Africa Growth and Opportunity Act (AGOA)
CIVIL SOCIETY NETWORK

NEWSLETTER

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Building Relationships to Expand the Reach of AGOA in Africa and the US

INSIDE THIS ISSUE:

Network Member Notes:

♦ **The AGOA Civil Society Network is preparing for the next civil society session, and we want your feedback. Email—agoacsonet@democracy-africa.org for a link to our online poll. We appreciate everyone's loyal support and assistance**.

♦ **The Newsletter has changed from monthly to quarterly .**

2005 WTO Regime Set to Affect AGOA Countries

A Brief History:
From 1974 until the end of the Uruguay Round of WTO trade talks on April 15 1994, the Multi-fibre Arrangement (MFA) governed the textile sector. This agreement established quotas, which limited imports of textile and apparel products into countries whose domestic textile industries were under severe threat from increasing imports. These quotas, while protecting these developing countries' local markets violated the General Agreement on Tariffs and Trade (GATT's) preference for usage of customs tariffs instead of quantitative restrictions. In 1995, the WTO's Agreement on Textiles and Clothing (ATC) took over from the MFA, with a planned 10-year gradual elimination of these quotas. As of January 1, 2005, the textile sector has fully adopted the GATT rules. Quotas have ended and importing countries will no longer have the ability to discriminate between exporters.

The Problem for AGOA Countries:
According to a report in the Washington Post dated November 17, 2004, this overhaul will likely affect about 30 million jobs in the poorest countries, a substantial chunk of whom are AGOA countries. In addition, around USD$400 billion is reportedly at stake annually in direct export earnings for the developing countries. Some estimates are projecting that China could grab more than 50% of the worldwide textile and apparel production. As it stands now, China already is the largest textile exporter to the US garnering about $11.6 billion annually.

The initial effect on AGOA countries will likely be quite challenging. While the ATC poses a real threat to the textile industry development and jobs created in AGOA countries, optimists have pointed to the fact that the US will still impose custom tariffs under ATC, which will give AGOA countries an advantage in competition with China in the US market. The United States imposes an average tariff rate of 16% for imported textiles, and this, they say, will give AGOA countries a cost advantage over China; while others contend that China's efficiency and economies of scale may enable her to absorb the US custom tariffs and still hold the greater advantage. Many also argue that Chinese companies are not playing by fair trade rules. China operates a fixed exchange rate (1), pegging its currency at 8.4 Yuan to the dollar since 1994. The Fair Currency Alliance this year determined to investigate if this peg deliberately undervalues the Yuan, resulting in Chinese goods being imported at artificially low prices compounding the problem even further for AGOA countries and other competitors.

"This overhaul will likely affect about 30 million jobs in the poorest countries, a substantial chunk of whom are AGOA countries."

The adverse effects of this regime will not be confined to the US textile and apparel market. For AGOA countries, the family breadwinners who work in the factories have their households depending exclusively on their factory wages for survival. Because WTO member countries will not be able to enforce quantitative restrictions, it might mean that China will be able to penetrate those domestic markets and sell their apparel and textile more competitively than the domestic producers. This will drive the local factories out of business, and consequently result in thousands of individuals losing their jobs.

The Options:
Some groups are already voicing their concerns over the potential impact of the upcoming regime. In September 2004, The Global Alliance for Fair Trade in Textiles (GAFTT) called on the WTO to seriously consider reviewing the impact member countries will experience resulting from a Chinese monopoly on the textile industry. They are also urging for urgent implementation of the safeguard restrictions on China to curb this worrying trend. (2)

Earlier this year, Mauritius - an AGOA-eligible country - requested an emergency WTO session to discuss the looming potential market monopoly by

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Investors Start to Eye Africa: *Hurdles to Productive Foreign Investment Remain High*

Africa Renewal, United Nations — Usually, when investors look around for someplace to put their money, Africa is practically invisible. But at a time of uncertainty in global financial and capital markets -- and with natural resources such as oil in high demand -- a few are starting to give more than a passing glance in Africa's direction. In fact, inflows of foreign direct investment (FDI) to African countries increased in 2003 by 28 per cent from the year before, from $12 bn to $15 bn (see graph).

This put Africa in the uncustomary position of registering the highest growth rate for foreign investment of any region in the world, developing and developed alike, reports the UN Conference on Trade and Development (UNCTAD). The 2004 edition of the agency's annual World Investment Report, released in September, predicts that FDI flows to Africa will increase even further in 2004.

"The investment potential in Africa is huge," UN Under-Secretary-General and Special Adviser on Africa Ibrahim Gambari noted in October. "The rates of return on investment in Africa are possibly the highest in the world." However, both foreign and domestic investors face many obstacles in most African countries, he added, speaking to a meeting on the private sector and the New Partnership for Africa's Development (NEPAD), the continental development framework. "Supporting African countries' efforts to define and implement policies that can create an enabling environment for investment is therefore a top priority for the NEPAD initiative."

Though growing modestly, flows of foreign investment to Africa are still minuscule in relation to global FDI flows. In 2003, Africa's share was just 8.7 per cent of the $172 bn received by all developing countries combined.

NEPAD argues that Africa will need to raise more external financing for its ambitious development goals through a variety of means, including increased aid, deeper debt relief and expanded export revenues. But it also recognizes that foreign investment must make a greater contribution if the continent is to achieve economic growth rates high enough to reduce poverty.

According to UNCTAD, foreign investment is already a major source of outside financing for Africa. In 1990, FDI inflows were only around $2.5 bn, lagging far behind official development assistance and other official flows. But as aid disbursements declined steadily for most of that decade and as foreign investment grew modestly, the gap has disappeared. In 2002, FDI inflows accounted for 46 per cent of Africa's total external resource receipts. Taking the annual average over 2000-02, they even exceeded average official net resource flows.

Rise in clothing industry . . .

