or made by				3	0.00	0.74	0.12	3.53	0.00	0.00	0.00	26.55	0.00	0.02	0.00	0.17	58.35
6504	Hats and other headgear, plaited or		9			0.12	0.97	0.00	4.71	0.86	0.32	5.19	1.78	0.47	0.23	0.03	0.99	1.72
6704	Wigs, false beards, eyebrows and				4	0.00	-1.00	0.00	10.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.52
7003	Cast glass, rolled glass, in sheets			7		0.00	-0.51	0.43	9.69	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.14
7114	Articles of gold/silversmiths wares			10		0.00	-0.32	0.37	3.07	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.01	2.03
8432	Agri, horti, forestry machinery for			8		0.01	-0.57	0.43	8.94	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.99
8504	Electrical transformers, static				7	0.00	-0.99	0.00	11.95	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	31.72

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-19
Malawi: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0405	Butter and other fats and oils			9		0.03	-0.14	0.85	9.33	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.49
0713	Dried leguminous vegetables,	9	5			0.80	0.89	0.01	6.79	0.05	0.05	0.00	0.16	0.14	0.19	0.26	0.14	0.62
0802	Other nuts, fresh or dried,	5	4			1.06	0.89	0.02	7.05	0.63	0.05	0.82	0.00	0.12	0.12	0.00	0.15	2.19
0901	Coffee; coffee husks and skins;	7				1.03	0.77	-0.02	8.74	0.01	0.11	0.01	0.03	0.00	0.02	0.01	0.06	0.80
0902	Tea, whether or not flavoured	3	2			7.97	0.99	0.00	5.97	6.30	2.05	0.14	0.77	1.01	1.14	0.02	1.58	1.27
0904	Pepper of the genus Piper, Capiscum		7			0.28	0.89	0.02	9.13	0.03	0.31	0.00	0.27	0.00	0.08	0.01	0.13	1.02
1207	Other oil seeds and oleaginous		8			0.20	0.83	0.20	7.99	0.00	0.02	0.00	0.00	0.00	0.26	0.01	0.09	1.16
1404	Vegetable products not elsewhere			10		0.00	-0.22	0.72	5.88	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.34
1701	Cane or beet sugar and chemically	2	3			8.55	0.97	0.01	9.03	1.00	1.04	0.00	0.00	0.00	0.23	0.00	0.46	1.01
2401	Unmanufactured tobacco; tobacco	1	1			65.50	1.00	0.00	3.96	6.36	4.37	6.35	7.61	2.25	4.16	2.49	4.55	0.42
3805	Gum, wood or sulphate turpentine			2		0.00	0.48	1.43	7.14	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.02	1.23
4103	Other raw hides and skins, fresh or		6			0.07	0.89	0.01	8.77	0.00	0.38	0.00	0.00	0.00	0.01	0.01	0.12	1.19
4401	Fuel wood, in logs..., etc; wood				10	0.00	-0.99	0.00	4.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.66
4413	Densified wood, in blocks, plates,			7		0.00	0.06	0.90	7.46	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.03
4414	Wooden frames for paintings,				1	0.00	-0.99	-0.02	10.36	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	108.17
4807	Composite paper and paperboard,		6			0.01	-0.09	0.91	6.82	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.65
4907	New stamps; stamp-impressed paper;		8			0.25	0.13	0.86	22.42	0.01	0.00	0.45	0.00	0.00	0.66	0.00	0.19	1.36
5201	Cotton, not carded or combed	8				1.03	0.79	-0.03	7.25	0.00	0.03	0.00	0.00	0.00	0.09	0.10	0.07	0.82
5407	Woven fabrics of synthetic filament				7	0.00	-0.99	0.00	2.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.18
5514	Woven fabrics, <85% synthetic fibre			4		0.04	0.42	1.13	5.87	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02	0.99
6103	Men's or boys' suits, ensembles,		9			0.43	0.82	0.07	11.65	0.11	0.00	0.00	0.00	0.00	0.44	0.00	0.09	1.68
6105	Men's or boys' shirts, knitted or		10			0.65	0.82	0.05	7.00	0.11	0.00	0.00	0.00	0.00	0.68	0.00	0.07	3.25
6203	Men's or boys' suits, ensembles,	4				1.93	0.66	0.02	7.80	0.05	0.00	0.00	0.00	0.00	0.38	0.00	0.04	3.41
6204	Women's or girls' suits, ensembles	10				0.67	-0.03	0.17	8.53	0.02	0.00	0.00	0.00	0.05	0.04	0.00	0.01	2.06
6205	Men's or boys' shirts	6				1.05	0.76	-0.02	2.98	0.04	0.00	0.00	0.00	0.00	0.66	0.00	0.06	4.20
6402	Other footwear with outer soles and				3	0.00	-1.00	0.00	5.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52.01
6602	Walking-sticks, seat-sticks, whips,				9	0.00	-0.77	0.11	12.81	0.00	0.00	0.00	0.06	0.00	0.01	0.00	0.00	22.28
7114	Articles of gold/silversmiths wares			1		0.06	-0.03	1.93	3.07	0.00	0.49	0.00	0.00	0.00	0.00	0.00	0.10	1.72
7606	Aluminum plates, sheets and strip,		5			0.19	0.02	1.02	11.53	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.57
8435	Presses, crushers machinery for			3		0.01	0.20	1.20	8.70	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.00
8532	Electrical capacitors, fixed,				5	0.00	-1.00	0.00	12.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.09
8535	Electrical apparatus for making				2	0.00	-0.93	0.06	6.37	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	67.49
8541	Diodes, semi-conductor devices, light				4	0.00	-0.99	0.00	14.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49.65
9701	Hand made decorative materials,				6	0.00	-0.99	0.00	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.05
9703	Original sculptures and statuary,				8	0.00	-0.97	-0.01	7.25	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	24.55

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-20
Mali: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
0106	Other live animals,		8			0.33	0.96	0.00	9.32	0.19	0.30	0.05	0.00	0.05	0.02	0.00	0.16	0.81
0804	Dates, figs, pineapples...etc,	8				0.78	0.91	0.02	14.23	0.00	0.15	0.00	0.00	0.00	0.02	0.01	0.07	0.95
0906	Cinnamon and cinnamon-tree flowers ...			1		0.01	-0.04	1.84	-0.49	0.00	0.00	0.00	0.00	0.04	0.00	0.02	0.98	
1006	Rice	4				1.67	0.61	0.97	12.04	0.00	0.00	0.00	0.00	0.09	0.00	0.06	0.95	
1503	Lard stearin, lardoil, oleostearin		2			0.37	0.99	0.01	18.87	0.00	0.00	0.00	0.00	0.90	0.00	0.76	0.93	
1522	Degras; residues of fatty substance		3			0.09	0.99	0.15	13.66	0.00	2.51	0.00	0.00	0.00	0.00	0.58	1.56	
1701	Cane or beet sugar and chemically	6				1.04	0.23	0.61	9.03	0.00	0.00	0.00	0.00	0.05	0.00	0.02	1.00	
2304	Oil-cake and other solid residues,			7		0.13	-0.31	1.26	13.46	0.00	0.01	0.00	0.00	0.00	0.00	0.00	1.00	
2401	Unmanufactured tobacco; tobacco				5	0.13	-0.17	0.36	3.96	0.00	0.00	0.00	0.44	0.00	0.00	0.00	41.21	
2502	Unroasted iron pyrites			2		0.00	0.82	1.64	1.81	0.00	0.00	0.00	0.00	0.15	0.00	0.03	1.58	
2509	Chalk			3		0.00	0.45	1.42	4.82	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.33	
2712	Petroleum jelly; paraffin wax			5		0.04	0.38	1.38	10.63	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.15	
3811	Anti-knock preparations, oxidation			8		0.11	0.25	1.24	4.44	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.19	
4102	Raw skins of sheep or lambs, but				4	0.11	0.72	-0.11	14.57	4.53	0.03	0.00	0.00	0.00	0.00	0.03	57.93	
4103	Other raw hides and skins, fresh or		4			0.61	0.98	0.01	8.77	1.68	1.35	0.13	0.00	0.00	0.00	0.45	1.52	
4105	Sheep or lamb skin leather, without	7	10			0.95	0.95	0.01	5.53	0.00	0.47	0.00	0.00	0.00	0.00	0.15	1.25	
4106	Goat or kid skin leather, without	10	5			0.74	0.96	0.00	10.24	0.22	0.38	0.00	0.00	3.75	0.00	0.20	6.66	
4809	Carbon paper, self-copy paper, etc,			4		0.03	0.38	1.38	5.60	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.25	
5201	Cotton, not carded or combed	1	1			60.76	1.00	0.00	7.25	0.00	3.46	0.00	0.00	2.24	1.99	1.40	2.05	0.72
5406	Man-made filament yarn (excl.		7			0.04	0.96	0.00	5.70	0.00	0.00	0.00	0.00	0.00	0.48	0.00	0.13	1.38
5508	Sewing thread of man-made staple				6	0.01	-0.04	0.95	6.03	0.00	0.00	0.00	0.40	0.00	0.00	0.00	38.21	
6310	Used or new rags, scrap twine, cord ...			6		0.01	0.41	1.36	6.66	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.34	
7102	Diamonds worked/not worked but not ...	5				1.19	0.09	-0.05	12.66	0.00	0.01	0.00	0.00	0.00	0.00	0.01	1.10	
7309	All types of reservoirs with or			10		0.02	0.20	1.15	6.76	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.28	
7310	Tanks, casks, drums, cans, boxes				3	0.00	-0.81	0.14	8.31	0.00	0.00	0.07	0.00	0.00	0.00	0.00	61.02	
8006	Tin tubes, pipes, tube or pipe		9			0.00	0.95	0.00	35.13	0.00	0.40	0.00	0.00	0.00	0.00	0.14	1.16	
8411	Turbo-jets, turbo-propellers and				2	0.07	-0.86	0.00	9.91	0.00	0.00	0.00	0.08	0.00	0.00	0.00	96.42	
8419	Machinery, plant or lab equipment				9	0.03	-0.79	0.19	8.53	0.00	0.00	0.00	0.00	0.05	0.00	0.00	33.63	
8469	Typewriters and word-processing			9		0.00	0.16	1.16	-17.55	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.14	
8471	Automatic data processing, magnetic, ...	3				1.93	-0.39	0.30	10.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.84	
8473	Parts suitable for use solely or	9				0.74	-0.61	0.01	12.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.83	
8478	Machinery for making up tobacco not ...				1	0.00	-0.98	-1.12	4.56	0.00	0.00	0.00	0.03	0.00	0.00	0.00	335.85	
8531	Electric sound/visual signalling				10	0.01	-0.93	0.04	14.62	0.00	0.00	0.00	0.00	0.01	0.00	0.00	29.94	
8542	Electronic integrated circuits and	2				5.81	-0.01	-0.05	15.01	0.00	0.00	0.00	0.00	0.05	0.01	0.00	2.85	
9106	Time of day recording apparatus,				7	0.00	-0.95	-0.42	4.35	0.00	0.00	0.00	0.01	0.00	0.00	0.00	37.41	
9206	Percussion musical instruments (drum ...		6			0.25	0.96	0.01	8.74	0.04	0.53	0.14	0.00	0.11	0.04	0.03	0.19	0.95

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-21
Mauritania: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0302	Fish, fresh or chilled (excl. those	4	5			3.99	0.95	0.00	7.38	0.00	0.57	0.00	0.00	0.01	0.68	0.00	0.36	0.93
0303	Fish, frozen, (excl. those of 03.04	3	3			21.77	0.99	0.00	5.11	0.00	1.18	0.01	0.00	0.01	3.46	0.02	1.21	1.10
0304	Fish fillets and other fish meat,	7	10			0.81	0.72	0.05	9.77	0.00	0.12	0.00	0.00	0.00	0.02	0.00	0.05	0.99
0305	Fish, salted, dried...; smoked fish;	8	6			0.58	0.86	0.04	5.10	0.00	0.13	0.00	0.00	0.00	0.07	0.25	0.12	0.86
0306	Crustaceans, fresh, chilled or frozen	6	8			1.54	0.74	0.13	4.83	0.00	0.24	0.00	0.00	0.00	0.00	0.00	0.07	1.33
0307	Molluscs & aquatic invertebrates,	2	1			21.80	0.99	0.00	6.08	0.04	2.60	4.16	0.00	0.13	2.90	0.02	2.36	0.80
1801	Cocoa beans, whole or broken, raw			4		0.08	0.17	0.95	13.58	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	0.98
2207	Ethyl alcohol, undenatured of >=80%			6		0.01	-0.16	0.83	7.17	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.98
2301	Flours, etc, of meat, fish, etc,	5	4			1.94	0.95	0.02	3.50	0.00	0.05	0.00	0.00	0.00	0.96	0.00	0.44	1.01
2530	Mineral substances not elsewhere				1	0.00	-0.87	-0.02	8.02	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	198.49
2601	Iron ores and concentrates, including	1	2			41.66	0.99	0.00	7.18	0.00	7.12	0.00	0.00	0.00	0.11	0.28	1.77	1.45
2616	Precious metal ores and concentrate				10	0.00	-1.00	0.00	12.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.19
2711	Petroleum gases and other gaseous				9	0.00	-1.00	0.00	16.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.95
2808	Nitric acid; sulphonitric acids		9			0.01	0.73	0.00	16.32	0.00	0.00	0.00	0.00	0.00	0.22	0.00	0.06	1.32
2903	Halogenated derivatives of				3	0.00	-0.99	0.00	7.15	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	82.39
3401	Soap; organic surface-active			10		0.02	-0.37	0.62	13.64	0.00	0.00	0.12	0.00	0.00	0.00	0.00	0.00	10.32
3506	Prepared glues and adhesives, nes;			5		0.26	-0.10	0.90	12.07	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.04	1.17
3605	Matches (excl. pyrotechnic articles			1		0.00	0.17	1.17	6.45	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.09
4205	Articles of leather or of				5	0.00	-0.91	0.02	17.56	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	58.02
4818	Toilet paper..., bed sheets, etc,			7		0.12	-0.15	0.80	13.50	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.92
4821	Paper or paperboard labels of all				4	0.00	-0.99	0.01	12.46	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	79.21
4907	New stamps; stamp-impressed paper;				2	0.00	-0.77	0.21	22.42	0.00	0.00	0.55	0.00	0.00	0.00	0.00	0.00	182.47
6203	Men's or boys' suits, ensembles,	9				0.39	-0.06	0.15	7.80	0.00	0.02	0.00	0.00	0.00	0.01	0.00	0.01	0.95
7309	All types of reservoirs with or			3		0.03	0.28	1.00	6.76	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.02	1.15
8472	Other office machines (hectograph,			8		0.04	-0.23	0.77	10.54	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.96
8540	Thermionic, cold cathode or photo-	10		2		0.38	0.09	1.09	5.41	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.01	2.39
8708	Parts and accessories of the motor				6	0.00	-1.00	0.00	10.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	48.38
8804	Parachutes (dirigible), rotochutes,		7			0.02	0.85	0.00	10.27	0.00	0.28	0.00	0.00	0.00	0.00	0.00	0.12	1.04
8908	Vessels and other floating				7	0.01	-0.07	0.00	14.00	0.00	0.88	0.00	0.00	0.00	0.00	0.00	0.01	43.37
9007	Cinematographic cameras, projectors			9		0.00	-0.61	0.68	8.26	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.28
9701	Hand made decorative materials,				8	0.00	-1.00	0.00	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.35

