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Can Trade Beyond Oil, Gas & Mineral Resources Benefit From Agoa Initiative: Evaluating Performance In Uganda

Joel Owani

Bethesda Mission Clinic, Makerere University Hill Road,
Kampala, Uganda

EXECUTIVE SUMMARY

Conventionally, trade policies and bilateral agreement are expected to increase trade but also investments and achieving the development priorities of countries involved. In this thesis, we investigated whether the implementation of AGOA, a unilateral trade policy initiative designed to eliminate trade barriers on exports of several, but selected products from eligible SSA countries, has been of benefit, in terms of exports and attracting investments to Uganda and Ghana (predominantly agricultural net exporters) relative to petroleum and mineral rich exporting countries like Angola and Botswana respectively.

The data used included: desk reviews of trade literature on AGOA initiative focusing on the export trends, challenges and opportunities including FDI flows before and after AGOA deal (1990-2015). Secondly, key informants interviews were held with focal points from the Ministry of Trade, Industry and Cooperatives, (MTIC); the Uganda Investment Authority (UIA); and the Uganda Exports Promotion Board. The Data was analyzed using Microsoft Excel with the Likelihood estimations of dependent variables against set of independent variables through STATA software using Censored Tobit.

The results show that AGOA utilization rate in Uganda and Ghana (all agricultural exporters by AGOA commodity grouping) remains substantially very low compared to other petroleum and mineral rich exporting countries in Sub-Saharan Africa like Angola and Botswana. Whereas, United States and the two countries registered positive increment in trade of US imports and exports, the US exports almost tripled in both countries during AGOA period.

The US exports to Uganda averaged to USD, 72.9 million, annually in AGOA period vs. USD, 24.2 million before the deal. The trend was similar to Ghana. Both countries registered only a single year of surplus in trading with the United States that was in year 2000 (a time of AGOA onset); where Uganda had USD, 0.7 million; and Ghana USD, 13.4 million of trade surplus.

While Agricultural countries suffered widening trade deficits in similar period, the converse was true for Angola and Botswana by virtue of their export orientations. Angola rich in petroleum primary products enjoyed a positive balance of trade i.e. trade surpluses in trading with United States, both before and after AGOA enactment. AGOA itself strengthened the surplus trade position following implementation in the country. In the same way, Botswana a country well known for predominantly mineral-exporting recorded positive balance of trade (trade surpluses) in trading with the United States following AGOA with exception of year 2001-2003 where there were some deficits.

Before the trade deal (1992-1999), Botswana in comparison experienced trade deficits in all the periods with the highest in 1992 at 34.4 million US Dollars. Whereas the country used to export on average of USD, 17.95 million prior to the deal, it increased to about 164.9 million per year as a result of AGOA implementation. This has improved the balance of trade position in the country which used to suffer deficit of about -15.9 million per year to a surplus of 114.6 million per year in trading with the United States. This supports earlier literature that the impact of AGOA on agricultural exports has no observable impact on agricultural trade in eligible recipient countries.

The Investment climate in SSA, Uganda in particular is still attractive. Majority of Direct Investments in region is coming from European Union, with emerging players from China and India on increasing trend. The role of United States as a source of Direct Investments is also very important. In AGOA period (2000-2012), United States invested on estimate of USD, 28.6 billion in SSA; with the three largest destinations being Nigeria, Mauritius, and South Africa. Overall in 2012, 57 percent of the U.S. FDI position in Africa was directed to the mining sector (including petroleum), 15 percent in holding companies, and 6 percent in manufacturing. Overall, as measured by the number of greenfield FDI projects, U.S. investors in SSA have principally focused on software and IT services; business services; and coal, oil, and natural gas.

In general, Chinese private sector companies focus investing in the manufacturing and service sectors, while State Owned Enterprises (SOEs) are more likely to invest in

construction and resource extraction. South Africa was by far the largest destination for FDI outflows from China during 2003–10 from available data. Nigeria ranked second, followed by Zambia and the Democratic Republic of the Congo, two countries that have attracted significant Chinese FDI in the mining industry. The most significant industry destinations for Chinese FDI in 20 SSA countries primarily focuses on oil and gas, mining, agriculture, services (particularly telecommunications, but also utilities and financial services), apparel and shoes, and agro-processing.