The geographic distribution of FDI inflows within Africa was more "broad-based" in 2003 than in any other year this decade, UNCTAD also reports. Several small African economies, including in least developed countries, shared in the growth in foreign investment.

One reason is that more African countries are benefiting from the US's Africa Growth and Opportunity Act (AGOA), which provides duty-free access to US markets for apparel and other products manufactured in eligible African countries. In addition to foreign investments in a large clothing factory in Namibia, set up in 2001, new investments have flowed into garment manufacturing in Swaziland, Mozambique and Mauritius. "The biggest winner was Lesotho," notes the report. Lesotho became the largest African apparel exporter to the US in 2003, with about 10,000 new jobs created that year.

In 2004, the US Congress ap-

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Wishes and horses for Africa: The lethal chasm between wind energy hype and reality

By Paul Driessen

"I would promote wind for power, not damming more rivers," says actor Ed Begley, Jr. It's low-cost, renewable, inexhaustible, eco-friendly and emits no greenhouse gases.

If banks and energy companies financed wind energy projects, they'd help protect wildlife and habitats, "instead of hurting the Earth for oil," intones the Rainforest Action Network.

If America devoted a mere 1% of its land area to wind turbine farms, it could generate 20% of its electricity from wind, asserts the American Wind Energy Association.

And if wishes were horses, beggars would ride.

Sadly, equine mirages don't make sound energy policy. They may generate good sound bites, political polemics and fund-raising appeals. But they don't generate much electricity.

In the United States, wind power accounts for less than 0.1% of the electricity produced by renewable sources. The hydroelectric projects Mr. Begley opposes generate 99% of all US electricity from renewables and 11% of all US electricity. It's easy to see why.

Wind energy is unreliable. Mother Nature doesn't always cooperate, and electricity produced on windy days cannot be stored for use during calm periods.

That means expensive gas-fired power plants must serve as backup, standing idle most of the time, but ready to kick in whenever the wind dies down. Otherwise brownouts and blackouts disrupt whatever depends on the wind-generated electricity: homes, schools, hospitals, assembly lines, offices, shops, traffic lights. Wind can supplement nuclear, hydro, coal, gas or oil power – but it's not an alternative.

Wind energy is expensive. England's Royal Academy of Engineering and Scotland's David Hume Institute found that wind farm electricity costs twice as much as nuclear or fossil fuel power (including facility decommissioning costs). Similar cost imbalances apply in the US, but subsidies, special tax treatment and laws requiring utilities to purchase wind-generated electricity mask its true costs, notes energy consultant Glenn Schleede.

Wind power is land-hungry. A single 555-megawatt gas-fired power plant in California generates more electricity in a year than do all 13,000 of the state's wind turbines, journalist Ron Bailey has calculated. The gas-fired plant

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US-Africa Updates

Starting January 1, 2005 **Burkina Faso** has been added to the list of AGOA-eligible "lesser developed" countries, and Cote d'Ivoire has been removed from the list of AGOA-eligible countries.

The reelection of President Bush has made many curious as to how the next four years will turn out in terms of Africa policy. For the time being, it looks like **AGOA** and the **Millennium Challenge Account** will be the primary avenues of US-Africa relations. Many friends of Africa in Washington are also eager for to hear recently appointed **Secretary of State Condoleezza Rice**'s Africa agenda.

EVENTS

Fourth US-sub-Saharan Africa Trade and Economic Cooperation Forum is scheduled to take place in Senegal this upcoming summer. More details on the civil society session will be in the Spring Edition of the newsletter or email-agoacsonet@democracy-africa.org for more information.

US-Africa Air Transportation Summit—June 13-15, 2005, Miami, FL USA

In the 21st century, direct air service is the critical precursor to meaningful trade development between two points. And on June 6-8, 2005, a summit organized by the Foundation for Democracy In Africa (FDA) in collaboration with and hosted by Miami International Airport will be held at the Sheraton Biscayne Bay Hotel in Miami, Florida, the purpose of which is to foster a partnership between air transport leaders in the U.S. and Africa to build direct air service between the two markets. The focus of the summit will be aviation safety and security in pursuit of Category 1, emerging challenges for U.S./Africa bilateral agreements, the marketing of Africa-to-U.S. direct air service, and an analysis of aviation infrastructure project profiles to sustain growth in air service. Collaborating on this summit are the U.S. Department of Transportation, U.S. Transportation Security Administration, International Civil Aviation Organization and the U.S. Trade and Development Agency.

The summit aims to assist in formulating for African government leaders, models to achieving Category I status; provide insight to assist government negotiators and airline stakeholders in Africa, Europe and the U.S. to succeed in air route agreements; provide airports in Africa the tools to market new air service to airlines and an opportunity to collaborate with U. S. airports to build routes between them; provide a forum for suppliers, financiers and developers of aviation infrastructure to network. Finally, the summit aims to be a catalyst to Africa's economic development through the development of a substantially greater number of direct flights between Africa and the U.S.

AfrICANDO 2005–June 16-18, 2005, Miami, FL USA

On January 1, 2005 the long expected Agreement on Textile and Clothing (ATC), under the World Trade Organization (WTO), became a reality, removing all existing quotas to textile and clothing into the United States, the European Union and Japan. This bold step among others, some believe, will accelerate the emergence of a global free-market system, creating widespread global opportunities.

On the other hand, others believe that the removal of quotas will erode the gains made by African countries who are beneficiaries of the U.S. preferential trade bill, the African Growth and Opportunity Act, (or AGOA III) which was recently renewed and signed into law by President George W. Bush, and is often referred to as the cornerstone of US-Africa trade relations.

The AfrICANDO 2005 conference will examine the effects of the **ATC** on the levels of trade activities between the US and the thirty-seven nations of Africa who are beneficiaries of AGOA, particularly in the areas of textile and clothing. The conference will also discuss the **Millennium Challenge Account**, a relatively new Presidential Initiative to assist developing countries. Participants and speakers will discuss how the nations of Africa can use this new initiative to address their development, and gain a competitive edge through investment in infrastructure, scientific research and the use of technology in order to address crippling unemployment, particularly among the youth, and issues relating to transportation and Port Security as they affect trade.