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-22
Mauritius: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0106	Other live animals,		2			0.81	0.98	0.01	9.32	5.16	4.26	0.04	0.00	3.78	0.50	0.05	2.80	0.82
0303	Fish, frozen, (excl. those of 03.04)	8				3.32	0.89	0.00	5.11	1.19	0.12	0.24	0.36	0.26	1.06	0.62	0.53	0.74
0509	Natural sponges of animal origin			7		0.00	-0.15	0.63	5.14	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.03	3.95
0812	Fruit and nuts, provisionally			5		0.00	-0.23	0.76	-3.22	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.02	3.97
0814	Peel of citrus fruit or melons,			2		0.00	-0.33	0.90	3.09	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.02	1.00
1513	Coconut (copra), palm kernel or			8		0.09	0.54	0.61	9.39	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.10	1.28
1604	Prepared or preserved fish; caviar	7	10			3.61	0.95	0.01	7.33	0.00	2.19	0.00	0.00	0.00	0.02	0.02	0.97	1.04
1701	Cane or beet sugar and chemically	1	1			16.37	0.98	0.00	9.03	0.79	10.32	0.00	3.02	0.03	0.01	0.25	3.06	1.19
1703	Molasses resulting from the extract		5			0.46	0.96	0.01	4.16	4.23	1.58	0.00	0.00	0.04	0.16	1.06	1.28	1.14
2501	Salt and pure sodium chloride; sea				7	0.00	-0.83	0.08	7.55	0.01	0.01	0.00	0.19	0.00	0.00	0.00	0.00	28.42
2831	Dithionites and sulphoxylates			4		0.01	0.38	0.78	4.27	0.00	0.00	0.00	0.00	0.00	0.27	0.00	0.13	1.02
2833	Sulphates; alums; peroxosulphates				8	0.00	-0.93	0.01	7.78	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	27.05
2835	Phosphinates, phosphonates,				9	0.00	-0.79	0.12	7.19	0.05	0.00	0.00	0.22	0.00	0.00	0.00	0.00	24.46
2842	Other salts of inorganic acids or				3	0.00	-0.82	0.00	31.37	0.00	0.00	0.00	0.39	0.00	0.00	0.00	0.00	58.74
2926	Nitrile-function compounds				5	0.00	-0.89	0.00	9.91	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	41.67
3823	Prepared binders; chemical products				10	0.03	-0.77	0.07	11.24	0.00	0.00	0.00	0.22	0.00	0.00	0.00	0.00	23.85
5302	True hemp, not spun; tow and waste			1		0.00	0.40	1.03	6.06	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.06	1.19
6105	Men's or boys' shirts, knitted or	9	7			3.11	0.96	0.00	7.00	0.31	3.78	0.05	0.03	0.27	0.14	0.10	1.24	1.13
6109	T-shirts, singlets and other vests,	2	4			13.56	0.96	0.00	12.48	0.26	2.88	0.03	0.12	0.24	0.18	0.14	1.46	0.90
6110	Jerseys, pullovers, cardigans and	3				11.38	0.91	0.00	8.19	0.31	1.37	0.02	0.05	0.17	0.10	0.05	0.57	0.92
6203	Men's or boys' suits, ensembles,	4				8.11	0.91	-0.01	7.80	0.93	0.61	0.03	0.02	0.35	0.08	0.04	0.56	0.75
6204	Women's or girls' suits, ensembles,	5				6.87	0.86	0.00	8.53	0.71	0.26	0.03	0.00	0.37	0.06	0.02	0.35	0.80
6205	Men's or boys' shirts	6	8			6.47	0.96	0.00	2.98	1.52	1.67	0.09	0.04	0.70	0.14	0.16	1.18	0.73
6502	Hat-shapes, plaited or made by			6		0.00	-0.24	0.74	3.53	0.00	0.11	0.00	0.00	0.00	0.00	0.00	0.02	2.28
7102	Diamonds worked/not worked but not	10				2.74	0.48	0.01	12.66	0.06	0.16	0.01	1.22	0.00	0.04	0.01	0.08	5.25
7110	Platinum, unwrought, in				6	0.00	-0.95	-0.08	13.56	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	28.89
7116	Articles of natural/cultured pearls		6			0.37	0.96	0.00	2.23	0.00	0.07	0.00	0.00	0.00	0.02	6.15	1.25	1.74
7206	Iron, non-alloy steel in ingots/			10		0.00	-0.70	0.56	12.16	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.94
7508	Other articles of nickel				4	0.00	-0.88	-0.01	9.67	0.00	0.01	0.00	0.21	0.00	0.00	0.00	0.00	47.04
7803	Lead bars, rods, profiles and wire			3		0.00	-0.07	0.88	1.71	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.03	1.09
8526	Radar, radio navigational aid			9		0.06	-0.36	0.59	10.25	0.00	0.00	0.00	0.00	0.00	0.11	0.00	0.02	1.82
8804	Parachutes (dirigible), rotochutes,		3			0.10	0.96	0.00	10.27	0.00	3.39	0.00	0.06	0.00	0.15	0.13	1.54	1.00
9105	Other clocks				2	0.00	-0.99	0.00	3.85	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	65.90
9113	Watch straps, bands, bracelets, and		9			0.50	0.95	0.02	1.70	0.01	2.64	0.03	0.00	0.01	0.01	0.85	1.01	1.04
9701	Hand made decorative materials,				1	0.01	-0.85	0.01	4.64	0.00	0.00	0.00	1.03	0.00	0.03	0.00	0.00	156.37

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-23
Mozambique: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0301	Live fish				7	0.00	-1.00	-0.06	3.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24.07
0306	Crustaceans, fresh, chilled or frozen ...	2	5			13.77	0.96	-0.01	4.83	0.00	1.87	0.50	0.00	0.00	1.16	0.00	0.67	1.05
0307	Molluscs & aquatic invertebrates,	10				1.77	0.90	0.08	6.08	0.00	0.00	0.00	0.00	0.00	0.00	1.68	0.25	2.38
0801	Coconuts, Brazil nuts and cashew	7	2			3.12	0.97	0.00	6.11	0.73	0.04	0.00	0.00	0.19	4.32	0.05	1.38	1.16
1101	Wheat or meslin flour			7		0.31	0.81	0.64	10.48	0.00	0.00	0.00	0.00	0.00	0.70	0.00	0.33	1.02
1103	Cereal groats, meal and pellets			2		0.03	0.68	1.32	1.60	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.08	1.03
1203	Copra		1			0.63	1.00	0.00	-0.89	0.00	13.43	0.00	0.00	0.00	0.06	0.00	6.30	1.02
1212	Seaweeds, algae, sugar beet and			1		0.02	0.35	1.35	3.64	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.03	2.23
1214	Swedes, mangolds...and similar fora ...			3		0.02	0.11	1.09	3.93	0.00	0.00	0.00	0.00	0.00	0.16	0.00	0.01	8.01
1511	Palm oil and its fractions			9		0.12	0.13	0.50	18.53	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02	0.96
1701	Cane or beet sugar and chemically	8				2.81	0.85	0.47	9.03	1.30	0.25	0.00	0.00	0.00	0.17	0.40	0.22	2.04
1702	Other sugars in solid form; sugar				8	0.00	-0.95	-0.39	9.23	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	23.60
2302	Brans, sharps and other residues,		10			0.23	0.93	-0.01	5.07	0.00	0.00	0.00	0.00	0.00	0.83	0.04	0.34	1.06
2401	Unmanufactured tobacco; tobacco	3	8			4.27	0.95	0.03	3.96	0.00	0.57	0.16	1.01	0.00	0.76	0.16	0.52	0.76
2516	Granite, porphyry, etc, and other		6			1.22	0.96	-0.01	9.51	0.00	0.96	0.00	0.00	0.00	0.12	0.02	0.59	0.92
2614	Titanium ores and concentrates				3	0.00	-0.99	-0.01	7.42	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	40.06
2619	Slag, dross, etc, from the			10		0.00	-0.31	0.49	9.43	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.01	3.89
2620	Ash and residues containing metals ...			6		0.02	-0.18	0.71	8.42	0.00	0.00	0.00	0.00	0.00	0.35	0.00	0.01	13.44
2705	Coal gas, water gas, producer gas		3			0.00	0.97	0.00	28.70	0.00	0.00	0.00	0.00	0.00	3.73	0.00	0.84	1.60
2710	Petroleum oils, etc, (excl. crude);	9				2.24	-0.11	-0.07	12.03	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.42
2716	Electrical energy	4				4.02	0.71	0.28	16.84	0.00	0.00	0.00	0.00	0.00	1.82	0.00	0.30	2.12
3810	Pickling preparations for metal		5			0.01	-0.23	0.77	12.13	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.08
4302	Tanned or dressed furskins (excl.				5	0.00	-0.98	0.02	7.11	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	30.34
4403	Wood in the rough or roughly square ...	6				3.65	0.91	0.00	0.73	0.01	0.03	0.01	0.00	0.00	0.51	0.71	0.26	1.11
5201	Cotton, not carded or combed	5				3.80	0.93	-0.01	7.25	0.00	1.33	0.00	0.00	0.00	0.22	0.10	0.35	1.35
5904	Linoleum; floor coverings with coat				4	0.00	-0.78	0.00	7.60	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	33.41
7112	Waste, scrap of precious metal or of ...				2	0.02	-0.55	-0.55	9.84	0.00	0.00	0.00	0.00	0.00	0.70	0.00	0.01	49.10
7224	Other alloy steel in ingots etc.		7			0.46	0.95	0.00	20.97	0.00	0.00	0.00	0.00	0.00	0.00	3.41	0.24	5.09
7316	Anchors, graphnels and parts thereof ...		9			0.04	0.94	0.00	9.59	0.00	0.00	0.00	0.00	0.00	0.76	0.00	0.18	1.51
7415	Stationery articles except of				9	0.00	-0.85	-0.05	11.81	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	22.25
7601	Unwrought aluminum	1	4			44.79	0.97	0.03	10.99	0.00	4.54	0.00	0.00	0.00	0.07	0.01	1.64	1.14
8420	Calendering, other rolling machines, ...			4		0.02	0.40	0.90	6.30	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.41
8902	Fishing vessels; factory ships other			8		0.09	0.07	0.54	9.04	0.00	0.00	0.00	0.00	0.00	0.27	0.00	0.15	0.98
9206	Percussion musical instruments (drum ...				10	0.00	-0.95	-0.08	8.74	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	17.97
9701	Hand made decorative materials,				6	0.00	-0.99	-0.01	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24.85
9703	Original sculptures and statuary,				1	0.00	-0.82	0.00	7.25	0.00	0.00	0.00	0.22	0.03	0.01	0.00	0.00	74.55

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-24
Namibia: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
0104	Live sheep and goats			4		0.25	0.41	1.10	6.83	0.00	0.00	0.00	0.00	0.00	0.44	0.00	0.21	1.01
0201	Meat of bovine animals, fresh or	5	9			5.59	0.95	0.00	8.39	0.00	0.95	0.00	0.00	0.00	0.00	0.47	0.47	0.93
0202	Meat of bovine animals, frozen	10				1.48	0.89	0.00	3.64	0.00	0.87	0.00	0.00	0.01	0.00	0.32	0.19	1.62
0302	Fish, fresh or chilled (excl. those	7	10			4.35	0.95	-0.01	7.38	0.02	0.82	0.01	0.00	0.01	0.02	0.01	0.46	0.95
0303	Fish, frozen, (excl. those of 03.04	2	4			14.60	0.98	0.00	5.11	0.07	4.44	0.09	0.07	0.00	0.51	0.04	0.98	1.57
0304	Fish fillets and other fish meat,	1	2			22.16	0.99	0.00	9.77	0.57	3.68	0.00	3.72	0.02	0.11	0.01	1.82	0.96
0409	Natural honey				2	0.00	-0.81	0.00	15.08	0.00	0.00	0.00	0.55	0.00	0.00	0.00	0.00	215.88
0504	Guts, bladders and stomachs of			3		0.02	-0.43	1.14	7.79	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.34
0905	Vanilla				5	0.00	-0.98	0.00	24.42	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	61.72
2403	Other manufactured tobacco and			7		0.01	-0.53	0.93	10.32	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	1.44
2519	Natural magnesium carbonate			2		0.01	-0.36	1.26	6.71	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.01	1.92
2529	Felspar; leucite nepheline and		3			1.21	0.99	0.00	8.11	0.00	4.14	0.00	0.00	0.00	0.00	0.00	1.55	1.12
2607	Lead ores and concentrates		5			0.66	0.97	0.00	14.68	0.00	0.00	0.00	0.00	0.00	1.85	2.10	0.74	1.23
2617	Other ores and concentrates				1	0.00	-0.95	0.05	16.92	0.00	0.00	0.00	0.85	0.00	0.00	0.00	0.00	981.38
2710	Petroleum oils, etc, (excl. crude);	9				2.40	-0.17	0.11	12.03	0.03	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.22
2844	Radioactive chemical elements/	4	6			8.36	0.97	0.00	8.67	0.88	1.10	0.00	0.00	13.77	1.12	0.00	0.89	5.51
3102	Mineral or chemical fertilizers,			6		0.07	-0.34	1.07	11.14	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.53
3105	Mineral or chemical fertilizers,			10		0.03	-0.56	0.86	9.39	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	1.32
3704	Photographic plates, film, paper		7			0.07	0.97	0.00	7.86	0.00	1.07	0.00	0.00	0.00	0.00	0.00	0.54	1.00
5807	Labels, badges... of textiles, in				3	0.00	-0.98	0.01	10.25	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	177.19
6104	Women's or girls' suits, ensembles,			8		0.45	-0.25	0.90	4.84	0.29	0.00	0.00	0.00	0.05	0.00	0.00	0.06	1.62
6207	Men's or boys' underpants, briefs,				9	0.00	-0.95	0.04	5.53	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	40.96
7001	Cullet and other waste and scrap of			5		0.00	-0.45	1.08	11.10	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.35
7102	Diamonds worked/not worked but not	3				14.14	0.75	0.00	12.66	0.00	0.56	0.00	0.00	0.05	0.01	0.00	0.20	1.11
7314	Cloth (endless bands), frill, netting,				7	0.00	-0.95	0.01	10.69	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	53.36
7402	Unrefined copper; copper anodes for	6	1			5.04	0.99	0.00	8.50	3.90	0.94	0.00	0.00	0.00	7.11	0.00	2.42	1.10
7901	Unwrought zinc	8	8			2.77	0.96	0.00	6.36	1.99	0.72	0.00	0.00	0.00	0.00	0.00	0.68	1.12
8202	Hand saws, blades for saws of all				10	0.03	-0.58	0.00	8.44	0.00	0.00	0.00	0.00	1.28	0.00	0.00	0.02	28.75
8532	Electrical capacitors, fixed,				8	0.00	-0.99	0.01	12.14	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	52.40
8602	Other rail locomotives; locomotive			1		0.07	-0.08	1.83	10.92	0.00	0.00	0.00	0.00	0.00	0.27	0.00	0.05	1.99
9113	Watch straps, bands, bracelets, and				6	0.00	-1.00	0.00	1.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.01
9508	Roundabouts, shooting galleries,				4	0.00	-0.89	0.14	9.66	0.00	0.00	0.00	0.29	0.00	0.00	0.00	0.00	139.01
9609	Pencils (other than 96.08), crayons,			9		0.00	-0.55	0.89	5.95	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	2.41