Intra Direct Investments in the region also play significant share of overall FDI into the region, with South Africa being the leading investor. Kenyan firms ranked second as intra-SSA investors, with 145 outbound FDI projects in SSA. Together, South Africa and Kenya comprised 71 percent of all intra-SSA FDI projects during 2003–12. SSA investors are more likely than investors from other regions to focus on the services and manufacturing sectors, rather than on natural resources extraction or processing. Manufacturing projects, in turn, tend to focus on less capital-intensive and lower-technology industries.

Agricultural investment in SSA has focused primarily on grains, sugarcane, and palm oil plantations. South Africa is the largest destination for acquisitions in the agriculture sector (21 percent of all deals), followed by Kenya (9 percent), Côte d'Ivoire (7 percent), and Tanzania (6 percent). Also, investors from South Africa, UAE, and OECD countries account for a large share of agriculture investment projects in SSA. The Gulf countries account for 22 percent of total foreign land acquisitions in Africa, compared with 12 percent for India and 3 percent for China.

Uganda alone in 2013 had foreign direct investment estimated at USD 1.19 billion by the World Bank with the total U.S. foreign investment in Uganda for same year 2013/14 valued at USD 5 million, a substantial drop from the USD 20 million figure of 2012. The majority of inward Direct investment in Uganda is China (USD 270 million, 22.7%) followed by United Kingdom (USD 146 million, 12.3%); Canada (USD 143 million, 12%); India (USD 101 million, 8.5%) and Kenya (USD 64 million, 5.4%). The main areas of foreign investment are in manufacturing, telecommunications, financial services and real estate, and agriculture, forestry and fish. Other areas of significant investment include power, oil, construction and mining. If oil production licenses are issued, and oil companies decide to pursue projects currently on hold, Uganda's oil and gas sector has the potential to drive foreign direct investment for the next several years.

In comparison, Ghana performed better that Uganda in attracting Direct Investments both before and during AGOA period except in 2003-2008. Both countries had almost similar amount of FDI as a percentage of their GDP prior to AGOA (annual average of 1.07% in Uganda vs. 1.72% in Ghana). Similarly both countries reported increases in FDI during AGOA implementation period (3.4% Uganda vs. 4.48% Ghana). However, the data could not attribute the magnitude of these increases were attributed to AGOA bilateral trade agreements; as not sufficient to separate the sectors and intention for end markets of the investments. There was contradicting sign of coefficient of AGOA to Direct Investment inflows to Uganda. The FDI inflow responded greatly to administrative efficiency patterns in the country e.g. freedom from corruption, index of monetary freedom and national consumption expenditure with less attachment to the openness being offered in AGOA.

Comparisons of investment with petroleum exporting country, Angola showed that the country attracted more FDI prior to trade deal (10.2% of GDP by annual average compared to 1.2% during the AGOA trade period (2003-2014). The converse was true for Botswana (mineral exporting country). Before the trade Agreement, Botswana had on annual average of 0.35% of FDI inflow, compared to 3.5% after the deal. There were many de-investments in Angola after the trade relative to prior the deal as indicated my many years with negative statistics. The study could not draw conclusion as to whether the bilateral trade agreement improved the inward Direct Investments in the countries selected.

Despite some observable trade increment under AGOA bilateral agreement in Uganda, there has been limited impact and transformation on the primary national goal of poverty reduction. About 25.6% of the population remains undernourished and chronically poor by World Bank data. In addition, majority of the population on employment (83.2%) are in vulnerable jobs i.e. the risks of these individuals being unemployed or falling into poverty line is very high according to World Bank Development Indicator despite the promising trade deal.