Who should attend: Manufacturers, Service providers, non governmental organizations, Banks, Shipping companies, freight forwarders, product distributors, airline officials, government representatives, international organizations, chambers of commerce, and universities.

For more information and booth reservations, please contact The Foundation for Democracy in Africa: 202-331-1333 or 305-416-9201 or info@democracy-africa.org

BOOK FORUM: The Collapse of Zimbabwe in the Wake of the 2000–2003 Land Reforms (Edwin Mellen Press, 2004) featuring the author **Craig Richardson** Associate Professor, Department of Economics, Salem College with comments by **Roger Bate** Fellow, American Enterprise Institute, Moderator, **Marian Tupy** Assistant Director, Project on Global Economic Liberty, Cato Institute Zimbabwe's general election comes at a time of unprecedented political and economic crisis. With the opposition violently suppressed, it is very likely that the government of Robert Mugabe will once again rig the March 31 poll. In the early years after its independence, Zimbabwe, with its vast wealth of minerals and rich farmland, seemed poised to be an African success story. ,

Today it is one of the most rapidly deteriorating countries in Africa. How did that happen? According to Craig Richardson, President Robert Mugabe's decision to seize commercial farmland in 2000 sent the country on a downward spiral, with foreign investors fleeing, unemployment skyrocketing, life expectancies dropping, and inflation reaching 500 percent. Please join us for a discussion of a book that Hernando de Soto called "crucially important… [in] letting us know how badly the ignorance of the role of property rights in development can hurt a nation." **Monday, March 28, 2005 12:00 noon** (Luncheon to follow)

Cato Book Forums and luncheons are free of charge. To register, visit www.cato.org, e-mail events@cato.org, fax (202) 371-0841, or call (202) 789-5229 ***by 12:00 noon, Friday, March 25***.

ProBiz 2005—May 5, 2005, Washington, DC

ProBiz 2005 is nationally recognized as the premier small and minority business procurement opportunity conference. This one-day event is co-sponsored by the U. S. Small Business Administration and the National Business League. ProBiz brings together small businesses with key procurement officials, financing resources, powerful information seminars, exhibits and leading policy decision-makers. This year's conference is expected to attract over 2,000 attendees from the Mid-Atlantic region. Key representatives from 18 local jurisdictions and independent entities exhibit their programs and procurement opportunities. The U.S. Small Business Administration encourages major federal agencies to participate in seminars and exhibits. ProBiz 2005 is held May 9, 2005 a the new Washington Convention Center in Washington, Dc. Registration begins at 8:00 am with a full day of workshops, displays, bank loans, contract financing, bonding, **franchise opportunities and international trading with Africa, the Caribbean and South American countries** continues through until 6:00 pm.

The Heritage Foundation's 28th Annual Resource Bank Meeting—April 28-29, 2005, Miami, FL The Heritage Foundation's Annual Resource Bank Meeting

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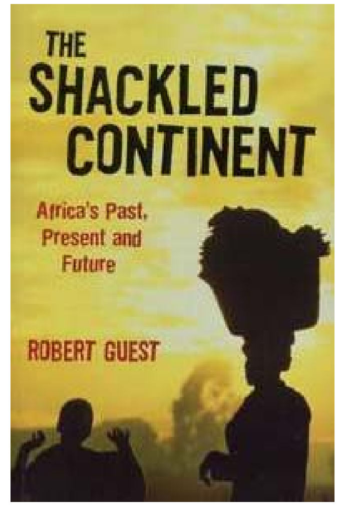
The Shackled Continent: *Economist* Africa Editor Robert Guest Speaks about Challenges Facing African Development in His New Book

Mr. Robert Guest—Africa editor for *The Economist* magazine based in London—recently gave a presentation on his book *The Shackled Continent*, which covers the reasons behind Africa's poverty and avenues for effective development. Guest's presentation—which was held at the Cato Institute in Washington, DC—commenced with a brief description of the state of the economies in African countries, noting that Africa seems to be the only continent experiencing painfully slow rates of economic development—with growth sometimes even negative. Guest noted this as especially appalling given that there is technology available for the countries to improve their situations, yet productivity is still very low.

A panel including Mr. Guest, Marian Tupy—Assistant Director, Project on Global Economic Liberty, Cato Institute and Ian Vásquez, Cato Institute discussed the various of influences (geopolitics, the history of colonialism, and the effects of global capitalism) behind the precarious situation the continent is in at the moment. Guest also stressed his opinion that African rulers were largely to blame for the problems afflicting the continent. "Men with power make the rules. They then use that power to extract rent from those that do not have power," he told participants.

Guest's presentation was also filled with humorous anecdotes. In illustrating the problem with African leaders, Mr. Guest left the audience in stitches when he recounted how the Zimbabwe President, Mr. Robert Mugabe won the national lottery some time back!

Mr. Guest shared his view that colonialism has been used as an excuse or "cop-out" for Africa's stagnation. To illustrate



his point, he gave the example of South Korea, which had a

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Wind Energy in Africa

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requires a mere 15 acres. The turbine forest impacts 105,000 acres.

Generating 20% of America's electricity with wind (what it currently gets from nuclear power) makes for good PR or barroom banter. But 1% of the United States is the state of Virginia –23,000,000 acres – whereas all the nuclear plants in the USA take up only 73,000 acres.

Wind farms ruin habitats and scenic vistas. Because most are located along escarpments and mountaintops, noisy, monstrous turbines the height of the Statue of Liberty destroy aesthetic values. Even wind energy advocates like Senator Ted Kennedy morph into vocal opponents when wind farms are proposed for Cape Cod or other sites in their own backyards.