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-25
Niger: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0507	Ivory, tortoise-shell, whalebone			8		0.00	0.56	1.53	-2.24	0.00	0.08	0.00	0.00	0.00	0.00	0.01	2.21	
0508	Coral; shells of molluscs,			1		0.00	-0.09	1.81	0.66	0.00	0.08	0.00	0.00	0.00	0.00	0.01	2.46	
0714	Roots and tubers with high starch		10			0.23	0.84	0.06	-2.80	0.00	0.19	0.00	0.00	0.00	0.00	0.08	1.05	
1006	Rice	6				1.71	0.47	0.04	12.04	0.00	0.00	0.00	0.00	0.00	0.17	0.00	1.03	
1101	Wheat or meslin flour	9	3			0.89	0.97	0.66	10.48	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.98	
1102	Cereal flours, (excl. wheat or		2			0.35	0.97	0.66	10.80	0.00	0.00	0.00	0.00	0.00	0.73	0.00	1.01	
1513	Coconut (copra), palm kernel or				10	0.00	-0.95	0.05	9.39	0.00	0.00	0.00	0.00	0.01	0.00	0.00	49.70	
1520	Glycerol (glycerine), glycerol		9			0.09	0.84	0.00	15.68	0.00	0.00	1.23	0.00	0.00	0.00	0.00	5.89	
1701	Cane or beet sugar and chemically	8				0.89	0.47	0.08	9.03	0.00	0.00	0.00	0.00	0.00	0.07	0.00	1.00	
1903	Tapioca and substitutes prepared		4			0.08	0.95	0.34	10.01	0.00	0.00	0.00	0.00	0.00	2.49	0.00	1.66	
2402	Cigars, cigarillos, cigarettes, etc				3	0.11	-0.36	0.08	7.50	0.03	0.00	0.00	0.00	0.56	0.02	0.00	82.84	
2605	Cobalt ores and concentrates		7			0.02	0.86	0.00	53.76	0.00	0.00	0.00	0.00	0.00	0.07	0.00	1.11	
2709	Petroleum oils and oils obtained	1				37.13	0.77	-0.07	13.61	0.00	0.02	0.00	0.00	0.00	0.00	0.33	0.04	2.56
2710	Petroleum oils, etc, (excl. crude);	5				1.77	-0.34	-0.06	12.03	0.00	0.00	0.00	0.00	0.00	0.01	0.00	1.33	
2711	Petroleum gases and other gaseous	3				3.31	0.08	0.00	16.59	0.00	0.03	0.00	0.00	0.00	0.00	0.00	1.50	
2828	Hypochlorites; commercial calcium			10		0.01	0.65	1.46	8.96	0.00	0.00	0.00	0.00	0.00	0.04	0.00	1.08	
2838	Fulminates; cyanates and		5			0.02	0.94	0.00	7.89	0.00	0.00	0.00	0.00	0.00	0.24	0.00	1.28	
2844	Radioactive chemical elements/	2	1			31.93	0.99	0.00	8.67	0.24	2.65	0.00	0.00	0.26	0.00	0.00	1.04	
2906	Cyclic alcohols and their			4		0.04	0.71	1.71	9.79	0.00	0.02	0.00	0.00	0.31	0.00	0.00	13.35	
2935	Sulphonamides				5	0.00	-1.00	0.00	13.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59.50	
3212	Pigments used for paint making;				7	0.00	-0.99	0.01	13.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55.44	
3301	Essential oils...; resinoids;				4	0.02	-0.23	0.73	6.88	0.00	0.00	0.00	0.39	0.00	0.00	0.00	71.72	
4003	Reclaimed rubber in primary forms		6			0.02	0.92	0.00	8.90	0.10	0.00	0.00	0.00	0.00	0.00	0.00	1.10	
4006	Other forms and articles of			6		0.01	0.63	1.61	6.80	0.00	0.00	0.00	0.00	0.00	0.09	0.00	1.28	
4414	Wooden frames for paintings,				9	0.00	-0.98	0.02	10.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52.64	
4812	Filter blocks, slabs and plates,				1	0.00	-0.83	0.00	12.69	0.00	0.00	0.00	0.48	0.00	0.00	0.00	529.43	
5101	Wool, not carded or combed			2		0.23	0.76	1.76	3.66	0.00	0.04	0.00	0.00	0.00	0.00	0.00	1.05	
5201	Cotton, not carded or combed	10				0.77	0.79	0.01	7.25	0.00	0.16	0.00	0.00	0.00	0.01	0.00	1.99	
5802	Terry towelling and similar woven				8	0.00	-0.50	0.01	6.04	0.00	0.00	0.23	0.00	0.00	0.00	0.00	54.06	
5806	Narrow woven fabrics; narrow fabric	4				1.86	0.37	0.65	10.11	0.00	0.00	0.00	0.00	0.00	0.55	0.00	0.99	
5908	Textile wicks for lamps...;			3		0.00	-0.10	1.73	-1.57	0.00	0.00	0.00	0.00	0.00	0.02	0.00	1.12	
6909	Ceramic wares for lab, chem etc.			7		0.02	-0.18	1.61	11.85	0.00	0.00	0.00	0.00	0.00	0.02	0.00	1.51	
7204	Ferrous waste, scrap remelting scrap	7				0.91	0.38	0.38	11.42	0.00	0.00	0.00	0.00	0.00	0.05	0.00	1.19	
8004	Tin plates, sheets and strip of a			9		0.00	0.56	1.52	7.02	0.00	0.02	0.00	0.00	0.00	0.00	0.00	1.63	
8102	Molybdenum and articles thereof,		8			0.04	0.85	0.87	12.86	0.47	0.00	0.00	0.00	0.00	0.00	0.00	3.51	
8430	Other moving, grading, machinery for				6	0.05	-0.28	0.04	9.25	0.00	0.00	0.62	0.00	0.00	0.01	0.00	58.64	
8432	Agri, horti, forestry machinery for				2	0.00	-0.83	0.13	8.94	0.00	0.00	0.05	0.00	0.00	0.00	0.00	107.35	
9613	Cigarette lighter, and other,			5		0.07	0.73	1.70	1.47	0.05	0.00	0.00	0.00	0.00	0.00	0.00	1.95	

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-26
Nigeria: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
0306	Crustaceans, fresh, chilled or frozen	7				0.31	0.18	0.00	4.83	0.03	1.65	0.03	0.00	0.00	0.10	0.02	0.47	1.30
0908	Nutmeg, mace and cardamoms				6	0.00	-0.97	0.00	12.21	0.00	0.00	0.00	0.00	0.87	0.01	0.00	0.00	66.71
1109	Wheat gluten			10		0.00	-0.64	0.18	9.40	0.00	0.00	0.00	0.00	0.49	0.00	0.07		2.40
1207	Other oil seeds and oleaginous	10	10			0.11	0.71	-0.03	7.99	0.02	0.43	9.89	0.00	0.01	1.47	0.08	1.96	1.73
1211	Plants and parts of plants, of a			7		0.01	-0.66	0.25	0.93	0.10	0.15	0.00	0.00	0.00	0.26	0.00	0.10	0.97
1212	Seaweeds, algae, sugar beet and			5		0.01	-0.23	0.35	3.64	0.00	1.29	0.01	0.00	0.00	0.07	0.00	0.41	1.20
1213	Cereal straw and husks			8	5	0.00	-0.46	0.23	2.80	25.94	0.00	0.00	0.00	0.00	2.00	0.00	0.13	75.29
1301	Lac; natural gums, resins, gum-		8			0.03	0.74	-0.03	4.07	1.39	2.19	0.25	0.00	0.00	3.33	0.14	2.17	0.76
1801	Cocoa beans, whole or broken, raw	4	2			1.31	0.91	0.00	13.58	1.84	12.37	0.76	0.00	7.71	2.15	1.03	7.60	0.76
2008	Fruit, nuts and other parts of				9	0.00	-0.98	0.00	6.89	0.00	0.00	0.00	0.28	0.00	0.00	0.00	0.00	39.91
2301	Flours, etc, of meat, fish, etc,				10	0.00	-1.00	0.00	3.50	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.77
2302	Brans, sharps and other residues,		7			0.09	0.80	0.00	5.07	14.67	0.00	0.00	0.00	0.00	6.29	0.00	3.42	1.53
2609	Tin ores and concentrates		6			0.05	0.83	0.02	0.67	0.00	0.05	0.00	0.00	0.00	8.50	41.06	8.41	1.69
2610	Chromium ores and concentrates			9		0.00	-0.70	0.20	8.03	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.06	0.94
2611	Tungsten ores and concentrates			2		0.00	-0.18	0.45	22.87	0.00	1.86	0.00	0.00	0.00	2.23	0.00	0.24	4.07
2615	Niobium, tantalum, vanadium or	8	4			0.20	0.87	0.02	16.54	8.51	0.29	4.27	0.00	0.00	10.82	5.68	5.44	0.78
2705	Coal gas, water gas, producer gas				3	0.00	-0.82	0.02	28.70	12.50	0.00	0.00	0.00	0.00	0.10	0.00	0.04	134.61
2709	Petroleum oils and oils obtained	1	3			88.33	0.88	-0.01	13.61	9.56	4.32	1.07	0.45	2.30	5.11	1.48	4.99	0.66
2710	Petroleum oils, etc, (excl. crude);	3				2.69	0.08	-0.11	12.03	1.64	0.06	0.22	0.00	0.54	0.21	0.02	0.39	1.40
2711	Petroleum gases and other gaseous	2				4.35	0.49	0.08	16.59	0.92	1.53	0.39	0.00	0.00	0.84	0.33	0.96	0.67
2802	Sulphur, sublimed or precipitated;				4	0.00	-0.83	-0.17	10.92	12.30	0.00	0.00	0.00	0.00	0.00	0.00	0.05	98.20
3002	Human blood; animal blood;				2	0.00	-1.00	0.00	18.85	0.00	0.00	0.00	0.34	0.00	0.00	0.00	0.00	159.11
4105	Sheep or lamb skin leather, without	6	5			0.32	0.85	0.00	5.53	2.95	13.10	0.31	0.00	0.00	0.65	0.08	4.42	1.10
4106	Goat or kid skin leather, without	5	1			0.33	0.92	0.00	10.24	0.02	15.07	0.17	0.00	0.00	1.79	0.24	8.33	0.94
4108	Chamois (incl. combination chamois) . . .		9			0.01	0.72	-0.05	12.63	0.00	4.62	0.00	0.00	0.00	0.15	0.00	2.10	1.02
4403	Wood in the rough or roughly square . . .	9				0.19	0.08	-0.12	0.73	0.05	0.03	0.00	0.00	0.00	1.27	0.02	0.41	1.19
4405	Wood wool; wood flour			1		0.00	-0.48	0.45	6.00	0.00	0.00	0.00	0.00	0.00	0.37	0.00	0.10	1.43
4907	New stamps; stamp-impressed paper; . .				1	0.00	-1.00	-0.08	22.42	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.00	162.87
5006	Silk yarn, put up for retail sale;			3		0.00	-0.61	0.39	15.38	0.00	0.00	0.00	0.00	0.00	0.24	0.00	0.11	1.04
6116	Gloves, mittens and mitts, knitted				8	0.00	-1.00	0.00	10.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	53.05
7106	Silver (plated with gold, platinum)			4		0.01	-0.63	0.37	10.56	0.00	0.00	0.00	0.00	0.00	0.34	0.00	0.07	1.65
8461	Machine-tools for planing, shaping,				7	0.00	-0.97	0.02	6.18	0.00	0.00	0.00	0.00	0.74	0.00	0.00	0.00	58.89
8906	Other vessels including warships,			6		0.00	-0.73	0.26	8.85	0.00	0.01	0.00	0.00	0.00	0.41	0.00	0.07	1.97