AGOA has primarily benefited petroleum and mineral rich eligible countries as discovered in the study, but lack of greater results in Uganda has been related to structural bottlenecks, majorly supply side constraints to development thus affecting trade and investments in the country. Uganda continues to perform below average relative to other countries in the SSA region in a number of measures and clustered among the less competitive world economies. By Heritage Foundation Standards, the major binding factors include areas of business freedom, property rights and freedom to corruption. Other notable challenges to lack of major response to AGOA trade stimuli forwarded by the Ministry of Trade in Uganda are:

- ✓ Inadequate developed infrastructure
- ✓ Limited value addition and inadequate appropriate technology
- ✓ Some of the products of export interest to Uganda are not included under AGOA e.g coffee and tea, textile bags and tested medicinal herbs
- ✓ Production that is not linked to US market tests and preferences
- ✓ Lengthy and costly connections to the US due to lack of direct flights and lengthy visa Requirements
- ✓ Short time span of AGOA which inhibits long term meaningful investments
- ✓ Stringent non-tarrif measures such as SPS, rules of origin and other technical barriers to Trade

Similarly, USITC reported key domestic barriers and impediments in AGOA related trade in Uganda as:

- ✓ Governance, including lack of judicial and tax transparency and lack of security

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- ✓ 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

While the reported international barriers are:

- ✓ 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

With AGOA in extension 2016-25, the United States also should focus towards continual progress to improving economic environment in Uganda. AGOA has already facilitated exports in non-traditional products, but petroleum exports continue to dominate US imports under the bilateral trade agreement, hovering at between 80 to 90 percent of total AGOA exports from eligible countries. The US Continued support for export diversification under AGOA would better distribute the benefits of AGOA and support sustained economic growth in predominantly agricultural exporting countries. A particular focus should be placed on how to better support agricultural exports. The United States could help countries to improve their national investment and export strategies to improve competiveness, also build value chains and strengthen participation in Africa's regional markets. Encourage US businesses to increase imports from agricultural countries in Africa besides increased capacity building for international services among entrepreneurs.

The area of increased technical Assistance is very important in order to help Uganda meet SPS standards, coordinated capacity building for agricultural commodities and increased infrastructure investments. The US Increased support could help Uganda implement SPS standards to take better advantages of export opportunities. Simplifying rules of origin that support regional integration and global supply chain e.g. reducing the minimum value added requirements (currently at 35%) and introducing flexible cumulating rule, targeted tax incentives for US companies that invest in non-extractive, priority sectors in AGOA beneficiary country.

Both countries ensure a greater role of African Diaspora in trade through "Diaspora funds" to share knowledge about doing business in the United States, attract technologies and provide capital and financing facilities to incentivize Diaspora Investment.

The primary goals Uganda require in order to benefit from the trade will entail; making sizeable investments in infrastructures; increased efficiency in public administration for better economic/business environment (e.g., improving access to credit, reducing cross border trade barriers, and improving contract formation to Uganda's core competitiveness constraints); Other areas require investment in education through technical Assistance in order to help government and private sector meet SPS standards); technological advancement in agricultural production, value addition and supply chain management.

The key sector of focus will include: improving governance aimed at efficiency in public administration; increasing agricultural output and promoting feasible agro-processing that is likely to widen in scope and size. The re-introduction of agricultural credit and marketing cooperatives for key commodities which used to support farm production and marketing few decades ago, is paramount for the country to take better advantages of export opportunities under AGOA besides integration into the regional and global supply chain.

I. INTRODUCTION

The study examines whether or not the recent unilateral trade policy change granted by the United States to selected Sub-Saharan African (SSA) countries under the rubric of "Africa Growth Opportunity Act (AGOA)" has contributed to increased U.S. imports including Foreign Direct Investments and the primary national goal of poverty reduction in Uganda. Signed into the U.S. laws on May 18, 2000, AGOA provides the eligible countries duty-and quota-free export access to the U.S. markets so that they continue to open their economies and build free markets. As of June 2007, fourty-three of the forty eight SSA countries are declared eligible for benefits under the program. Since its implementation, several agencies from both AGOA stakeholders and international financial institutions have invested substantial amount of resources to help eligible African countries to effectively utilize the benefits of the program.