Wind turbines kill. The growth of wind power represents "an imminent threat" to hundreds of bird species, to millions of birds and bats along West Virginia's Allegheny Front, says Congressman Alan Mollohan (D-WV). His concerns are echoed by the Audubon Society, Nature Conservancy, Bat Conservation International and Center for Biological Diversity. Just in Northern California's Altamont Pass, wind turbines kill thousands of birds every year, including 1,000 eagles, hawks, owls and other birds of prey, in violation of bird protection laws, they stress.

Now wonder wind plays a near-zero role in the United States and Europe. To impose this energy mirage on Kenya, Uganda, India, Bolivia and other impoverished nations would be a human and ecological disaster.

In those destitute lands, 2 billion people still don't have electricity. Nearly a billion struggle to survive on less than a dollar a day. In India alone, 150 million households rely on firewood, dung and agriculture waste for cooking, analyst Barun Mitra points out. These fuels are 20 times less efficient, 20 times more polluting, than electricity or natural gas.

As a result, four million children and mothers worldwide die every year from lung infections. Millions more perish from unsafe water, malnutrition and disease, in regions where clinics and hospitals are few and often have electricity only intermittently, if at all.

These communities desperately need abundant, reliable, affordable electricity – for basic necessities that wealthy countries take for granted, to create economic opportunities and jobs, and help them end the vicious cycle of foreign aid, corruption, poverty, disease and early death.

But in the name of protecting the planet from dams, fossil fuels, global warming and development that might lure people away from "indigenous lifestyles," Western activists continue to block energy projects. In their view, wind and solar are the only "appropriate" sources for these nations.

The Rainforest Action Network and International Rivers Network pressure banks and energy companies to abandon hydroelectric and fossil fuel projects, and support only renewables. Friends of the Earth is "proud" that it's stopped over 300 hydroelectric projects. The Earth Island Institute longs for the day when Africa's poor made clothing for their neighbors "on foot-pedal-powered sewing machines," and says "once they get electricity, they spend too much time watching television and listening to the radio."

Lavishly funded by foundations, governments and corporations, Greenpeace, Sierra Club and dozens of other activist groups likewise wage war on life-giving technologies.

But even if the Serengeti were blanketed with wind turbines, and millions of African birds were sacrificed annually to these Cuisinarts of the air, its poor families would be lucky to get a light bulb and radio for their mosquito-infested huts. Sustained development, modern schools and hospitals, offices and factories, and hope for the future would remain beyond reach.

Developing nations should not

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2005 WTO Regime to Affect AGOA Trade and Competitiveness

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China. In an informal meeting held in Geneva on August 4, 2004, Supachai Panitchpakdi, director general of the World Trade Organization announced there would be no emergency session to discuss the potential crisis. WTO ambassadors from seven countries - Mauritius, Bangladesh, Nepal, Lesotho, the Dominican Republic, Turkey and Sri Lanka - made statements supporting an emergency meeting. However, trade envoys from eight countries - China, Hong Kong, India, Brazil, Egypt, Indonesia, Pakistan and Thailand - said they opposed a meeting. (3)

Ongoing discussion seems necessary to find the way forward on this issue and the sooner, the better as there is likely to be a lot of acrimony as the regime comes into play and the effects of the ATC phasing out become tangible.

While the end of quotas poses a challenge to developing countries looking to compete with China, it will also undoubtedly provide opportunities for countries throughout the globe to better utilize their best comparative advantages as countries continually promote free, fair and open trading systems.

NOTES:
(1) China manipulates its currency — illegally — undervaluing the Yuan by about 40% of the US dollar. That's after direct government subsidies and the lack of child labor laws result in artificially low prices.

(2) Chinese explosion in textile and apparel exports has been well documented in recent months. In some areas Chinese exports have jumped 920% in the last 17 months.

(3) Visit http://www.sweatshopwatch.org/global/articles/wto2wwd_aug04.html for a detailed report on the meeting.

The Shackled Continent

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more traumatic colonial history, yet emerged from that successfully and is now 30 times richer than Zimbabwe.

To illustrate how characteristics of good leadership in African countries, Guest compared the economic growth of Zimbabwe and Botswana. At independence, Zimbabwe was miles richer than Botswana economically; However, presently, Zimbabwe is 3 times poorer than it was at independence, while Botswana is 9 times richer due to effective leadership.

The lack of an effective civil society was also cited as a major cause for slowed economic growth. An active civil society, Guest contended, has been accompanied by positive economic growth in other regions of the world, and African countries should foster its development by investing in civil society. Guest did note that in the last decade, Africa has grown more democratic, and there have been more peaceful transitions of regimes which has helped Africa's image.

The panel recommended that foreign aid be better administrated with a greater focus and account. The minimal relationship between countries that received aid and economic development attests to the need for better aid management. Because foreign aid can act as a disincentive to development, the panel emphasized that developing countries should follow sound fiscal, monetary and trade policies to improve their economic situations.

On the issue of trade, they advocated for developed countries to eliminate tariffs and quotas, and to ensure fair competition by eliminating the subsidies they give to their farmers. Africans, they concluded, can become rich, but they will have to enrich themselves rather than relying on outsiders. They also praised the recently extended AGOA bill, saying it would help African countries access American markets more easily by enhancing trade between the US and countries of Africa.

Robert Guest is The Economist's Africa editor, based in London. Before that, he was a roving Africa correspondent. His earlier jobs have included a spell as The Economist's healthcare correspondent, as Tokyo correspondent for the Daily Telegraph, and as a freelance writer based in South Korea. He is the author of The Shackled Continent, a book that tries to explain Africa's economic outlook and how countries of Africa can increase their wealth.

Africa's Investment Potential

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proved the extension of the overall AGOA programme until 2015. That makes it more likely, UNCTAD says, for foreign investors to expand their involvement in African countries and industries able to take advantage of the act.