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-27
Republic of the Congo: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0306	Crustaceans, fresh, chilled or frozen . . .	7				0.31	0.18	0.00	4.83	0.03	1.65	0.03	0.00	0.00	0.10	0.02	0.47	1.30
0908	Nutmeg, mace and cardamoms				6	0.00	-0.97	0.00	12.21	0.00	0.00	0.00	0.00	0.87	0.01	0.00	0.00	66.71
1109	Wheat gluten			10		0.00	-0.64	0.18	9.40	0.00	0.00	0.00	0.00	0.49	0.00	0.07	2.40	
1207	Other oil seeds and oleaginous	10	10			0.11	0.71	-0.03	7.99	0.02	0.43	9.89	0.00	0.01	1.47	0.08	1.96	1.73
1211	Plants and parts of plants, of a			7		0.01	-0.66	0.25	0.93	0.10	0.15	0.00	0.00	0.26	0.00	0.10	0.97	
1212	Seaweeds, algae, sugar beet and			5		0.01	-0.23	0.35	3.64	0.00	1.29	0.01	0.00	0.00	0.07	0.00	0.41	1.20
1213	Cereal straw and husks			8	5	0.00	-0.46	0.23	2.80	25.94	0.00	0.00	0.00	0.00	2.00	0.00	0.13	75.29
1301	Lac; natural gums, resins, gum-		8			0.03	0.74	-0.03	4.07	1.39	2.19	0.25	0.00	0.00	3.33	0.14	2.17	0.76
1801	Cocoa beans, whole or broken, raw . . .	4	2			1.31	0.91	0.00	13.58	1.84	12.37	0.76	0.00	7.71	2.15	1.03	7.60	0.76
2008	Fruit, nuts and other parts of				9	0.00	-0.98	0.00	6.89	0.00	0.00	0.00	0.28	0.00	0.00	0.00	0.00	39.91
2301	Flours, etc, of meat, fish, etc,				10	0.00	-1.00	0.00	3.50	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.77
2302	Brans, sharps and other residues,		7			0.09	0.80	0.00	5.07	14.67	0.00	0.00	0.00	0.00	6.29	0.00	3.42	1.53
2609	Tin ores and concentrates		6			0.05	0.83	0.02	0.67	0.00	0.05	0.00	0.00	0.00	8.50	41.06	8.41	1.69
2610	Chromium ores and concentrates			9		0.00	-0.70	0.20	8.03	0.00	0.00	0.00	0.00	0.09	0.00	0.06	0.94	
2611	Tungsten ores and concentrates			2		0.00	-0.18	0.45	22.87	0.00	1.86	0.00	0.00	0.00	2.23	0.00	0.24	4.07
2615	Niobium, tantalum, vanadium or	8	4			0.20	0.87	0.02	16.54	8.51	0.29	4.27	0.00	0.00	10.82	5.68	5.44	0.78
2705	Coal gas, water gas, producer gas				3	0.00	-0.82	0.02	28.70	12.50	0.00	0.00	0.00	0.00	0.10	0.00	0.04	134.61
2709	Petroleum oils and oils obtained	1	3			88.33	0.88	-0.01	13.61	9.56	4.32	1.07	0.45	2.30	5.11	1.48	4.99	0.66
2710	Petroleum oils, etc, (excl. crude);	3				2.69	0.08	-0.11	12.03	1.64	0.06	0.22	0.00	0.54	0.21	0.02	0.39	1.40
2711	Petroleum gases and other gaseous	2				4.35	0.49	0.08	16.59	0.92	1.53	0.39	0.00	0.00	0.84	0.33	0.96	0.67
2802	Sulphur, sublimed or precipitated;				4	0.00	-0.83	-0.17	10.92	12.30	0.00	0.00	0.00	0.00	0.00	0.00	0.05	98.20
3002	Human blood; animal blood;				2	0.00	-1.00	0.00	18.85	0.00	0.00	0.00	0.34	0.00	0.00	0.00	0.00	159.11
4105	Sheep or lamb skin leather, without	6	5			0.32	0.85	0.00	5.53	2.95	13.10	0.31	0.00	0.00	0.65	0.08	4.42	1.10
4106	Goat or kid skin leather, without	5	1			0.33	0.92	0.00	10.24	0.02	15.07	0.17	0.00	0.00	1.79	0.24	8.33	0.94
4108	Chamois (incl. combination chamois) . . .		9			0.01	0.72	-0.05	12.63	0.00	4.62	0.00	0.00	0.00	0.15	0.00	2.10	1.02
4403	Wood in the rough or roughly square . . .	9				0.19	0.08	-0.12	0.73	0.05	0.03	0.00	0.00	0.00	1.27	0.02	0.41	1.19
4405	Wood wool; wood flour			1		0.00	-0.48	0.45	6.00	0.00	0.00	0.00	0.00	0.00	0.37	0.00	0.10	1.43
4907	New stamps; stamp-impressed paper; . . .				1	0.00	-1.00	-0.08	22.42	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.00	162.87
5006	Silk yarn, put up for retail sale;			3		0.00	-0.61	0.39	15.38	0.00	0.00	0.00	0.00	0.00	0.24	0.00	0.11	1.04
6116	Gloves, mittens and mitts, knitted				8	0.00	-1.00	0.00	10.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	53.05
7106	Silver (plated with gold, platinum)			4		0.01	-0.63	0.37	10.56	0.00	0.00	0.00	0.00	0.00	0.34	0.00	0.07	1.65
8461	Machine-tools for planing, shaping,				7	0.00	-0.97	0.02	6.18	0.00	0.00	0.00	0.00	0.74	0.00	0.00	0.00	58.89
8906	Other vessels including warships,			6		0.00	-0.73	0.26	8.85	0.00	0.01	0.00	0.00	0.00	0.41	0.00	0.07	1.97

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-28

Rwanda: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0303	Fish, frozen, (excl. those of 03.04)			5		0.16	0.17	1.16	5.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.08
0603	Cut flowers and flower buds for	5				1.27	0.82	-0.08	7.52	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.03	0.94
0813	Fruit, dried,			3		0.02	0.50	1.25	8.20	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.46
0901	Coffee; coffee husks and skins;	2	4			21.39	0.99	0.00	8.74	0.14	0.41	0.00	0.10	0.14	0.28	0.03	0.26	0.65
0902	Tea, whether or not flavoured	7	10			0.53	0.86	-0.01	5.97	0.03	0.06	0.01	0.00	0.02	0.08	0.00	0.03	0.96
1206	Sunflower seeds				4	0.00	-0.96	-0.67	11.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.54
2203	Beer made from malt				6	0.15	-0.51	0.00	10.16	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.00	17.66
2609	Tin ores and concentrates	4	2			2.39	1.00	0.00	0.67	0.00	0.00	0.00	0.00	0.00	1.60	6.04	1.59	1.35
2611	Tungsten ores and concentrates			3		0.39	1.00	0.00	22.87	1.62	6.80	0.00	0.00	0.00	0.00	0.00	1.61	1.49
2615	Niobium, tantalum, vanadium	3	1			19.51	1.00	0.00	16.54	1.82	0.95	2.12	0.00	0.00	3.75	17.60	2.85	2.06
2620	Ash and residues containing metals				9	0.03	0.21	-0.76	8.42	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.00	13.44
2709	Petroleum oils and oils obtained	1				42.16	0.82	0.01	13.61	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.02	1.71
2803	Carbon (carbon blacks and other			10		0.02	0.02	0.95	12.58	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.26
2815	Hydroxides and peroxides of sodium			7		0.07	0.54	1.10	11.70	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.17
2849	Carbides			9		0.11	0.84	0.96	7.43	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.01	2.13
3601	Propellant powders				7	0.00	-0.30	0.46	4.82	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	17.29
3808	Insecticides, rodenticides, and				8	0.14	-0.29	0.63	12.14	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.51
4103	Other raw hides and skins, fresh or		9			0.14	0.88	0.02	8.77	0.00	0.16	0.00	0.00	0.00	0.18	0.00	0.06	1.26
4702	Chemical wood pulp, dissolving		8			0.30	0.92	0.00	4.31	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.04	1.12
4801	Newsprint, in rolls or sheets			6		0.16	0.12	1.11	2.76	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.94
5403	Artificial filament yarn, nprs			8		0.15	0.81	1.00	2.61	0.02	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.28
5514	Woven fabrics, <85% synthetic fibre			2		0.03	0.40	1.34	5.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
6217	Other made up clothing accessories;				1	0.00	-0.99	0.00	10.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	63.29
7015	Clock or watch glasses, glasses for				2	0.00	-1.00	0.00	1.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.24
7018	Glass beads, imitation pearls,				3	0.00	-1.00	0.00	9.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.88
7108	Gold (platinum plated) unwrought,	10				0.42	0.21	-0.64	8.78	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.49
7206	Iron, non-alloy steel in ingots/	8	6			0.49	0.97	0.00	12.16	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.09	0.93
8001	Unwrought tin	9	7			0.42	0.95	0.49	1.72	0.00	0.00	0.00	0.00	0.00	0.31	0.00	0.06	1.83
8103	Tantalum and articles thereof,	6	5			1.04	0.97	-0.03	24.78	0.00	0.00	0.00	0.00	0.00	0.15	0.94	0.08	4.26
8527	Reception apparatus for radio-				5	0.07	-0.65	0.33	2.47	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	22.17
9004	Spectacles, goggles and the like,			1		0.07	0.40	1.40	10.18	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.26
9503	Other toys; reduced-size models,				10	0.00	-1.00	0.00	7.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.23
9507	Fishing rods, nets, butterfly nets			4		0.01	-0.39	1.21	5.20	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	2.39

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-29
São Tomé & Príncipe: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0302	Fish, fresh or chilled (excl. those	8				2.62	0.92	0.92	7.38	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	0.98
0303	Fish, frozen, (excl. those of 03.04	3				8.35	0.76	-0.06	5.11	0.00	0.18	0.01	0.00	0.00	0.00	0.11	0.03	2.55
0304	Fish fillets and other fish meat, f			10		0.16	0.34	1.27	9.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.07
0402	Milk and cream, concentrated or	10				2.06	0.94	0.00	5.80	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.98
1210	Hop cones and lupulin, fresh or		3			1.03	1.00	0.00	-3.52	0.00	0.44	0.00	0.00	0.00	0.00	0.00	0.12	1.38
1504	Fats and oils and their fractions,		9			0.24	0.96	0.03	7.75	0.00	0.03	0.00	0.00	0.00	0.05	0.00	0.01	1.31
1601	Sausages and similar products; food			2		0.25	0.90	1.81	10.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.95
1801	Cocoa beans, whole or broken, raw	1	2			23.22	1.00	0.00	13.58	0.00	0.22	0.03	0.00	1.43	0.00	0.11	0.15	3.28
2208	Undenatured ethyl alcohol of an				7	0.05	-0.57	0.01	5.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.01
2610	Chromium ores and concentrates				2	0.02	0.70	0.00	8.03	0.00	0.00	0.00	0.00	0.00	0.00	0.14	0.00	45.17
3916	Monofilament >1mm, rods, sticks and			6		0.07	-0.13	1.68	15.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.85
4016	Other articles of vulcanized rubber				9	0.08	-0.44	-0.04	12.23	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	12.72
4202	Trunks, suit-cases...; handbags...				6	0.00	-0.98	-0.04	7.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.47
4908	Transfers (decalcomanias)			5		0.03	-0.04	1.75	5.31	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.22
5504	Artificial staple fibres, not		7			0.48	0.97	0.00	6.78	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.01	1.08
5603	Nonwovens			8		0.20	0.60	1.51	10.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.05
6206	Women's or girls' blouses, shirts			9		0.17	0.36	1.31	1.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.11
6214	Shawls, scarves, mufflers,				4	0.00	-0.77	0.00	6.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.61
7020	Other articles of glass		10			0.44	0.96	0.52	14.03	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.01	1.33
7113	Jewelry and parts of precious				5	0.00	-1.00	-0.01	7.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.72
7310	Tanks, casks, drums, cans, boxes and			3		0.24	0.82	1.77	8.31	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.63
8302	Base metal mountings, fittings for				10	0.01	-0.79	0.15	12.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.30
8428	Other lifting, handling, loading,			7		0.17	-0.18	1.60	7.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.20
8445	Machines for prepar textile fibres,	7	6			3.15	0.98	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.03	0.94
8462	Machine-tools for working metal	9				2.49	0.26	-1.44	5.36	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.02	1.84
8471	Automatic data processing, magnetic,	6				3.28	-0.27	0.08	10.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.94
8519	Record/cassette players, other sound			4		0.60	0.04	1.77	3.02	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	2.31
8520	Magnetic tape recorders, apparatus				3	0.08	-0.10	0.79	-1.57	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	31.28
8802	Other aircraft, spacecraft, and space	5				4.52	0.77	0.27	6.92	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.02
8901	Cruise ships, excursion/ferry-boats,	4	8			4.63	0.96	1.12	8.98	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.01	1.35
8902	Fishing vessels; factory ships other			5		1.79	0.99	0.01	9.04	0.00	0.00	0.00	0.00	0.00	0.16	0.00	0.08	1.01
8908	Vessels and other floating	2	1			9.84	1.00	0.00	14.00	0.00	0.41	0.00	0.00	0.00	0.49	0.00	0.48	0.85
9027	Instruments, apparatus for physical				8	0.03	-0.70	0.10	11.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.13
9508	Roundabouts, shooting galleries,			1		0.06	-0.03	1.92	9.66	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	2.80
9601	Worked ivory, bone, tortoise-shell,		4			0.21	0.99	0.00	2.96	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.05	2.50
9701	Hand made decorative materials,				1	0.00	-0.91	-0.83	4.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	78.57

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-30
Senegal: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
0302	Fish, fresh or chilled (excl. those)	4	7			7.25	0.97	0.00	7.38	0.07	1.26	0.00	0.16	1.02	0.05	0.77	0.83	
0303	Fish, frozen, (excl. those of 03.04)	8				4.06	0.92	0.00	5.11	0.00	0.69	0.01	0.00	0.46	0.10	0.27	1.01	
0304	Fish fillets and other fish meat,	6				5.27	0.95	0.00	9.77	0.00	0.95	0.01	0.02	0.01	0.15	0.43	0.98	
0306	Crustaceans, fresh, chilled or frozen	5				5.60	0.93	0.00	4.83	0.00	1.04	0.00	0.00	0.01	0.01	0.28	1.37	
0307	Molluscs & aquatic invertebrates,	3	6			9.05	0.98	0.00	6.08	0.01	2.43	0.50	0.00	0.09	0.69	1.18	0.85	
0408	Birds' eggs, not in shell, and egg			6		0.00	-0.09	0.91	12.27	0.00	0.00	0.00	0.00	0.07	0.00	0.01	3.19	
0501	Human hair and waste, unworked			5		0.00	0.10	0.94	21.86	0.00	0.03	0.00	0.00	0.00	0.00	0.01	1.05	
0708	Leguminous vegetables, shelled or		5			1.54	0.99	0.00	11.94	0.01	2.92	0.00	0.00	0.00	0.10	1.91	0.94	
1206	Sunflower seeds			4		0.01	0.01	1.00	11.56	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.94	
1301	Lac; natural gums, resins, gum-		9			0.31	0.97	0.00	4.07	0.00	1.76	0.00	0.00	0.01	0.00	0.72	1.08	
1505	Wool grease and fatty substances			2		0.01	0.75	1.74	12.92	0.46	0.00	0.00	0.00	0.00	0.00	0.09	1.88	
1508	Ground-nut oil and its fractions	2	2			9.85	1.00	0.00	18.57	27.70	45.24	0.00	0.00	0.00	0.05	4.91	31.01	0.84
1604	Prepared or preserved fish; caviar	9				3.37	0.94	0.00	7.33	0.00	0.80	0.00	0.00	0.00	0.19	0.02	0.38	0.96
2305	Oil-cake and other solid residues,		1			2.17	1.00	0.00	-9.28	0.00	55.47	0.00	0.00	0.00	3.20	0.00	36.76	0.93
2501	Salt and pure sodium chloride; sea	10	8			2.20	0.97	0.01	7.55	0.00	0.00	0.00	0.00	0.00	4.79	0.00	1.10	1.57
2505	Natural sands of all kinds, (excl.)				1	0.00	-0.99	-0.09	8.46	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	129.52
2506	Quartz; quartzite			1		0.02	0.01	1.80	10.18	0.00	0.60	0.00	0.00	0.00	0.00	0.10	2.04	
2710	Petroleum oils, etc, (excl. crude);	7				4.06	0.07	-0.33	12.03	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.02	1.40
2715	Bituminous mixtures based on			9		0.02	0.54	0.80	2.74	0.00	0.00	0.00	0.00	0.09	0.00	0.04	1.06	
2809	Diphosphorus pentaoxide; phosphoric	1	4			14.09	0.99	0.00	7.85	0.00	0.00	0.00	0.00	0.00	9.98	0.00	5.89	0.96
2835	Phosphinates, phosphonates,				9	0.41	-0.31	-0.60	7.19	0.00	0.00	0.00	0.00	14.42	0.00	0.16	33.85	
3602	Prepared explosives, (excl.)		10			0.00	-0.20	0.78	13.88	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.03	
4905	Maps, etc (incl. atlases, wall maps)				10	0.00	-0.82	0.16	8.77	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	32.61
4906	Handwritten plans for			3		0.03	0.65	1.63	12.88	1.98	0.00	0.00	0.00	0.00	0.00	0.00	0.05	14.22
5811	Quilted textile products in the				2	0.00	-0.97	0.00	17.14	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	97.16
6704	Wigs, false beards, eyebrows and		10			0.62	0.97	0.00	10.45	0.23	3.53	0.00	0.00	0.75	0.21	0.01	0.63	1.89
7118	Coin				3	0.00	-0.99	0.00	80.09	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	68.96
7319	Sewing needles, for hand use needles				4	0.00	-0.99	-0.05	4.36	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	58.84
8004	Tin plates, sheets and strip of a		3			1.90	1.00	0.32	7.02	0.00	0.00	0.00	0.00	0.00	36.55	0.00	33.08	0.93
8410	Hydraulic turbines, water-wheels and			7		0.05	0.18	0.87	7.96	0.00	0.02	0.00	0.00	0.00	0.09	0.00	0.06	0.90
8801	Balloons, dirigibles; gliders, hang			8		0.00	0.16	0.84	12.85	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.03	1.99
9017	Drawing, marking equipments not				8	0.00	-0.98	0.00	2.35	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	39.81
9307	Swords, cutlasses, bayonets, lances,				7	0.00	-0.82	-0.16	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00	41.05
9705	Scientific collections and				5	0.00	-0.76	0.07	7.96	0.00	0.00	0.18	0.00	0.00	0.01	0.00	0.00	47.76
9706	Antiques of an age exceeding one				6	0.00	-0.97	-0.31	4.61	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	43.85