Free trade agreements, whether unilateral or bilateral, are historically expected to raise trade flows among the partners to the agreement, thereby contributing to enhanced long-run economic growth and investments of the parties involved. Carrere (2004), Romalis (2003), and Gould (1998) document that the removal of tariffs on imports of several items into the U.S., Japan, Europe, and Canada increased trade flows in the order of 11 percent. Proponents of AGOA thus argue that by expanding preferential export access to the U.S. markets in more than 2000 different products, AGOA has the potential to increase trade flows between the U.S. and SSA countries and thereby spur long-term economic growth of the eligible countries. To this end, Ianchovichina et al. (2001) speculate a roughly 14 percent increase in SSA exports, if granted a preferential market access to the European Union, Japan, U.S., and Canada.

Critics of trade policy changes in general and AGOA in particular, however, question the potential benefits of such a unilateral policy initiative by arguing that (i) African exports to U.S. are dominated by petroleum products that have relatively low value added and (ii) the existing U.S.-Africa trade is dominated by imports from a few African countries (Nouve and Staatz, 2003). On average, crude petroleum accounted for almost 90 percent of these imports throughout 2000-2013 of AGOA implementation (USITC, 2014).

Excluding crude petroleum, U.S. imports under AGOA are concentrated in three sectors— transportation equipment (primarily passenger motor vehicles from South Africa), refined petroleum products, and apparel. These products accounted for 89 percent of U.S. non-crude petroleum imports under AGOA in 2013. On record, the top five AGOA beneficiary countries were Nigeria, Angola, South Africa, Chad, and Republic of Congo; of which dominated by oil, gas and mineral rich resources. Other leading AGOA beneficiaries included Gabon, Kenya, Lesotho, and Mauritius.

Sub-Saharan African countries (SSA) continue to participate in global supply chains (GSCs) primarily in supplying raw materials and primary inputs because of its abundant natural resources, including land, metals, and minerals. SSA involvement in manufacturing and other value-added production activities is generally limited, consisting of semi processed items or items with preferential access to third-country markets. Countries in SSA generally have little participation in downstream GSC activities because of weaknesses in production capacity, infrastructure and services, business environment, trade and investment policies, and industry institutionalization (private and public sector linkages and inter-industry coordination).

Collier and Gunning (1999) attribute the chief factors explaining Africa's poor economic performance to: distorted product and credit markets, high risk, inadequate social capital and infrastructure, and poor public service. While Lindsey (2002) maintains that U.S. and OECD countries' trade policy initiatives in general have mixed signals, citing transport costs as major constraint to African trade, Blackman and Mutume (1998), Mutume (1998) and Raghavan(2000) also stipulate that AGOA's benefits for most African countries would remain illusory.

A cursory review of the available reports and data on U.S. trade with SSA countries after the implementation of AGOA, on the other hand, seems to indicate the contrary. According to USAID (2006), for example, between 2004 and 2005 alone, there has been a 40 percent increase in the total volume of U.S. imports from SSA countries. Analysis of U.S.-SSA trade data that extend from 1989 to 2004 also reveals a 46.3 percent increase in U.S. imports of non-manufactured goods and a 130.4 percent increase in U.S. imports of manufactured goods from SSA countries pre- to post-AGOA periods. Although these figures appear to indicate a rise in the post AGOA U.S. imports from SSA, whether the changes are the result of the unilateral trade policy concession, or the inertia in the eligible SSA countries' global trade pattern, or adjustments in other economic policies of the SSA countries, or a combination of these factors is not clear cut.

In this study, we used relevant literature, trade data, and FDI information covering the period 1990 to 2015 to answer the objectives stated. This period includes years prior to the adoption of AGOA (1990-1999) as a control period as well as years when AGOA came into effect (2000-2015). In addition, it compares performance in Uganda, and Ghana predominantly non crude petroleum exporting countries with samples of 2-petroleum and mineral exporting countries Angola and Botswana by AGOA classification.