. . . but oil remains the top prize
Nevertheless, FDI flows to Africa are still skewed overwhelmingly towards extractive industries, especially oil. The bulk of the increase in flows in 2003 was accounted for by oil exploration and extraction, especially in Algeria, Angola, Chad, Equatorial Guinea, Libya, Nigeria and Sudan. Out of the top 10 recipients of FDI inflows in 2002 and 2003, seven were oil producers.

Algeria has succeeded in beginning to diversify its investment flows into sectors other than oil, including steel, chemicals, pharmaceuticals and telecommunications. But few other sectors in most African oil producers have been able to attract serious investor interest. Since oil, mining and other extractive activities generally do little to stimulate production in other parts of the economy, such investments have only limited development benefits.

As African countries seek to draw investors into productive sectors such as manufacturing and agriculture, UNCTAD argues, they will need to further reform their investment codes and streamline cumbersome bureaucratic procedures for approving new investment projects.

Towards that end, UNCTAD has worked with nearly a dozen African countries to develop "investment policy reviews" that identify investor concerns, highlight priority reforms and seek to expand the linkages between investment and national development goals.

The reviews for Ghana, Lesotho and Uganda, for example, em-

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"The Doha Development Agenda (DDA) as a Catalyst for Growth": WTO Director General Supachai Panitchpakdi's Remarks to Nordic and African Ministers Promoting Broad-based WTO Member Involvement

Your Excellencies, Ladies and Gentlemen,

I would like to thank you for this opportunity to address African and Nordic Ministers. Nordic countries have an impressive record of supporting Africa's development and the objective of this initiative — to strengthen the dialogue on trade and development — is certainly highly commendable. I would also like to thank the Tanzanian authorities for their generous hospitality and excellent arrangements.

As this is my first visit to Africa this year, let me express my sincere thanks to all of you for working hard and providing the leadership we needed to reach agreement at the end of July last year. Your commitment to the multilateral trading system and your close personal involvement were instrumental in putting the Doha Development Agenda back on track. Clearly, the July Decision would not have been possible without the political will of all Members to cast aside entrenched positions. I firmly believe that the July Decision shows that the WTO can deliver and that a strengthened and dynamic multilateral trading system benefits each and every Member.

I do not think that I need to convince you of the importance of trade for development. I know that it is already well understood that trade and the DDA are vitally important to Africa's efforts to unlock the continent's economic potential. It is only the WTO through the DDA that can push through imperative, development-friendly reforms such as the elimination of agricultural export subsidies; substantial reduction in trade-distorting domestic support; and substantial improvements in market access including the reduction of tariff peaks and tariff escalation. It is only the WTO which can improve global rules for the conduct of trade, which is so necessary to complement development and poverty reduction strategies.

As you know, the negotiations have entered a new phase after the adoption of the July Decision. We are now focusing primarily on the technical work which needs to be done in each area to prepare the ground for the next steps in the DDA work programme. Of course, the dividing line between the technical and political is never a precise one. Many important political questions about the future progress of the DDA remain outstanding.

"[T]rade and the DDA are vitally important to Africa's efforts to unlock the continent's economic potential. It is only the WTO through the DDA that can push through imperative, development-friendly reforms such as the elimination of agricultural export subsidies; substantial reduction in trade-distorting domestic support; and substantial improvements in market access including the reduction of tariff peaks and tariff escalation"

Since July last year, I have had extensive direct contacts with Ministers, particularly in the Asia-Pacific Economic Cooperation (APEC) context but also in a number of bilateral meetings in Europe, Asia and Latin America. I am pleased to report to you that in all these contacts I have found a firm determination at the political level to press on vigorously with the negotiations and ensure that there is no wasted moment in 2005. I am sure you all share this determination. The challenge before us for the new year is how best to put it into practice.

Let me share with you some of the views that I have received on this issue.

First, there is a strong feeling that we need to intensify our work. Despite the positive atmosphere in which the negotiations have been conducted since July, the consistent message that I have received is that we should not be complacent. We must be alert to the monumental tasks that will confront us throughout 2005, if we are to have a successful Hong Kong Ministerial Conference.

Second, it is widely recognized that we need to advance the detailed work in the negotiating bodies but at the same time continue to keep an eye on the big picture. As I have said in Geneva, I believe that it will be timely and appropriate to invite the Trade Negotiations Committee early in 2005 to renew its collective consideration of the way forward for the DDA as a whole. This will help us to keep sight of the overall balance in the DDA and to gain an early understanding of our objectives for 2005, the Hong Kong Ministerial Conference and beyond.

Third, our past experience has shown us that we are best able to make progress when we have the full political involvement of Ministers. We need the help of Ministers to focus effectively on key problems and priorities. We need this involvement to generate the political momentum to make advances in sensitive and difficult areas. It is salutary that there has not been a significant hiatus or transition period after the achievement of the July Decision. The task is now to make full use of this time. The basic and technical work will be done in Geneva but it does need to be guided by Ministerial-level political input.

Fourth, I have heard on many occasions about the need for balanced results. The DDA is a single undertaking and it is clear that we will not be able to conclude this round unless we make progress across the board. A breakthrough in agriculture will unlock the DDA. But progress in agriculture alone is not sufficient. We need the other areas of the negotiations to also make progress. The network of linkages between different areas and issues is well known. We can certainly not afford to wait for results in agriculture before making further progress in NAMA, Services, Rules and all the other areas.

Fifth, we need to be ambitious but realistic in terms of our objectives for the Hong Kong Ministerial Conference. Setting our sights too low will inadvertently slow down the negotiations and put too much pressure on the Ministerial to make up for lost ground. At the same time, we should avoid generating expectations that cannot realistically be met. In my view, in order to have a good result at Hong Kong, we must seek to finalise 80 to 90 per cent of our work beforehand. This means that whatever objectives we set for Hong Kong we will need a work programme that can meet this expectation.