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-31
Seychelles: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0302	Fish, fresh or chilled (excl. those	10				0.99	0.80	-0.01	7.38	0.23	0.04	0.09	0.00	0.00	0.02	0.02	0.05	1.56
0303	Fish, frozen, (excl. those of 03.04	2	2			21.46	0.98	0.00	5.11	0.41	1.05	0.41	0.00	0.00	1.02	0.02	0.66	0.74
0304	Fish fillets and other fish meat,	3				3.46	0.84	-0.09	9.77	0.76	0.07	0.00	0.00	0.00	0.01	0.03	0.12	2.14
0306	Crustaceans, fresh, chilled or frozen	6				1.58	0.71	0.04	4.83	0.00	0.11	0.02	0.00	0.00	0.00	0.00	0.04	1.16
0701	Potatoes, fresh or chilled			4		0.02	-0.06	0.76	15.27	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	1.45
0906	Cinnamon and cinnamon-tree flowers		5			0.09	0.96	-0.01	-0.49	0.00	1.09	0.00	9.14	0.80	0.03	0.03	0.22	15.79
1212	Seaweeds, algae, sugar beet and			1		0.02	0.42	1.38	3.64	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.01	1.22
1604	Prepared or preserved fish; caviar	1	1			56.51	1.00	0.00	7.33	0.00	6.03	0.00	0.00	0.00	0.07	0.16	2.68	1.03
2001	Vegetables, fruit, etc, preserved			9		0.10	0.40	0.62	11.06	0.00	0.00	0.00	0.00	0.00	0.30	0.00	0.04	2.74
2301	FLOURS, etc, of meat, fish, etc,	9	8			1.07	0.92	0.01	3.50	0.00	0.02	0.48	2.10	0.00	0.16	0.07	0.12	6.61
2504	Natural graphite		7			0.10	0.92	-0.03	3.51	0.89	0.00	0.00	0.00	0.00	0.00	0.00	0.15	2.09
2708	Pitch and pitch coke, obtained from		3			0.32	0.97	0.00	8.94	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.18	1.03
2710	Petroleum oils, etc, (excl. crude);	5				2.06	-0.33	0.27	12.03	0.02	0.01	0.00	0.00	0.00	0.01	0.00	0.01	1.37
2815	Hydroxides and peroxides of sodium			7		0.03	-0.13	0.67	11.70	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.22
2911	Acetals and hemiacetals and their		6			0.03	0.94	-0.05	3.63	0.00	0.00	0.00	0.00	0.00	0.54	0.00	0.13	1.56
2924	Carboxamide-function; amide-				7	0.00	-0.98	0.00	4.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.10
2938	Glycosides and their salts, ethers,				2	0.00	-0.99	0.00	4.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	69.96
3102	Mineral or chemical fertilizers,	7	9			1.32	0.87	0.00	11.14	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.09	1.04
3912	Cellulose and its chemical			8		0.02	-0.26	0.65	9.31	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.04
5007	Woven fabrics of silk or of silk				10	0.00	-0.99	-0.06	-2.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.51
5210	Woven cotton fabrics with man-made				9	0.00	-0.96	0.00	6.71	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	26.64
5212	Other woven fabrics of cotton,				4	0.00	-0.87	-0.10	14.37	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	55.33
5309	Woven fabrics of flax				3	0.00	-0.99	-0.02	9.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55.19
7114	Articles of gold/silversmiths wares			10		0.00	-0.42	0.54	3.07	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.83
7118	Coin				1	0.00	-0.91	0.02	80.09	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	106.82
8215	Spoons, forks, skimmers, cake-servers,			2		0.03	0.21	1.17	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	1.99
8453	Machinery for preparing, tanning			3		0.01	-0.12	0.76	-3.93	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.96
8462	Machine-tools for working metal				6	0.01	-0.86	0.13	5.36	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	46.06
8520	Magnetic tape recorders, apparatus				8	0.00	-0.99	-0.07	-1.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.65
8548	Electrical parts, machinery not else			5		0.02	-0.20	0.73	5.36	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.21
8903	Yachts, other vessels for pleasure/			6		0.05	-0.15	0.70	14.96	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.97
9018	Medical instruments, veterinary	4				3.02	0.67	0.19	12.93	0.04	0.06	0.00	0.00	0.00	0.00	0.00	0.03	0.91
9020	Other breathing appliances, gas mask	8				1.08	0.80	-0.04	11.37	5.61	0.05	0.00	0.00	0.05	0.00	0.01	0.45	4.45
9301	Military weapons, except revolvers,		4			0.30	0.96	0.00	11.83	0.00	0.00	0.00	0.00	0.00	1.46	0.00	0.29	1.80
9508	Roundabouts, shooting galleries,		10			0.21	0.87	-0.04	9.66	0.00	0.37	0.00	0.00	0.00	0.00	0.00	0.09	1.52
9705	Scientific collections and collect				5	0.00	-0.76	-0.38	7.96	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	50.62

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-32
Sierra Leone: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							Norm. SD	
										US	EU	JPN	AUS	CND	LMI	ROW		World
						Percent	Index											
0303	Fish, frozen, (excl. those of 03.04)	8				1.52	0.67	0.07	5.11	0.00	0.00	0.03	0.00	0.00	0.02	0.03	0.02	0.87
0502	Pigs'... bristles; brush making				7	0.00	-0.63	0.00	7.53	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	44.16
0508	Coral; shells of molluscs,		9			0.04	0.94	0.05	0.66	0.00	0.34	0.00	0.00	0.00	0.10	0.00	0.11	1.17
1210	Hop cones and lupulin, fresh or		5			0.11	0.95	0.23	-3.52	0.00	0.38	0.00	0.00	0.00	0.00	0.00	0.10	1.38
1403	Vegetable materials used primarily		2			0.06	0.98	0.00	-1.15	0.12	0.69	0.00	0.91	0.00	0.33	0.00	0.29	1.18
1801	Cocoa beans, whole or broken, raw	5	6			2.10	0.95	0.00	13.58	0.00	0.16	0.00	0.00	0.29	0.06	0.00	0.10	1.09
1802	Cocoa shells, husks, skins and		1			0.08	0.99	0.00	22.31	0.00	1.07	0.00	0.00	0.00	0.00	0.00	0.51	1.02
2208	Undenatured ethyl alcohol of an	4				3.19	0.87	0.35	5.64	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.05	1.09
2301	Flours, etc, of meat, fish, etc,			4		0.08	0.43	1.34	3.50	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.03
2302	Brans, sharps and other residues,		7			0.31	0.95	0.26	5.07	0.82	0.00	0.00	0.00	0.00	0.21	0.00	0.10	2.96
2815	Hydroxides and peroxides of sodium			7		0.07	0.33	1.24	11.70	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.22
2824	Lead oxides; red lead and orange		10			0.06	0.94	0.71	7.72	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.09	0.99
2910	Epoxides... with a three-membered			2		0.06	0.44	1.40	11.09	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.01	18.41
2938	Glycosides and their salts, ethers,				5	0.00	-0.78	0.00	4.78	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	52.44
3908	Polyamides in primary forms			3		0.17	0.41	1.35	13.08	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.22
4107	Leather of other animals, without				3	0.01	-0.04	0.14	2.69	0.00	0.01	0.00	0.00	0.63	0.00	0.00	0.00	71.57
5511	Yarn (excl. sewing thread) of man-			10		0.00	0.29	1.11	8.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.11
6301	Blankets and travelling rugs			6		0.05	0.51	1.27	11.90	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	1.94
6704	Wigs, false beards, eyebrows and				4	0.01	-0.46	0.91	10.45	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	62.18
7002	Glass in balls (other than			9		0.05	0.43	1.21	9.65	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	2.76
7101	Pearls natural, cultured, graded/				6	0.00	-0.99	0.00	8.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45.78
7102	Diamonds worked/not worked but not	1				25.54	0.91	0.00	12.66	0.01	0.22	0.00	0.00	0.01	0.00	0.00	0.08	1.11
7227	Bars and rods, hot-rolled, in			5		0.05	0.61	1.30	11.55	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.01	2.02
7320	Springs and leaves for springs, of				2	0.00	-1.00	0.00	10.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	107.31
8006	Tin tubes, pipes, tube or pipe		4			0.00	0.96	0.00	35.13	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.07	1.16
8404	Auxiliary plant for use with boiler			8		0.02	0.26	1.23	7.73	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.97
8473	Parts suitable for use solely or	6				1.68	-0.34	0.26	12.97	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.13
8509	Electro-mechanical domestic	7				1.63	0.69	0.17	11.26	0.00	0.08	0.00	0.00	0.05	0.00	0.00	0.03	1.04
8522	Parts and accessories of apparatus				1	0.00	-1.00	-0.01	6.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	172.65
8533	Electical resistors (rheostats,	9				1.16	0.41	0.34	7.70	0.01	0.16	0.00	0.00	0.04	0.00	0.00	0.04	1.54
8702	Motor vehicles for the transport of			1		0.30	0.55	1.54	11.61	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.06
8703	Motor cars and other motor vehicles	3				9.76	-0.47	-0.39	10.65	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	1.06
8705	Special purpose motor vehicles	10				1.12	0.92	0.41	8.82	0.00	0.15	0.00	0.00	0.00	0.00	0.04	0.06	1.03
8902	Fishing vessels; factory ships other		3			0.53	0.97	0.01	9.04	0.00	0.00	0.00	0.00	0.00	0.43	0.00	0.18	1.08
8908	Vessels and other floating				8	0.04	0.73	0.04	14.00	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.01	43.37
9401	Seats whether or not convertible	2	8			17.25	0.95	0.13	13.72	0.00	0.23	0.00	0.00	0.01	0.04	0.00	0.09	1.01
9701	Hand made decorative materials,				10	0.00	-0.94	0.02	4.64	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	40.19
9704	Postage, revenue stamps, postal				9	0.00	-0.27	-0.35	9.02	0.00	0.00	0.21	0.00	0.00	0.10	0.00	0.00	40.71