A. OBJECTIVES

The primary objective of this study is to evaluate the impact of AGOA trade on Uganda's exports and the flow of Foreign Direct Investment in the country. Specifically, the study addresses the following specific objectives:

- ✓ To assess the extent to which AGOA trade has contributed to Uganda exports to the United States;
- ✓ To assess the contribution of trade deal to the Direct Investments in the country;
- ✓ To assess the contribution of bilateral trade agreement to the primary national development goal of poverty reduction; and
- ✓ To identify the main factors affecting in the principal non-crude petroleum products that Uganda export to the United States;

B. ORGANIZATION OF THE THESIS

The remainder of this paper proceeds as follows. Chapter II is background chapter that gives a full history/summary of the AGOA program and how it evolved; Chapter III discusses the theory and relevant literature. Chapter IV presents the analytical framework, data, and the methodology. Results and Observations are presented in Chapter V while Chapter VI, with Conclusions and Recommendation. References and supporting appendices are presented at the end of the research work.

II. BACKGROUND

A. COUNTRY ELIGIBILITY

It should be noted that not all of the forty-eight Sub-Saharan African countries are eligible members of AGOA even though it was designed to allow for the largest possible number of Sub-Saharan African countries the opportunity to take advantage of it. At inception, there were thirty-four eligible countries for the trade benefits of AGOA. The trade act authorizes the U.S president to designate countries as eligible to receive the benefits of AGOA if they are determined to have established or making continual progress toward establishing the following: market-based economies, the rule of law and political pluralism, elimination of barriers to U.S trade and investment, protection of intellectual property, efforts to combat corruption, policies to reduce poverty, increasing availability of health care and educational opportunities, protection of human rights and workers' rights and elimination of certain child labor practices.

While the eligibility requirements are set out in the legislation, it is the United States which determines, annually, whether countries have met the published eligibility requirements. Beneficiary status may therefore be granted, or withdrawn, at the discretion of the US President. Beneficiary countries have no recourse to dispute settlement in this regard, and this unpredictability is one aspect that differentiates

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AGOA's non-reciprocal preferences to those contained in reciprocal and bilateral trade agreements.

On October 2, 2000, former US President Bill Clinton designated 34 Sub-Saharan African countries as eligible for the trade benefits provided under AGOA. Shortly afterwards, on January 18, 2001, Swaziland was designated as the 35th AGOA eligible country and on May 16, 2002 the Ivory Coast (Côte d'Ivoire) was designated as the 36th AGOA eligible country (the Ivory Coast subsequently lost, and later regained beneficiary status).The Gambia was declared eligible on January 1, 2003, while the inclusion of the Democratic Republic of Congo (DRC) was subsequently backdated to January 1, 2003 (the DRC has since lost its status).

On 31 December 2003, the Central African Republic (CAR) and Eritrea were removed as AGOA-beneficiaries, followed later by Mali and Madagascar, while Angola was included. Other additions to this list are Burkina Faso and Burundi, while Mauritania has been suspended. In December 2006, the Republic of Liberia was also added.

The Countries not eligible for AGOA are Zimbabwe and Sudan, although South Sudan had since been granted beneficiary status, but has lost it again from 2015 onwards, as did the Gambia. Guinea Bissau regained eligibility, as did Madagascar earlier in 2014. Swaziland has also been suspended from AGOA preferences, applicable from 2015. On 30 September 2015, Seychelles was graduated out of AGOA effective 1 January 2017 due to the country gaining developed country status.

Presently (2016), there are thirty-nine (39 AGOA eligible) member countries: Angola, Benin Republic, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Congo (ROC), Djibouti, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra-Leone, South Africa, Tanzania, Togo, Uganda and Zambia. It should be noted that the Trade and investment Act has evolved and been amended several times, resulting in AGOA I, AGOA II, AGOA III and AGOA IV.