My final point, which follows on from the previous, is that in order to achieve a good result at Hong Kong, we must try to replicate if not improve on the work done in 2004. This means that we need to achieve some serious results before the August summer recess in Geneva. This gives us just under seven months. This is not much time.

Having set out the basis for our work in 2005, let me underscore what I see to be some of the key negotiating areas and issues where I believe we will need more focused attention.

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DDA and African Growth

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With respect to agriculture, while far-reaching commitments were agreed on all three pillars of the negotiations – domestic support, export competition and market access – there remains a number of gaps to be filled and thorny issues to be resolved.

On export competition, despite the important commitment to eliminating export subsidies, we still need to fix an end date. With respect to domestic support, while it is accepted that countries with higher subsidy levels will reduce much more than those with minimal subsidies, the actual level of commitments to be assumed still needs to be carefully negotiated. On market access, while agreement was reached that reductions would be made through a tiered formula, we still need to negotiate the actual percentage reductions to be made by developed and developing countries. We also need to establish which products can be designated as "sensitive" and "special" and agree on disciplines to ensure that flexibility in this area is not used to circumvent market access commitments.

I am fully aware of the economic, social and political importance of agriculture in Africa and of the related sensitivities, not least with regard to the erosion of tariff preferences. Some of these concerns are being addressed in the negotiations and of course, any outcome of the DDA will be implemented over many years, thus providing substantial time for adjustment.

I believe, however, that African countries should take a longer view in positioning themselves in the negotiations. Many African countries have substantial medium-to long-term export potential for many agricultural products, including processed products. Overall, liberalization of agricultural trade heralds potentially big gains for African countries. Elimination of export subsidization and substantial reductions in trade-distorting domestic support will improve the competitiveness of African producers on the world market. It will also be particularly important in view of the ongoing Economic Partnership Agreement negotiations with the EU which are aimed at eventually leading to mutual free trade. At some point in the future this will fully expose African countries to competition from EU producers. Only a successful result in the DDA negotiations can level the playing field before that day comes.

I should also note that progress is being made on the cotton issue, particularly in respect of the development-related matters. As you know, the trade-related aspects are currently being addressed as part of the work on agriculture modalities. I am hopeful that we will find an acceptable way to give specific treatment to the cotton issue.

With respect to tariffs on industrial products (NAMA), the framework is only a half way point towards a final agreement on modalities. We need to make more progress here, particularly as some countries have indicated that agricultural reform will be conditional upon market opening for their industrial goods. Much work remains to be done and difficult decisions need to be taken. Significantly, efforts need to be focused on agreeing the type of formula to be used to make reductions. We should try to be creative. Assuming an agreement is reached on the type of formula, the issue of the percentage reductions to be made by developed and developing countries also has to be negotiated. Other challenges are the thorny issue of preference erosion and whether participation in sectoral arrangements should be voluntary or mandatory.

In terms of preference erosion, the July Decision already instructs Members to take into consideration in their further work the particular needs of non-reciprocal preference receiving countries. However, there are other developing countries who are seeking tariff reductions on those very products on which African Members are wishing to preserve preferences. We will need to reconcile these two conflicting objectives in the future modalities.

With respect to services , while progress has generally been made in the negotiations, the number of initial offers remain quite low. This is very worrying. Of the currently 47 services offers (counting the EC as one), only four have been submitted by African countries. Given the importance of services as an engine for trade and development, I would urge you to work towards increasing the number of offers on the table. I understand that for many African countries, services is a fairly new field. Since the launch of the DDA we have conducted numerous national or regional technical assistance activities to improve capacity in this area. The WTO Secretariat would be pleased to assist any Member that may wish to have such assistance to prepare an offer and to improve their expertise. It is a mistake to undervalue the role of services. Our calculations show that in most Nordic African Initiative partner countries, services account for nearly 50% of the value added to the GDP.

"Overall, liberalization of agricultural trade heralds potentially big gains for African countries. Elimination of export subsidization and substantial reductions in trade-distorting domestic support will improve the competitiveness of African producers on the world market"

We need more offers and of higher quality before the target date of May 2005. The quality so far is probably not good enough to persuade the business community that there is something in the DDA for them. Without that support we will have difficulty in concluding the round.

On development issues , we must work hard to ensure that the Doha Development Agenda lives up to its name. As regards special and differential treatment, we still face the challenge of fulfilling the Doha mandate. We are, however, seeing a new approach in the discussions. I tend to subscribe to the view that it may be more productive if we identify and discuss the underlying issues that the proposals are seeking to address. I am convinced that we can make progress in this area if Members show realism and exercise flexibility. We need to keep in mind the July 2005 deadline. I fear that less than significant progress in this area might well impact negatively on other parts of the negotiations.

Lastly, let me commend you on the positive role that you have played in helping to launch the trade facilitation negotiations. I would urge you to maintain that attitude, and to actively take part in the process. I understand that for some countries trade facilitation may seem a challenging task. It is nevertheless essential, especially for you, since developing countries have proven to be most impeded by existing red tape. Experience shows that small and medium sized enterprises and traders from developing countries are particularly hit by inefficient and cumbersome trade procedures. This is why Africa stands to benefit greatly from advancing trade facilitation work.

Members are, of course, well aware of the problems and limitations faced by African countries as a result of their capacity con-

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Foreign Direct Investment in Africa

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phasize the importance of attracting new investments in light manufacturing and agro-industrial industries, while Mauritius, which has already been successful in those areas, is now turning its attention to high-value financial services. Ethiopia is looking to ensure that local enterprises can take advantage of foreign investment projects, either as suppliers or partners. Botswana, long a relatively attractive outlet for foreign investors, is now contemplating restricting FDI in a number of industries in order to provide better opportunities for domestic private businesses.