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-33
South Africa: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						<i>Percent</i>	<i>Index</i>			<i>Import market share (percent)</i>								
2601	Iron ores and concentrates,	10				1.60	0.76	0.00	7.18	0.26	3.99	4.65	0.00	0.00	5.20	2.04	4.12	0.68
2602	Manganese ores and concentrates, . . .		4			0.44	0.95	0.00	3.99	16.04	20.02	60.14	85.15	35.31	5.56	32.19	22.22	1.32
2604	Nickel ores and concentrates			9		0.03	0.52	0.33	21.17	1.32	0.00	0.00	0.00	4.30	26.64	0.00	2.49	3.76
2610	Chromium ores and concentrates		3			0.23	0.96	0.00	8.03	95.94	74.04	50.15	81.08	38.58	9.05	45.24	25.77	1.59
2612	Uranium or thorium ores and				1	0.00	-0.97	-0.50	661.22	0.00	0.00	0.00	0.00	0.04	0.20	20.47	0.01	1018.92
2614	Titanium ores and concentrates		8			0.46	0.94	0.00	7.42	28.76	19.87	6.40	0.00	47.99	6.18	21.40	19.19	0.79
2615	Niobium, tantalum, vanadium or		6			0.42	0.95	0.00	16.54	6.68	32.32	28.70	13.39	11.77	13.57	26.25	21.35	0.44
2616	Precious metal ores and concentrate . .		5			0.66	0.95	-0.01	12.50	0.00	31.36	0.00	0.00	3.86	2.82	2.04	22.21	0.88
2617	Other ores and concentrates			1		0.01	0.26	0.43	16.92	0.65	5.29	27.88	3.33	0.01	0.69	8.95	3.33	2.92
2618	Granulated slag (slag sand) from		7			0.11	0.94	-0.01	9.99	29.75	2.96	53.16	0.00	0.09	0.35	0.11	19.97	1.05
2619	Slag, dross, etc, from the		1			0.23	0.97	0.00	9.43	15.67	47.83	1.55	0.00	0.02	32.53	1.21	33.25	0.78
2701	Coal; briquettes, ovoids and	2				6.99	0.90	0.00	5.56	0.98	22.88	0.67	0.00	0.17	7.86	6.57	10.11	0.88
2710	Petroleum oils, etc, (excl. crude);	9				1.67	-0.16	0.05	12.03	0.04	0.02	0.01	0.29	0.00	1.45	0.11	0.42	1.22
2911	Acetals and hemiacetals and their				2	0.00	-0.81	-0.07	3.63	0.00	0.00	0.00	25.31	0.00	0.22	0.15	0.06	157.35
4301	Raw furskins (excl. raw hides and				7	0.00	-0.95	-0.07	8.21	0.08	0.00	0.00	2.36	0.01	0.05	0.00	0.01	63.00
4815	Floor coverings on a base of paper		2			0.00	0.80	0.42	6.79	0.00	0.21	0.00	0.00	0.00	12.27	0.00	6.53	0.98
5106	Yarn of carded wool, not put up for				6	0.00	-0.82	0.01	1.37	1.10	0.00	0.00	0.00	10.68	0.05	0.01	0.06	70.58
5110	Yarn of coarse animal hair or of				3	0.00	-0.28	0.40	12.33	36.06	0.61	0.00	0.00	0.00	0.52	0.00	0.72	18.53
5306	Flax yarn				7	0.00	-0.61	0.38	12.14	0.00	0.98	3.12	0.00	0.00	0.02	0.00	0.39	2.86
5405	Monofilament; strip and the like				4	0.00	-0.61	0.11	10.95	0.53	0.00	0.00	30.94	0.00	0.19	0.00	0.15	78.21
7102	Diamonds worked/not worked but not . .	4				6.47	0.73	0.02	12.66	4.02	7.59	0.10	1.59	1.85	2.42	0.45	4.08	0.69
7105	Dust, powder of natural, artificial			6		0.04	0.09	0.38	1.20	0.01	5.47	0.00	0.00	0.00	0.15	0.00	2.59	1.01
7108	Gold (platinum plated) unwrought,	3				6.92	0.89	-0.01	8.78	0.02	16.62	1.48	0.00	0.75	14.66	2.47	10.14	0.82
7109	Base metals/silver, clad with gold				5	0.00	-0.30	-0.12	-3.77	0.00	0.32	0.00	74.28	0.00	0.60	0.09	0.39	71.06
7110	Platinum, unwrought, in	1	2			10.85	0.96	0.00	13.56	36.57	25.41	54.30	12.52	17.70	23.50	11.90	28.50	0.50
7202	Ferro-alloys	6	10			3.45	0.93	0.00	10.12	21.91	13.94	20.73	31.50	23.04	5.35	19.85	15.49	0.55
7408	Copper wire				10	0.01	-0.80	0.03	12.94	0.01	0.00	0.00	8.48	0.00	0.12	0.13	0.06	51.84
7501	Nickel mattes, oxide sinters,				8	0.01	-0.70	-0.43	10.66	0.00	0.00	0.00	0.00	15.76	1.00	0.02	0.11	55.63
7506	Nickel plates, sheets, strip and foil				9	0.00	-0.78	-0.05	10.37	0.00	0.09	0.00	10.88	0.00	0.22	0.08	0.08	51.97
7601	Unwrought aluminum	8				2.08	0.68	-0.02	10.99	0.60	0.72	5.64	0.08	0.01	3.26	7.72	2.90	0.99
8004	Tin plates, sheets and strip of a				4	0.01	0.83	0.40	7.02	0.00	0.05	0.00	10.24	0.00	13.20	0.00	8.84	0.87
8006	Tin tubes, pipes, tube or pipe				5	0.00	0.24	0.39	35.13	0.00	0.00	0.00	0.00	0.00	5.85	0.00	1.47	1.46
8111	Manganese and articles thereof,			9		0.13	0.94	0.00	8.69	57.27	10.23	21.62	24.68	44.84	10.66	8.37	18.76	1.00
8421	Centrifuges, centrifugal dryers;	7				2.97	0.81	0.03	11.37	4.38	11.05	1.97	1.60	0.07	2.33	0.25	5.46	0.78
8703	Motor cars and other motor vehicles . . .	5				5.17	-0.02	0.11	10.65	0.21	0.44	6.26	3.73	0.00	0.73	0.67	0.54	4.61
8901	Cruise ships, excursion/ferry-boats,				3	0.00	-0.98	-0.41	8.98	1.13	0.00	0.00	0.01	0.00	0.02	0.00	0.00	89.86
8902	Fishing vessels; factory ships other				10	0.02	0.45	0.31	9.04	0.00	0.56	0.00	10.97	0.00	2.96	0.01	1.58	2.40
9301	Military weapons, except revolvers,				8	0.01	0.04	0.35	11.83	0.21	5.35	0.00	0.02	0.00	4.56	0.02	1.02	2.21

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-34
Swaziland: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg		Avg yearly growth in world mkt (93-03)	US	EU	JPN	AUS	CND	LMI	ROW	World	Norm. SD
							Avg SRCA (00-03)	yearly change in SRCA (00-03)										
						Percent	Index		Import market share (percent)									
0106	Other live animals,			3		0.03	-0.34	0.90	9.32	0.67	0.00	0.00	0.00	0.00	0.00	0.00	0.04	6.57
0805	Citrus fruit, fresh or dried	6	6			3.71	0.95	-0.01	8.78	0.00	0.40	0.78	0.00	0.03	0.06	0.01	0.29	1.03
1701	Cane or beet sugar and chemically	1	2			22.44	0.99	0.00	9.03	1.58	3.12	0.00	0.00	0.00	0.18	0.02	1.08	1.10
2008	Fruit, nuts and other parts of plan	7	7			2.68	0.95	0.00	6.89	0.04	0.54	0.04	0.16	0.07	0.01	0.00	0.26	0.86
2106	Food preparations not elsewhere	2	3			9.14	0.97	0.00	10.44	0.00	0.05	0.00	3.24	0.00	0.53	1.06	0.41	2.76
2825	Hydrazine...and inorganic salts;				2	0.00	-0.99	0.00	11.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	63.87
2938	Glycosides and their salts, ethers,				9	0.00	-0.94	0.06	4.78	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	52.37
3302	Mixtures of odoriferous substances	4	5			6.54	0.96	0.01	16.53	0.00	0.01	0.00	0.00	0.00	1.38	0.02	0.42	1.27
3306	Preparations for oral or dental				8	0.00	-0.97	-0.01	15.44	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	53.10
3404	Artificial waxes and prepared waxes			2		0.01	-0.52	0.94	9.17	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.33
4703	Chemical wood pulp, soda or	5	9			6.05	0.92	0.00	11.90	0.13	0.03	0.18	0.08	0.04	0.33	0.47	0.17	0.87
4704	Chemical wood pulp, sulphite, other		4			0.93	0.96	0.00	6.92	0.00	0.00	0.00	0.00	0.00	1.12	0.00	0.27	1.52
4907	New stamps; stamp-impressed paper;				1	0.00	-0.46	0.00	22.42	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	118.59
4908	Transfers (decalcomanias)			7	10	0.00	-0.60	0.75	5.31	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.00	49.40
5105	Wool and fine or coarse animal hair				4	0.04	0.26	0.00	7.22	0.00	0.00	0.00	0.00	1.31	0.00	0.00	0.01	58.05
5203	Cotton, carded or combed				3	0.00	-0.17	-0.81	10.92	0.00	0.00	1.65	0.00	0.00	0.01	0.00	0.01	63.79
5210	Woven cotton fabrics with man-made			4		0.01	-0.48	0.88	6.71	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	2.35
5402	Synthetic filament yarn, nprs	9				1.58	0.79	-0.04	9.19	0.00	0.13	0.00	0.25	0.00	0.01	0.00	0.06	1.53
5803	Gauze, other than narrow fabrics of			5		0.00	-0.50	0.76	3.47	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	3.97
5805	Hand-woven tapestries of the type			1		0.00	-0.04	1.14	1.86	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.01	4.92
6110	Jerseys, pullovers, cardigans and	3				8.24	0.88	0.01	8.19	0.31	0.00	0.00	0.00	0.00	0.00	0.02	0.11	1.10
6203	Men's or boys' suits, ensembles,	10				1.36	0.32	0.45	7.80	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.03	1.22
6204	Women's or girls' suits, ensembles,	8				1.64	0.21	0.49	8.53	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.02	1.21
7215	Other bars and rods of iron or			10		0.00	-0.68	0.63	6.73	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	1.37
7508	Other articles of nickel		10			0.13	0.92	0.00	9.67	0.00	0.00	0.00	0.00	0.00	0.30	0.01	0.11	1.10
8005	Packed, printed tin foils not exceed		8			0.02	0.94	0.00	17.00	0.00	0.00	0.00	0.00	0.00	0.90	0.00	0.15	2.12
8435	Presses, crushers machinery for		1			1.03	0.99	0.00	8.70	0.00	0.00	0.00	0.00	0.00	4.44	0.01	1.74	1.09
8440	Book-binding machinery, including			8		0.06	0.26	0.69	5.81	0.00	0.00	0.00	0.00	0.01	0.08	0.17	0.03	2.14
8459	Machine-tools for drilling, boring				5	0.15	0.25	-0.12	5.86	0.00	0.00	3.74	0.00	0.00	0.00	0.14	0.02	57.04
8507	Electric accumulators including				6	0.01	-0.88	-0.15	13.88	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	55.00
9111	Watch cases and parts thereof				7	0.00	-0.97	0.03	1.29	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	53.49
9113	Watch straps, bands, bracelets			6		0.00	-0.61	0.75	1.70	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	2.33
9706	Antiques of an age exceeding one			9		0.02	-0.55	0.63	4.61	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-35

Tanzania: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0304	Fish fillets and other fish meat,	1	5			17.18	0.98	0.00	9.77	0.21	2.75	0.50	1.95	0.00	0.44	0.78	1.43	0.74
0507	Ivory, tortoise-shell, whalebone		7			0.10	0.98	0.00	-2.24	0.41	4.33	0.81	0.00	0.03	3.22	0.27	1.05	1.55
0713	Dried leguminous vegetables,	10				2.32	0.95	0.01	6.79	0.05	0.46	0.00	0.00	0.00	0.77	0.44	0.61	0.76
0801	Coconuts, Brazil nuts and cashew	4	3			6.58	0.99	0.00	6.11	0.26	0.10	0.70	0.00	1.70	14.72	0.07	3.53	1.45
0901	Coffee; coffee husks and skins;	2				8.95	0.97	0.00	8.74	0.11	0.94	2.50	0.09	0.08	0.69	0.31	0.76	1.06
0903	Mate			4		0.00	-0.11	1.74	17.10	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.04	0.93
0907	Cloves		2			1.97	1.00	0.00	20.90	3.60	0.89	49.31	9.41	1.09	6.65	12.08	8.95	1.79
1207	Other oil seeds and oleaginous		9			1.50	0.98	0.00	7.99	0.00	0.00	5.52	0.00	0.00	0.66	0.00	0.97	1.96
1510	Other oils and their fractions,			7		0.00	0.51	1.51	21.17	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.03	3.61
1521	Vegetable waxes (excl. triglyceride		6			0.18	0.98	0.00	8.02	1.56	0.84	6.15	0.00	0.00	0.00	0.00	1.31	1.59
2401	Unmanufactured tobacco; tobacco	3	10			7.78	0.97	0.00	3.96	0.24	1.31	0.38	1.02	0.77	0.61	0.51	0.81	0.45
2505	Natural sands of all kinds, (excl.				1	0.00	-0.99	-0.07	8.46	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	446.63
2603	Copper ores and concentrates	7				3.71	0.86	0.05	8.84	0.00	0.00	1.63	0.00	0.00	0.03	0.34	0.42	1.37
2605	Cobalt ores and concentrates			3		0.01	-0.09	1.74	53.76	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.04	0.94
2616	Precious metal ores and concentrate	9				2.48	0.94	0.61	12.50	0.00	0.01	11.77	0.00	0.00	0.00	0.15	1.58	2.59
2617	Other ores and concentrates				8	0.00	-0.96	-0.06	16.92	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	41.32
2828	Hypochlorites; commercial calcium			5		0.01	0.56	1.55	8.96	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.04	1.08
3201	Tanning extracts of vegetable		8			0.27	0.98	0.00	4.45	0.00	0.33	0.00	0.00	0.00	1.90	0.24	1.05	0.90
4301	Raw furskins (excl. raw hides and				2	0.01	-0.52	-0.16	8.21	0.08	0.00	0.00	2.48	0.00	0.00	0.00	0.00	190.35
4413	Densified wood, in blocks, plates,				4	0.00	-0.84	0.02	7.46	0.04	0.00	0.00	0.20	0.00	0.00	0.00	0.00	77.36
5201	Cotton, not carded or combed	5				5.10	0.96	0.00	7.25	0.00	0.43	0.01	0.00	0.00	0.61	0.39	0.52	0.77
5304	Sisal, etc, raw or processed but		1			1.10	1.00	0.00	7.05	0.00	20.70	33.24	0.00	28.85	12.15	9.87	16.20	0.76
6804	Millstones, grindstones, grinding				5	0.00	-0.97	0.02	8.73	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	63.23
7018	Glass beads, imitation pearls,				6	0.00	-0.99	0.01	9.55	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	60.02
7102	Diamonds worked/not worked but not	8				3.41	0.49	0.10	12.66	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.04	1.12
7103	Precious, semi-precious stones	6	4			4.36	0.99	0.00	-1.76	1.59	0.65	0.06	0.25	0.14	6.38	0.38	1.61	1.32
7112	Waste, scrap of precious metal or of				10	0.03	-0.19	0.81	9.84	0.00	0.00	0.00	0.00	0.00	0.54	0.00	0.01	26.95
7118	Coin			8		0.01	0.77	1.29	80.09	0.00	0.22	0.00	0.00	0.00	0.00	0.00	0.09	1.09
8103	Tantalum and articles thereof,			10		0.02	0.17	1.17	24.78	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.02	2.91
8112	All the other base metals (beryllium				3	0.00	-0.99	0.02	12.52	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	88.98
8801	Balloons, dirigibles; gliders, hang		6			0.00	0.64	1.53	12.85	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.05	1.10
8901	Cruise ships, excursion/ferry-boats,		2			1.95	0.80	1.80	8.98	0.00	0.00	0.00	0.00	0.00	0.00	0.88	0.10	2.99
8902	Fishing vessels; factory ships other		9			0.13	0.88	1.26	9.04	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.17	1.21
9016	Balances of a sensitivity of 5cg				7	0.00	-0.57	-0.55	2.83	0.00	0.00	0.00	0.34	0.00	0.00	0.00	0.00	41.75
9201	Pianos, automatic pianos, harpsichord				9	0.01	-0.52	0.44	5.64	0.00	0.00	0.76	0.00	0.00	0.00	0.00	0.01	34.51
9301	Military weapons, except revolvers,			1		0.07	0.85	1.80	11.83	0.00	0.00	0.00	0.00	0.00	0.69	0.00	0.14	1.80