B. AGOA I

This is the original trade act that was signed into law on May 18th as Title One of the Trade and Development Act of 2000. The goal was to provide reforming African countries with the most liberal access to the U.S market available to any country or region with which the United States does not have a previous free trade agreement. It supports U.S business by encouraging reform of Africa's economic and commercial regimes, building stronger markets and more effective partners for U.S firms. It also reinforces African reforms efforts, provides improved access to U.S technical expertise, credits and markets and establishes a high level dialogue on trade and investment. The Act expands the list of products that eligible Sub-Saharan African countries may export to the United States subject to zero import duty under the Generalized System of Preferences (GSP). It should be noted that while the GSP covers approximately four thousand and six hundred items, the AGOA GSP applies to more than six thousand and four hundred items.

C. AGOA II

AGOA II is the modification of AGOA I to extend preferential access for imports from beneficiary Sub-Saharan African countries. The major difference between AGOA I and AGOA II is that AGOA II clarifies and narrowly expands the trade opportunities for Sub-Saharan African countries under AGOA I and encourages more investment in the region. AGOA II enhancements include revisions requested by many sub-Saharan African countries to maximize the benefits of AGOA and to clarify that preferential treatment is provided to knit-to-shape articles or ''wholly assembled" apparel articles assembled from the U.S or from another Sub-Saharan African country. AGOA II was specifically written to improve the operation of AGOA I and improve Sub-Saharan African country utilization of the AGOA program.

D. AGOA III

AGOA III is referred to as the AGOA Acceleration Act. It extends the preferential access for imports from beneficiary Sub-Saharan African countries until September 30, 2015, and extends third country fabric provision for three years (September 2004 until September 2007). Its major emphasis is to continue to encourage bilateral investment agreements, to extend the whole program from 2008 until 2015, to direct the administration to implement an inter-agency trade advisory committee, and to promote investment in infrastructure projects that support the development of land transport, roads, rail-ways and ports. It also emphasized the expansion of modern information and communication technologies and agriculture and directed the president to assign personnel to provide agricultural technical assistance to select AGOA countries and to advise them on improvements in their sanitary and phytosanitary standards in order to meet U.S requirements.

E. AGOA IV

AGOA IV is the Africa Investment Incentive Act of 2006. The only difference between AGOA IV and the previous AGOA acts is that it specifically extends the third country fabric provision for five years (from September 2007 until September 2012) and also extends textile and apparel provisions of the AGOA program to 2015.

F. AGOA PRODUCT ELIGIBILITY

AGOA product eligibility implies that a product, when produced in an AGOA beneficiary country, may enter the United States free of import duty. Products must comply with the relevant local processing (Rules of Origin) as well as customs requirements. AGOA preferences currently apply to approximately7,000 tariff lines (at the HS8-digit level). This includes the approximately 5,000 tariff lines currently covered by the United States Generalised System of Preferences (GSP)

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plus a further 1,800 tariff line items added by the AGOA legislation.

In addition, apparel sector tariff lines also qualify where countries have met the AGOA "apparel visa" requirements. Newly-added AGOA products comprise inter alia previously excluded items such as footwear, luggage, handbags, watches, certain automotive components etc. Although the largest portion of AGOA-eligible items comprises goods that previously qualified under the GSP, the AGOA legislation adds a number of benefits, not least by removing the need for periodic GSP renewal (the products therefore qualify irrespective of GSP renewal - an issue that came to the fore in 2012 when the GSP was allowed to lapse for a few months), but also removes certain quantitative safeguards which place limits on the quantity or value of any one product imported under the GSP program. These are therefore a waiver from the GSP's 'Competitive Need Limitations'. The current GSP programme is authorised through July 31, 2013.