Red tape and governance

Excessive bureaucracy and poor governance also remain problems. Between 2001 and 2003, the World Bank conducted "investment climate" surveys of more than 3,000 companies in eight African countries. As cited in the Bank's World Development Report 2005, released in September, the surveys found that corruption is a top constraint. In Kenya, more than 75 per cent of firms reported that they had to pay bribes, while 70 per cent of companies in Zambia complained that regulations have been interpreted in unpredictable ways. About half of all firms surveyed did not have confidence that their national court systems would uphold their property rights.

"It is clear," notes Mr. Serigne Mbacké Sougou, a Senegalese tax inspector, "that if judicial rules can change at any time, if state governance operates on the principle of the abuse of power or if court decisions are slow or irrelevant, then FDI will not be attracted to a country. If corruption comes on top of all that, then foreign investment will turn towards other horizons."

Senegal is generally considered a good prospect by French investors, Mr. Jean-Louis Castelnau, vice-president of the French Council of Investors in Africa, remarked during a visit to that country in October. But even there, he complained, "decisions about investment always take a long time."

From AIDS to infrastructure

Foreign investors also cite Africa's broader problems as deterrents. "There is a perception that many countries in Africa are in conflict, and security issues prevent companies from going over there," observes Mr. Satoshi Tsuzukibashi, the Latin America, Middle East and Africa manager for the Japan Business Council (known as Keidanren). For example, during Algeria's civil war in the 1990s, all Japanese companies pulled out, Mr. Tsuzukibashi told Africa Renewal at his Tokyo office. "Now the situation has calmed down and the companies are going back."

AIDS is also a major problem for Japanese investors, says Mr. Tsuzukibashi. "Japanese companies have the concern that if they build their factories, the workers may not be around very long." In addition, educational levels are generally low in Africa, making it hard to find skilled workers. Finally, he concludes, basic physical infrastructure is often lacking or of poor quality, raising the costs of production. "Without the infrastructure and the development of markets, it is unlikely that investment will increase."

Mr. Wiseman Nkuhlu, head of the NEPAD Secretariat, also believes that investing in infrastructure is vital. "Yes, governance and corruption do matter, but they are not the only reason for the low rate of investments in Africa," he told a September 2004 business conference in Cape Town, South Africa. "The other reason is the cost of doing business in Africa. It is just too high, because of the lack of access to basic services and poor connectivity -- hence the NEPAD focus on infrastructure."

The World Bank report adds that since private investment in roads, railways and other infrastructure is often quite limited, governments should step in to address such shortcomings. "Public investment in infrastructure can improve the investment climate," the Bank points out.

Business experts are increasingly coming to believe that improving Africa's prospects for private investment will entail more than simply liberalizing economies and reforming investment codes. It will also require developing strong and capable states that can ensure peace and stability, invest in areas that stimulate productive activity, raise the education and skills of Africa's work force and combat AIDS and other debilitating health problems.

US-Africa Events

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gathers more than 500 think tanks executives, public interest lawyers, policy experts, elected officials, and activists from around the world to discuss issues, strategies, and methods for advancing free market, limited government public policies. Our partnerships with the Atlas Economic Research Foundation, State Policy Network, and The Philadelphia Society have enhanced the breadth of topics covered and networking opportunities.

5th Annual Atlas Liberty Forum—April 27-28, 2005, Miami, FL Join Atlas at the 5th Annual Liberty Forum in Miami, Florida on April 27-28, 2005. As in previous years, the Liberty Forum will precede the Heritage Resources Bank and the Philadelphia Society Annual Meeting (April 29-May1). These three events provide the best networking opportunity for think tankers. A room block is available at the Hyatt Regency Miami for $140 per night from April 26-April 3. Please contact 800-233-1234 and ask for the Atlas Room Block. The cut-off is April 1, 2005. Online registration will be available shortly on the Atlas website, www.atlasusa.org. For more information, please contact Elena Ziebarth at emargaretha@atlasusa.org

The 3rd East Africa Media Training for Kenya, Uganda and Tanzania—March 15 – 17, 2005, Nairobi, Kenya The Inter Region Economic Network is proud to host The 3rd East Africa Media Training for Kenya, Uganda and Tanzania. To be eligible for this training, one must be a journalist who reports on Business, Development and legal issues. The theme for this year's training is: Property Rights and Economic Development. Property Rights evoke scores of questions; What is a property right? Why is it still hindering development particularly in sub Saharan Africa? What are the encumbrances and why are governments not reviewing and not enforcing property rights? How does the aspect of enforcement of property rights affect investment and trade? These questions aside, there are also countless effects of violation of property rights and the failure by African governments to address these infringements particularly on women and rural communities. The training will be in three phases, an educational tour, brainstorming day and lectures on the final day.

Interested applicants should submit the following by February 21, 2005: (1) CV, (2) Copies of articles/ tapes of work previously done in the fields of business, development and legal issue reporting, (3) Cover letter indicating media house and contacts of the immediate supervisor

Please mail your application to: - The Director, IREN Kenya, Box 135 GPO Code 00100 Nairobi Kenya or email iren@kenyaweb.com all applications that pass the eligibility requirement will be nominated on first come first served basis.

WTO Director General Panitchpakdi's Remarks During Recent African Ministerial

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straints. This is why the July Decision has made the delivery of large-scale technical assistance and support for capacity building an up-front commitment.

This is a snapshot of where we are in Geneva in some but not all of the areas for negotiation. As you can see, the road ahead could still be a rough one. And let me be very frank here. The DDA is still behind schedule and every new delay weakens the credibility and the value of the DDA. We need to approach our work over the coming months with a sense of urgency and determination and I am sure that I can count on your support in this regard.

Let me finish by touching on a few issues that I know are of great concern.

First, on 1 January 2005 the Agreement on Textiles and Clothing (ATC) expired and more than 40 years of discriminatory quota restrictions were eliminated. The abolition of quotas brings considerable welfare and efficiency gains for the global economy. There is also potential for more South-South trade as this sector liberalizes. We should also not forget that the abolition of quotas in this sector was a very important objective for developing countries in the Uruguay Round.