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-36
Uganda: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-03)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						Percent	Index											
0304	Fish fillets and other fish meat,	2	3			17.70	0.98	0.00	9.77	0.25	1.16	0.41	5.53	0.03	0.62	0.88	0.81	2.25
0305	Fish, salted, dried...; smoked fish;	10				0.97	0.91	0.03	5.10	0.00	0.00	0.00	0.00	0.00	0.03	0.73	0.14	1.82
0507	Ivory, tortoise-shell, whalebone		5			0.11	0.98	0.01	-2.24	0.00	1.06	3.65	0.00	0.00	1.36	0.25	0.61	2.09
0602	Other live plants, cuttings and	8				1.40	0.92	0.03	12.62	0.00	0.21	0.01	0.00	0.00	0.00	0.00	0.15	0.92
0603	Cut flowers and flower buds for	5	6			3.61	0.96	0.01	7.52	0.00	0.46	0.00	0.00	0.00	0.00	0.25	0.33	0.86
0801	Coconuts, Brazil nuts and cashew			8		0.02	-0.16	0.82	6.11	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	1.43
0901	Coffee; coffee husks and skins;	1	2			37.90	0.99	0.00	8.74	0.43	2.46	0.04	0.47	0.19	3.87	1.72	1.79	0.79
0903	Mate				5	0.00	-0.82	-1.07	17.10	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	42.62
0905	Vanilla	6	1			2.95	1.00	0.00	24.42	5.10	2.09	2.57	0.00	11.50	0.09	0.09	3.55	1.09
1205	Rape or colza seeds				1	0.00	-0.95	-0.01	8.02	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	78.67
1401	Vegetable materials of a kind used				4	0.00	-0.99	-0.48	1.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45.19
2401	Unmanufactured tobacco; tobacco	3	4			10.78	0.98	0.01	3.96	0.00	1.04	0.47	0.98	0.00	0.40	0.61	0.62	0.65
2502	Unroasted iron pyrites				2	0.00	-0.99	0.00	1.81	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	65.50
2530	Mineral substances not elsewhere			9		0.05	0.44	0.82	8.02	0.00	0.00	0.00	0.00	0.92	0.00	0.03	0.02	15.04
2601	Iron ores and concentrates,				10	0.00	-1.00	0.00	7.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.72
2611	Tungsten ores and concentrates		7			0.05	0.96	-0.02	22.87	0.77	3.47	0.00	0.00	0.00	0.00	0.00	0.71	1.69
2942	Other organic compounds,			1		0.05	0.68	1.59	4.71	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.03	0.94
3201	Tanning extracts of vegetable			5		0.02	0.75	1.00	4.45	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.04	0.98
3822	Composite diagnostic or laboratory				6	0.00	-0.97	0.00	18.14	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	33.73
4101	Raw hides and skins of bovine or	7	10			2.67	0.95	0.02	5.57	0.00	0.05	0.00	0.00	0.00	0.02	0.98	0.26	1.36
4903	Children's picture, drawing or			6		0.01	-0.43	0.99	6.33	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00	6.79
5201	Cotton, not carded or combed	4	9			4.76	0.95	0.00	7.25	0.00	0.78	0.05	0.00	0.00	0.13	0.76	0.28	1.19
5202	Cotton waste (incl. yarn waste and				8	0.00	-0.66	-0.05	7.82	0.00	0.00	0.12	0.00	0.00	0.00	0.00	0.00	30.25
5309	Woven fabrics of flax			7		0.02	0.01	0.98	9.50	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.01	1.19
6209	Babies' garments and clothing				3	0.00	-0.94	0.05	9.12	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	45.76
6215	Ties, bow ties and cravats			3		0.02	0.18	1.18	2.19	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.01	5.46
7613	Aluminium containers for compressed			10		0.00	-0.10	0.75	5.64	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.01	1.38
8105	Cobalt mattes, intermediate prdts of	9	8			1.03	0.96	0.07	6.56	0.43	0.09	0.17	0.00	0.00	1.29	0.55	0.43	1.01
8532	Electrical capacitors, fixed,				9	0.00	-0.99	0.00	12.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.74
9016	Balances of a sensitivity of 5cg			4		0.01	0.38	1.11	2.83	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.01	1.35
9701	Hand made decorative materials,				7	0.01	-0.84	0.01	4.64	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	30.89
9702	Original engravings, prints,			2		0.02	0.70	1.47	1.93	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.03	1.33

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

Table E-37
Zambia: Revealed comparative advantage analysis

HS	Product	Rank by share of exports	Rank by SRCA (00-3)	Rank by SRCA trend (00-03)	Rank by Norm. SD	Share in co's trade (avg 00-03)	Avg SRCA (00-03)	Avg yearly change in SRCA (00-03)	Avg yearly growth in world mkt (93-03)	Import market share (percent)							World	Norm. SD
										US	EU	JPN	AUS	CND	LMI	ROW		
						<i>Percent</i>	<i>Index</i>											
0603	Cut flowers and flower buds for	8	8			3.01	0.96	0.00	7.52	0.03	0.61	0.00	0.02	0.00	0.19	0.38	0.45	0.78
0708	Leguminous vegetables, shelled or		5			0.93	0.98	0.00	11.94	0.09	1.64	0.00	5.78	0.00	0.24	0.14	1.09	1.81
1102	Cereal flours, (excl. wheat or		7	1		0.22	0.97	1.96	10.80	0.00	0.00	0.00	0.00	0.00	1.26	0.00	0.59	1.02
1104	Cereal grains otherwise worked			10		0.12	-0.33	0.65	2.35	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.10	0.95
1701	Cane or beet sugar and chemically	7				3.04	0.90	0.07	9.03	0.00	0.43	0.00	0.00	0.00	0.17	0.00	0.22	0.92
2401	Unmanufactured tobacco; tobacco	6				3.18	0.92	0.02	3.96	0.00	0.22	1.13	0.58	0.00	0.33	0.24	0.30	1.22
2502	Unroasted iron pyrites			2		0.00	0.78	1.76	1.81	0.00	0.00	0.00	0.00	0.00	0.38	0.00	0.09	1.58
2605	Cobalt ores and concentrates		4			0.67	0.98	-0.01	53.76	0.00	12.63	98.07	100.00	0.00	2.31	10.84	3.15	16.37
2615	Niobium, tantalum, vanadium or			8		0.10	0.83	0.83	16.54	0.00	0.00	0.00	0.00	0.00	0.33	0.00	0.10	1.23
2617	Other ores and concentrates				2	0.00	-0.54	0.17	16.92	0.00	0.01	0.00	0.52	0.01	0.13	0.00	0.00	51.12
2705	Coal gas, water gas, producer gas		10			0.00	0.95	0.00	28.70	0.00	0.00	0.00	0.00	0.00	0.59	0.00	0.38	0.95
3103	Mineral or chemical fertilizers,			4		0.06	0.70	1.32	8.35	0.00	0.00	0.00	0.00	0.00	0.11	0.00	0.06	0.96
4201	Saddlery and harness for any animal				9	0.00	-0.98	0.00	11.72	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	25.41
4301	Raw furskins (excl. raw hides and				1	0.00	-0.88	-0.14	8.21	0.02	0.00	0.00	0.13	0.00	0.00	0.00	0.00	75.39
4303	Articles of apparel, clothing				4	0.00	-0.97	0.00	5.76	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	39.30
4401	Fuel wood, in logs..., etc; wood				5	0.00	-0.90	0.01	4.09	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	29.30
5201	Cotton, not carded or combed	5				3.55	0.93	0.01	7.25	0.00	0.04	0.00	0.00	0.00	0.50	0.12	0.35	0.88
5205	Cotton yarn, with >=85% cotton, not	4				3.81	0.94	0.00	9.65	0.00	1.03	0.00	0.00	0.00	0.29	0.00	0.35	1.12
5805	Hand-woven tapestries of the type			7		0.00	0.31	0.88	1.86	0.08	0.07	0.00	0.00	0.00	0.00	0.00	0.04	0.98
5807	Labels, badges... of textiles, in				6	0.00	-0.92	0.07	10.25	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	28.83
7103	Precious, semi-precious stones	9	6			2.73	0.98	0.00	-1.76	0.36	0.22	0.03	0.02	0.24	4.84	0.50	0.92	1.77
7110	Platinum, unwrought, in				10	0.01	-0.95	-0.05	13.56	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	25.04
7118	Coin				3	0.00	-0.22	0.39	80.09	0.00	0.04	1.06	0.00	0.00	0.00	0.00	0.01	48.04
7316	Anchors, graphnels and parts thereof			6		0.00	0.08	1.07	9.59	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.01	1.52
7401	Copper mattes; cement copper		9			0.04	0.95	-0.01	31.33	0.00	0.00	11.05	0.00	0.00	1.34	0.00	0.61	6.52
7403	Refined copper and copper alloys,	1	2			40.14	0.99	0.00	7.12	0.00	0.25	16.78	0.00	0.00	4.50	2.83	2.17	2.69
7408	Copper wire	10				2.24	0.93	0.00	12.94	0.00	0.00	0.00	0.00	0.00	0.77	0.02	0.29	1.11
7409	Copper plates, sheets and strip of	3	3			10.29	0.99	0.01	9.71	0.00	0.00	0.00	0.00	0.00	5.24	0.17	1.92	1.12
7616	Other articles of aluminum				8	0.00	-0.99	-0.07	12.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.97
7803	Lead bars, rods, profiles and wire			5		0.00	0.52	1.30	1.71	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.03	1.03
8105	Cobalt mattes, intermediate prdts of	2	1			10.30	1.00	0.00	6.56	4.60	2.00	12.19	1.25	0.27	15.00	2.90	6.76	0.81
8602	Other rail locomotives; locomotive			3		0.03	0.56	1.42	10.92	0.00	0.00	0.00	0.00	0.00	0.11	0.00	0.04	1.25
9701	Hand made decorative materials,				7	0.00	-0.97	0.01	4.64	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	27.98
9704	Postage, revenue stamps, postal			9		0.00	-0.28	0.65	9.02	0.03	0.00	0.00	0.00	0.00	0.00	0.07	0.01	4.78

Source: World Bank, World Integrated Trade Solution database, retrieved Feb. 1, 2005; and Commission analysis.

APPENDIX F
STANDARD DATA DEFINITIONS AND SOURCES

Table F-1
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 1	GDP (current US\$, millions)	GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.	World Bank, "World Development Indicators."
	GDP growth (annual percent, based on local currency)	Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 1995 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	
	GDP per capita growth (annual percent, based on local currency)	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	
	Inflation, consumer prices (annual percent)	Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a fixed basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.	
	External debt, total (current US\$, millions)	Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.	
	Total debt service (percent of exports of goods and services)	Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Exports of goods and services includes income and workers' remittances.	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 1—Cont.	Exports of goods and services (percent of GDP)	Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labor and property income (formerly called factor services) as well as transfer payments.	World Bank, "World Development Indicators."
	Trade (percent of GDP)	Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product.	
	Official exchange rate (local currency unit per US\$, period average)	Official exchange rate refers to the exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).	
	Population, total (millions)	Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin.	
	Population growth (annual percent)	Annual population growth rate. Population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of the country of origin.	
	Labor force, total (millions)	Total labor force comprises people who meet the International Labour Organization definition of the economically active population: all people who supply labor for the production of goods and services during a specified period. It includes both the employed and the unemployed. While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general the labor force includes the armed forces, the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.	
	Labor force participation rate, total (percent)	Labor force refers to economically active persons aged 10 years and over, and includes the unemployed and the armed forces, but excludes housewives, students and other economically inactive groups. Definitions of sectors are identical to those in the macroeconomic indicators section.	African Development Bank, "Country Tables," found at www.afdb.org .