Therefore, an exported product will qualify for AGOA Duty-free treatment in United States under the following conditions:

- ✓ It must be included in the list of GSP-eligible articles, or included in the list of new AGOA products, or be a qualifying apparel or textile item;
- ✓ It must be imported into the United States directly from the AGOA beneficiary country or pass through another country in a sealed container and addressed to a location in the United States;
- ✓ The article must be the growth, product, or manufacture of the AGOA beneficiary country by fulfilling the relevant Rules of Origin requirements for general or apparel items respectively (*see next points*)
- ✓ If foreign materials are imported into the AGOA country first, to be used in the production of an AGOA-eligible product, the sum of the cost of the materials produced in the AGOA beneficiary country, plus the costs of processing, must equal at least 35 percent of the product's value when the product is sold for export into the United States;
- ✓ In the case of clothing/apparel, the 35% rule does not apply directly, instead, the goods need to comply with the respective Rules of Origin requirements;
- ✓ The US importer must request duty-free treatment under AGOA on the relevant customs entry form (Form 7501) by placing an "D" in column 27 in front of the US tariff number that identifies the imported article.

G. ORGANIZATION OF COUNTRY ELIGIBILITY

The AGOA-eligible countries have been categorized into 9 country groups based on similar export patterns 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 as:

- ✓ 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 Principe);
- ✓ 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).

In Figure above, the countries above non-shaded northern part of the continent are not part of Sub-Saharan Africa while the rest are all regarded as Sub-Saharan Africa. Sub-Saharan African countries are countries that lie towards the south of Sahara and officially there are forty-eight (48) countries, namely Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, central African republic, Chad, Comoros, Republic of the Congo , Democratic Republic of the Congo, Cote d' Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea – Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe. It should be noted that all African countries with the exception of Morocco, Tunisia, Algeria, Libya, and Egypt are referred to as Sub-Saharan Africa.

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III. THEORY AND LITERATURE REVIEW

A. GLOBAL AGREEMENTS AND IMPACTS ON TRADE AND INVESTMENTS

Almost from the beginning of the Uruguay round in 1986-1994, data has shown that the African continent would benefit a little, if any, from the world trade organization. According to the former UN Secretary General Kofi Annan (10th September 2003), "The rhetoric of global trade is filled with promise. We are told that free trade brings opportunity for all people, not just a fortunate few, we are told that we can provide a ladder to a better life and deliverance from poverty, but sadly the reality of the international trading system today notably does not match the rhetoric." According to the Organization for Economic Cooperation and Development (OECD) figures, there was only one loser in the Uruguay round: Africa.

Africa's exports fell from about 6 percent in 1980 to 2 percent in 2002 and her share of world imports fell from about 4.6 percent in 1980 to 2.1 percent in 2002, more than any other developing region. Africa's heavy dependence on primary commodities as a source of export earnings has meant that the continent remains vulnerable to the vagaries of the market and weather conditions. The United Nations Conference on Trade Representative stated that price volatility arising mainly from supply shocks and the secular decline in real commodity prices and the attendant terms-of-trade losses have exacted heavy costs (2003).

The former president of Mozambique, Joachim Alberto Chissano, once expressed that "while we are pressed to open up our countries and streamline our methods of doing international business so that the global economy may sink roots, invisible barriers are still making it difficult for us to access resources and advanced technological know-how. Our manufactured goods can hardly find a place in the rich markets of the north" (Chissano 1998). As the African continent has increased its exports, the industrialized countries importing these goods maintained or increased their trade barriers. World bank economists estimate that if North America, Europe and Japan eliminated all barriers to imports from Sub-Saharan Africa, the continent exports would rise by 14 percent, an annual increase in revenue of $2.5 billion (Lanchovichina, Matoo and Olarreaga 2001).