I know that there is anxiety on the part of some countries about adjustment costs resulting from quota abolition. Adjustment challenges are complex and vary from country to country. There is a role for the World Bank and the IMF in facilitating a coordinated response in support of domestic reform efforts and associated adjustments. Both these institutions have existing programmes and strategies that could help. Other countries could also play a positive role through South-South cooperation. The WTO Secretariat, on its part, organized five regional workshops in 2004 to address the issue of post-ATC adjustment challenges and to prepare the membership for ATC expiry. All these contributions will count, but there will be no simple solutions.

Second, fighting the scourge of HIV/AIDS is undoubtedly one of the greatest challenges that the world faces and Africa is the region that has been hardest hit. Africa played a leading role in securing agreement on the Doha Declaration on TRIPS and Public Health and the August 2003 waiver Decision on the implementation of its paragraph 6. The Declaration and Decision have clarified and facilitated the use of the flexibility in the TRIPS Agreement as well as added new flexibility to make it possible for poor countries, with limited or no domestic manufacturing capacity in the pharmaceutical sector, to make effective use of compulsory licensing. The transition period for LDCs in this area has also been extended by a further 10 years, to 2016. I would encourage you to continue playing a leadership role in current work on replacing the waiver decision with a permanent solution in the form of an amendment to the TRIPS Agreement.

We have also made it a priority to advocate the mainstreaming of trade into overall poverty reduction strategies and programmes

Of course, what can be done in the WTO is only a small part of what is required to address problems of access to medicines. Other vital elements include differential pricing by the research industry, and initiatives by the international community, both bilaterally and through the Global Fund, to increase funding available for the purchase of drugs, and to develop public health infrastructure. I also welcome the efforts, for example through public-private partnerships, to promote research and development into neglected diseases.

Finally, let me say that I attach great importance to building institutional and human capacity on multilateral trade issues. Africa receives the most WTO-related technical assistance activities, in comparison with any other region in the world. WTO cannot, however, handle the job of capacity building on its own. For instance, it is not within the mandate, resources or expertise of the WTO to build factories, roads, ports and other infrastructure so vital for trade. What we need to do and have been doing, in this regard, is to develop a coherent strategy with development agencies and bilateral donors to ensure that resources are allocated to tackling the supply-side constraints that are preventing African countries from fully utilising market access opportunities.

We have also made it a priority to advocate the mainstreaming of trade into overall poverty reduction strategies and programmes and we are working closely with the World Bank, the IMF and other agencies. In this context, the WTO is contributing, for example, through the Integrated Framework, Joint Integrated Technical Assistance Programme (JITAP) and the Standards Trade and Development Facility to develop a coherent strategy with development agencies and bilateral donors to ensure that sufficient resources are allocated to tackle supply-side constraints.

In conclusion and returning to my original theme, let us together regenerate the Doha Development Agenda. In so doing, we can send a message of hope for Africa and the world. African countries, today, comprise 41 out of the 148 Members of the WTO and are active players in the negotiations. Africa has a significant and growing stake in the negotiations and must remain engaged so as to highlight its interests and concerns. With your goodwill and that of Ministers around the world, this year should mark the beginning of the end of the round.

—Speech from WTO website, http://www.wto.org/english/news_e/spsp_e/spsp34_e.htm

Wind Energy in Africa

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have to accept this. If "human rights" mean anything, they should begin with the most basic one of all: life itself.

Caring people everywhere need to do more to encourage corporate CEOs, directors, shareholders and "social responsibility" officers to resist environmentalist pressure and help bring modern technology to the world's poor. Without an adequate energy generation, transmission and distribution infrastructure, vast regions of Africa, Asia and Latin America will remain mired in abject poverty, and millions will continue to die.

Religious, civic, political and minority leaders … Republicans and Democrats … human rights commissions and organizations … aid agencies and charitable foundations … the United States, Canada, European Union and United Nations – all need to support developing countries' fundamental right to infrastructure, and prosperity.

The world's poor long to have a few of the blessings we enjoy – and to see a rebirth of compassion, common sense, balance and human rights in environmental policies. Surely, it's not too much to ask.

Paul Driessen is senior policy advisor for the Congress of Racial Equality, Committee For A Constructive Tomorrow and Center for the Defense of Free Enterprise, and author of Eco-Imperialism: Green Power · Black Death *(www.Eco-Imperialism.com).*

THE AGOA CIVIL SOCIETY NETWORK NEWSLETTER IS QUARTERLY.

We've recently changed the distribution of the newsletter from monthly to quarterly.

As always, we appreciate your feedback.
Send us your questions, comments and concerns to:
agoacsonet@democracy-africa.org

Africa Growth and Opportunity Act (AGOA) CIVIL SOCIETY NETWORK

In keeping with the spirit of the Africa Growth and Opportunity Act (AGOA), the mission of the AGOA Civil Society Network is to empower African people through their civil society organizations to work with governments and businesses to take maximum advantage of AGOA benefits on behalf of the citizens of their countries.

The Network will accomplish this mission through three means:

- Monitoring and compliance with AGOA eligibility requirements
- Providing technical assistance where feasible for public and private sectors on AGOA compliance and trade capacity
- Tracking the impact of AGOA specifically and trade generally on Africa societies

Ongoing and potential AGOA Civil Society network projects include: (1) Annual report on eligibility requirement compliance of AGOA nations and assessment of compliance by non-AGOA nations compiled by national network affiliates; (2) Ongoing training by network member NGOs on trade capacity for African and America businesses to support and expand AGOA trade by small and medium enterprises; (3) Ongoing training by network member NGOs on trade, economic, political and social policy issues for African governments to enhance AGOA eligibility and compliance; and (4) Annual report on the impact of trade on African societies that measures the impact beyond commercial statistics and offers recommendations on broadening the benefits of trade.

Questions? Comments? Please contact:

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