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 1—Cont.	Literacy rate, adult total (percent of people age 15 and above)	Adult illiteracy rate is the proportion of the population 15 years of age and older who cannot, with understanding, read and write a short simple statement on everyday life.	African Development Bank, "Country Tables," found at www.afdb.org .
	Primary school enrollment ratio, total (percent)	Enrollment (primary school) is the number of pupils enrolled at the primary level of education, regardless of age, expressed as a percentage of the population corresponding to the official school age of primary education in a given country. Where figures are more than 100 percent, total enrollment includes repeaters and pupils above and below the primary school age.	
	Secondary school enrollment ratio, total (percent)	Enrollment (secondary school) is the total number of students enrolled at the secondary level of education, regardless of age, expressed as a percentage of the population corresponding to the official school age of secondary education in a given country.	
	Land use, arable land (percent of total)	Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.	World Bank, "World Development Indicators."
	Gross capital formation (percent of GDP)	Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 1993 SNA, net acquisitions of valuables are also considered capital formation.	
	Gross fixed capital formation (percent of GDP)	Gross fixed capital formation (formerly gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. According to the 1993 SNA, net acquisitions of valuables are also considered capital formation.	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 1—Cont.	Foreign direct investment, net inflows (percent of GDP)	Foreign direct investment is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy.	World Bank, "World Development Indicators."
Table 5	Closing a business	"Doing Business" examines the time and cost of insolvency proceedings involving domestic entities. The data are derived from survey responses by local law firms, all members of the International Bar Association. Answers were provided by a senior partner at each firm, in cooperation with one or two junior associates.	World Bank, "Doing Business in 2005," found at http://rru.worldbank.org/DoingBusiness , retrieved Jan. 25, 2005.
	Getting credit	<p>"Doing Business" constructs measures on credit information sharing and the legal rights of borrowers and lenders. One set of indicators measures the coverage, scope, quality and accessibility of credit information available through public or private credit registries. A second set describes how well collateral and bankruptcy laws facilitate lending. Data on credit information sharing are built in two stages: first, the respective banking supervision authorities as well as public information sources are surveyed to confirm the presence/absence of public credit registries and private credit information bureaus. Second, when applicable, a detailed survey on the public or private credit registry's structure, laws, and associated rules follows to collect data in five areas: coverage of the market; scope of information collected and distributed; access to the data; quality of data; legal framework for information sharing.</p> <p>The credit information index measures rules affecting the scope, access and quality of credit information available through either public or private bureaus. A score of 1 is assigned for each of the following six features of the credit information system: (1) both positive and negative credit information (for example on payment history, number and kind of accounts, number and frequency of late payments, and any collections or bankruptcies) is distributed; (2) data on both firms and individuals are distributed; (3) data from retailers, trade creditors and/or utilities as well as financial institutions are distributed; (4) more than five years of historical data is preserved; (5) data on loans of above 1 percent of income per capita is distributed; and (6) by law, consumers have the right to access their data. The index ranges from 0 to 6, with higher values indicating that more credit information is available from either a public registry or a private bureau to facilitate lending decisions.</p> <p>The legal rights index measures the degree to which collateral and bankruptcy laws facilitate lending. It is based on data collected through research of collateral and insolvency laws supported by the responses to the survey on secured transactions laws. It includes three aspects related to legal rights in bankruptcy, and seven</p>	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 5—Cont.		<p>aspects found in collateral law. The indicators related to creditor rights in bankruptcy are based on the methodology of La Porta and others (1998). A score of 1 is assigned for each of the following features of the laws: (1) secured creditors are able to seize their collateral when a debtor enters reorganization—that is, there is no "automatic stay" or "asset freeze" imposed by the court; (2) secured creditors are paid first out of the proceeds from liquidating a bankrupt firm, as opposed to other parties, such as government or workers; (3) management does not stay in reorganization. An administrator is responsible for managing the business during reorganization, rather than the management of the bankrupt debtor; (4) general—rather than specific—description of assets is permitted in collateral agreements; (5) general—rather than specific—description of debt is permitted in collateral agreements; (6) any legal or natural person may grant or take security; (7) a unified registry including charges over movable property operates; (8) security provides priority outside of bankruptcy; (9) parties may agree on enforcement procedures by contract; and (10) creditors may both seize and sell collateral out of court. The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.</p>	<p>World Bank, "Doing Business in 2005," found at http://rru.worldbank.org/DoingBusiness, retrieved Jan. 25, 2005.</p>
	Enforcing contracts	<p>The indicators on enforcing contracts measure the efficiency of the judicial (or administrative) system in the collection of overdue debt. The data are built following the step-by-step evolution of a payment dispute either before local courts or through an administrative process, if such a process is available and preferred by creditors. The data are collected through research of the codes of civil procedures and other court regulations, as well as surveys to local litigation lawyers. At least two lawyers participate in each country and, in a quarter of the countries, judges complete the survey as well. To ensure comparability, survey respondents are provided with significant detail, including the amount of the claim, the location and main characteristics of the litigants, the presence of city regulations, the nature of the remedy requested by the plaintiff, the merit of the plaintiff's and the defendant's claims, and the social implications of the judicial outcomes.</p>	
	Registering a property	<p>"Doing Business" covers the full sequence of procedures necessary to transfer the property title from the seller to the buyer when a business purchases land and a building in a peri-urban area of the country's most populous city. Every required procedure is included, whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf. Local property lawyers and property registries provide information on required procedures, as well as the time and the cost to fulfill each of them. In most countries, the data are based on responses by lawyers and officials in the property registries.</p>	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 5—Cont.	Starting a business	<p>“Doing Business” records all generic procedures that are officially required for an entrepreneur to start an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. The survey divides the process of starting a company into distinct procedures, and calculates the costs and time necessary for accomplishing each procedure under normal circumstances. Information is also collected on the sequence in which procedures may be completed and whether procedures may be carried out simultaneously. The assumption is that the required information is readily available and that all government and non-government entities involved in the process function efficiently and without corruption.</p>	<p>World Bank, “Doing Business in 2005,” found at http://rru.worldbank.org/DoingBusiness, retrieved Jan. 25, 2005.</p>
	Employment	<p>“Doing Business” focuses on the regulation of employment, specifically the hiring and firing of workers and the rigidity of working hours. The data on hiring and firing workers are based on a detailed study of employment laws and regulations, as well as relevant constitutional provisions. The employment laws of most countries are available online in the NATLEX database, published by the International Labour Organization. Constitutions can be found through the law library of the U.S. Congress. In all cases, actual laws and secondary sources are used to ensure accuracy. Conflicting answers are further checked in two additional sources, including a local legal treatise on employment regulation. Secondary sources include the International Encyclopedia for Labour Law and Industrial Relations and Social Security Programs Throughout the World. Finally, all data are verified and completed by local law firms through a detailed survey on employment regulations.</p> <p>The difficulty of firing index has eight components: (i) whether redundancy is not grounds for dismissal; (ii) whether the employer needs to notify the labor union or the labor ministry for firing one redundant worker; (iii) whether the employer needs to notify the labor union or the labor ministry for group dismissals; (iv) whether the employer needs approval from the labor union or the labor ministry for firing one redundant worker; (v) whether the employer needs approval from the labor union or the labor ministry for group dismissals; (vi) whether the law mandates training or replacement prior to dismissal; (vii) whether priority rules apply for dismissals; and (viii) whether priority rules apply for re-employment. If the answer to any question is yes, a score of 1 is assigned; otherwise a score of 0 is given. Questions (i) and (iv) have double-weight in the construction of the final index.</p> <p>The difficulty of hiring index measures (i) whether term contracts can only be used for temporary tasks; (ii) the maximum duration of term contracts; and (iii) the ratio of the mandated minimum wage (or apprentice wage, if available) to the average value-added per working population. A country is assigned a score of 1 if term contracts can only be used for temporary tasks, and a score of 0 if term contracts can be used for any task. A score of 1 is assigned if the duration of term contracts is</p>	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 5—Cont.		<p>3 years or less; 0.5 if the duration is between 3 and 5 years; and 0 if term contracts can be used for any task. A score of 1 is assigned if the duration of term contracts is 3 years or less; 0.5 if the duration is between 3 and 5 years; and 0 if term contracts can last more than 5 years. Finally, a score of 1 is assigned if the ratio of minimum wage to average value added per worker ratio is higher than 0.75; 0.67 for ratios between 0.50 and 0.75; 0.33 for ratios between 0.25 and 0.50; and a score of 0 if the ratio is below 0.25.</p> <p>The rigidity of hours index has five components: (i) whether night work is restricted; (ii) whether weekend work is allowed; (iii) whether the workweek consists of five-and-a-half days or more; (iv) whether the workday can extend to 12 hours or more (including overtime); and (v) whether the annual paid vacation days are 21 days or less. If the answer is no on any of these questions, the country is assigned a score of 1, otherwise a score of 0 is assigned.</p> <p>The rigidity of employment index is the average of three sub-indices: a Difficulty of Hiring index, a Rigidity of Hours index, and a Difficulty of Firing index.</p>	World Bank, "Doing Business in 2005," found at http://rru.worldbank.org/DoingBusiness , retrieved Jan. 25, 2005.
	Import tariffs	Average applied tariff rates (overall, agricultural, and nonagricultural) for most recent year available.	WTO, "Country Profile," November 2004, found at http://stat.wto.org/CountryProfile , retrieved Apr. 5, 2005.
Table 6	Economic freedom: Overall score	The Index of Economic Freedom includes the broadest array of institutional factors determining economic freedom: (1) corruption in the judiciary, customs service, and government bureaucracy; (2) nontariff barriers to trade, such as import bans and quotas as well as strict labeling and licensing requirements; (3) the fiscal burden of government, which encompasses income tax rates, corporate tax rates, and trends in government expenditures as a percent of output; (4) the rule of law, efficiency within the judiciary, and the ability to enforce contracts; (5) regulatory burdens on business, including health, safety, and environmental regulation; (6) restrictions on banks regarding financial services, such as selling securities and insurance; (7) labor market regulations, such as established work weeks and mandatory separation pay; and (8) informal market activities, including corruption, smuggling, piracy of intellectual property rights, and the underground provision of labor and other services.	The Heritage Foundation, 2005 Index of Economic Freedom Database, found at www.heritage.org .
	Trade policy	The trade policy score is based on a country's weighted average tariff rate—weighted by imports from the country's trading partners. The higher the rate, the worse (or higher) the score. Gathering data on tariffs to make a consistent cross-country comparison can be a challenging task. Unlike data on inflation, for instance, countries do not report their weighted average tariff rate or simple average tariff rate every year; in some cases, the last time a country reported its tariff data could have been as far back as 1993. To preserve consistency in grading the trade policy factor, this report uses the most recently reported weighted average tariff rate	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 6—Cont.		for a country from a primary source. If another reliable source reports more updated information on the country's tariff rate, this report notes this fact and may review the grading of this factor if there is strong evidence that the last reported weighted average tariff rate is outdated.	The Heritage Foundation, 2005 Index of Economic Freedom Database, found at www.heritage.org .
	Fiscal burden of government	The score for the fiscal burden of government has three components: the top marginal income tax rate, the top marginal corporate tax rate, and the year-to-year change in government expenditures as a share of GDP. The authors followed several steps in scoring this factor. First, a country's individual income tax score was assigned a score between 1 and 5 based on the top marginal income tax rate. Second, a country's corporate tax score was assigned a score between 1 and 5 based on the top marginal corporate tax rate. Third, a country was assigned a score between 1 and 5 based on the year-to-year change in government expenditures as a percent of GDP.	
	Government intervention in the economy	Government consumption as a percentage of GDP is evaluated separately from government production. First, the level of government intervention in the economy is determined. The higher the rate of government consumption as a percentage of GDP, the more resources the government is pulling from the private or free market and, therefore, the lower its level of economic freedom and the higher its Index score (lower ranking).	
	Monetary policy	This factor's score is based on a country's weighted average annual rate of inflation from 1994 to 2003. First, the Heritage Foundation weighted inflation rates for each of the past 10 years, giving the year farthest from the present the least weight and the current year the greatest weight. Then it calculated an average of these weighted rates. In some cases, data were not available for all 10 years; for these countries, the Foundation used as many years of data as were available. The reader should be aware that when governments have comprehensive price and wage controls, measured inflation probably is distorted.	
	Capital flows and foreign investment	This factor scrutinizes each country's policies toward foreign investment in order to determine its overall investment climate. Policies examined include the presence of a foreign investment code that defines the country's investment laws and procedures; whether the government encourages foreign investment through fair and equitable treatment of investors; whether there are restrictions on access to foreign exchange; whether foreign firms are treated the same as domestic firms under the law; whether the government imposes restrictions on payments, transfers, and capital transactions; and whether specific industries are closed to foreign investment. This analysis helps to develop an overall description of the country's investment climate. The Foundation then grades each country based on those variables.	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 6—Cont.	Banking and finance	The banking and finance factor measures the relative openness of a country's banking and financial system. The Foundation scores this factor by determining specifically whether foreign banks and financial services firms are able to operate freely, how difficult it is to open domestic banks and other financial services firms, how heavily regulated the financial system is, how great the presence of state-owned banks is, whether the government influences the allocation of credit, and whether banks are free to provide customers with insurance and invest in securities (and vice versa). The Foundation uses this analysis to develop a description of the country's financial climate.	The Heritage Foundation, 2005 Index of Economic Freedom Database, found at www.heritage.org .
	Wages and prices	The Foundation scores this factor by the extent to which a government allows the market to set wages and prices. Specifically, this factor looks at which products have prices set by the government and whether the government has a minimum wage policy or otherwise influences wages. The factor's scale measures the relative degree of government control over wages and prices. The lowest score of 1 represents wages and prices that are set almost completely by the market, whereas the highest score of 5 means that wages and prices are set almost completely by the government.	
	Property rights	This factor scores the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws. It also accounts for the possibility that private property will be expropriated. In addition, it analyzes the independence of the judiciary, the existence of corruption within the judiciary, and the ability of individuals and businesses to enforce contracts. The less certain the legal protection of property, the higher a country's score; similarly, the greater the chances of government expropriation of property, the higher a country's score.	
	Regulation	This factor measures how easy or difficult it is to open and operate a business. The more regulations that are imposed on business, the harder it is to establish one. The factor also examines the degree of corruption in government and whether regulations are applied uniformly to all businesses. Another consideration is whether the country has state planning agencies that set production limits and quotas. The scale establishes a set of conditions for each of the five possible grades. These conditions also include such items as the extent of government corruption, how uniformly regulations are applied, and the extent to which regulations impose a burden on business. A "very low" score of 1 indicates that corruption is virtually nonexistent and regulations are minimal and applied uniformly; a "very high" score of 5 indicates that corruption is widespread, regulations are applied randomly, and the general level of regulation is very high. A country need only meet a majority of the conditions for a particular score to receive that score.	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 6—Cont.	Informal market activity	This factor relies on Transparency International's (TI) Corruption Perceptions Index (CPI), which measures the level of corruption in 102 countries, to determine the informal market scores of countries that are also listed in the Index of Economic Freedom. As the level of corruption increases, the level of informal market activity rises as well. Citizens often engage in corrupt activity, such as bribing an official, so that they can enter the informal market. Because the CPI is based on a 10-point scale in which 10 equals very little corruption and 1 equals a very corrupt government, it was necessary to transform the CPI to a 5-point scale consistent with the other nine factors graded in the Index. To do this, the authors regressed the CPI on the informal market Index of Economic Freedom score. After estimating the relationship between the two variables, the authors substituted the CPI into the equation to arrive at a number between 1 and 5. They then rounded the numbers to the nearest half point (0.5 point). If 2003 Transparency International data were not available and 2002 TI data were available, the authors used the 2002 TI data.	The Heritage Foundation, 2005 Index of Economic Freedom Database, found at www.heritage.org .
Table 7	Roads, total network (km)	Total road network includes motorways, highways, and main or national roads, secondary or regional roads, and all other roads in a country.	World Bank, "World Development Indicators."
	Roads, paved (percent of total roads)	Paved roads are those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete, or with cobblestones, as a percentage of all the country's roads, measured in length.	
	Transport services (percent of service exports, BoP)	Transport (% of service exports, balance of payments basis) covers all transport services (sea, air, land, internal waterway, space, and pipeline) performed by residents of one economy for those of another and involving the carriage of passengers, movement of goods (freight), rental of carriers with crew, and related support and auxiliary services. Excluded are freight insurance, which is included in insurance services; goods procured in ports by nonresident carriers and repairs of transport equipment, which are included in goods; repairs of railway facilities, harbors, and airfield facilities, which are included in construction services; and rental of carriers without crew, which is included in other services. Service exports refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. International transactions in services are defined by the IMF's <i>Balance of Payments Manual</i> (1993), but definitions may nevertheless vary among reporting economies.	

Table F-1—Continued
Standard data definitions and sources

Table	Indicator	Definition	Source
Table 7—Cont.	Transport services (percent of service imports, BoP)	Transport (% of service imports, balance of payments basis) covers all transport services (sea, air, land, internal waterway, space, and pipeline) performed by residents of one economy for those of another and involving the carriage of passengers, the movement of goods (freight), rental of carriers with crew, and related support and auxiliary services. Excluded are freight insurance, which is included in insurance services; goods procured in ports by nonresident carriers and repairs of transport equipment, which are included in goods; repairs of railway facilities, harbors, and airfield facilities, which are included in construction services; and rental of carriers without crew, which is included in other services. Services imports refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. International transactions in services are defined by the IMF's <i>Balance of Payments Manual</i> (1993), but definitions may nevertheless vary among reporting economies.	World Bank, "World Development Indicators."
	Fixed line and mobile phone subscribers (per 1,000 people)	Fixed lines are telephone mainlines connecting a customer's equipment to the public switched telephone network. Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network.	
	Internet users (per 1,000 people)	Internet users are people with access to the worldwide web network.	
	Mobile phones (per 1,000 people)	Mobile phones refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network, per 1,000 people.	
	Telephone mainlines (per 1,000 people)	Telephone mainlines are telephone lines connecting a customer's equipment to the public switched telephone network. Data are presented per 1,000 people for the entire country.	
	Electric power transmission and distribution losses (percent of output)	Electric power transmission and distribution losses include losses in transmission between sources of supply and points of distribution and in the distribution to consumers, including pilferage. Production less transmission and distribution losses, own-use, and transformation losses, is equal to end-use electricity consumption.	
	Energy imports, net (percent of commercial energy use)	Net energy imports are calculated as energy use less production, both measured in oil equivalents. A negative value indicates that the country is a net exporter. Commercial energy use refers to apparent consumption, which is equal to indigenous production plus imports and stock changes, minus exports and fuels supplied to ships and aircraft engaged in international transport.	

Source: As cited. Compiled by the Commission.