According to Carol B. Thomson (2004), trade remained the only option for African industrial development; either trade or investment can be a leading sector to the other. This opinion can be seen in a statement by Former President George W. Bush to delegates at the African Growth and Opportunity Forum in Mauritius: "All of us share a common vision for Africa. We look to the day when prosperity for Africa is built through trade and markets'' (January 15, 2003). AGOA offered trade preferences and other economic benefits to countries in Sub-Saharan Africa that meet certain criteria including progress toward a market economy and respect for rule of law and human and workers' rights. The consequence of the long period of stagnation for a large number of African economies combined with high population growth rates is that little or no progress has been made in raising the standards of living in these countries. In line with current perspectives and according to the Congress Research Service, Sub-Saharan Africa's economic growth performance over the last decade suggests that it may have achieved a milestone in its quest for sustained growth (Danielle, 2008). Sub-Saharan Africa's economic performance from 1995-2005 reverses the collapses in 1975-1985 and stagnations in 1985-1995. Its growth averaged 4 percent between 2000 and 2005 compared with less than 1 percent during the early 1990'S. In 2006, Gross Domestic Product (GDP) expanded by 5.6 percent in Sub-Saharan Africa followed by 6.2 percent in 2007 and 5.2 percent in 2008.

Despite the regions' improved economic performance, the economic challenges facing the continent remain enormous. African countries are vulnerable to volatile weather conditions, commodity price fluctuations, poor road and other infrastructure conditions and political events in parts of the continent. Again, much of Sub-Saharan Africa's trade with the world is largely on primary product exports, such as oil and other mineral fuels, constituting 68 percent of its exports to the world by value in 2008. Consequently, there were high expectations for AGOA, since there was much room for increased trade. According to the United States' Department of Commerce's International Trade Administration, the United States' total trade with Sub-Saharan Africa increased by 28 percent in 2008 as both exports and imports grew. The United States' exports increased by 29.2 percent to $18.5 billion, driven by growth in several sectors including machinery, vehicles and parts, wheat, non-crude oil and aircraft and electrical machinery.

The United States' imports in 2008 increased by 27.8 percent to $86.1 billion. As has been the case throughout 2008, this growth continues to be due to a significant increase of 31.9 percent in crude oil imports, accounting for 79.5 percent of total imports from Sub-Saharan Africa. Of the top five African destinations for United States' products, exports to South Africa rose by 17.6 percent, to Nigeria by 47.7 percent, to Angola by 62.6 percent, to Benin Republic by 192.4 percent (due to a large increase in the exports of non-crude oil and vehicles and parts) and to Ghana by 46.1 percent. It should be noted that the top five AGOA beneficiary countries are Nigeria, Angola, South Africa, Chad and the Republic of Congo. According to Niall Condon and Mattew Stern, AGOA has had a positive impact on apparel exports from a small number of Sub-Saharan African countries (2011). Outside the apparel sector there is little or no evidence of AGOA induced gains in any other sectors. They also noted that AGOA preferences cover all products and that tariffs on products excluded from AGOA, especially on agricultural products, remain high and AGOA's broader economic impact could be improved if preferences were extended to all products. Niall Condon and Matthew Stern also concluded that exports from Sub-Saharan Africa (SSA) to the USA have increased substantially since 2000 with an increasing share of these exports utilizing AGOA preferences and at best a small share of these increased exports can be directly attributed to AGOA (2011).

Shapouri and Trueblood, Breton and Ikezuki, Breton and Hoppe and the Office of the US Trade Representative

reviewed the raw trade data on SSA exports under AGOA (2003, 2004, 2006, 2008 respectively). Shapouri and Trueblood examined the initial or early impact of AGOA by analyzing United States – Sub-Saharan African trade data for 2001 and 2002. In their analysis they noted the large and increasing levels of Sub-Saharan African exports to the United States under AGOA 2001 and 2002. The share of AGOA exports in total Sub-Saharan African exports to the United States was 43 percent (7.6 billion USD) in 2001, increasing to 60 percent (8.2 billion USD) in 2002, despite the fact that the agreement was still in its infancy. However, a deeper analysis of these gains reveals a trend that consistently re-emerges throughout the review: exports under AGOA are highly concentrated by country and product grouping. AGOA exports in 2001 and 2002 were overwhelmingly dominated by previously low-tariff petroleum products.

Similarly, Breton and Ikezuki analyzed Sub-Saharan African – United States trade data from 2002 with the objective of assessing the extent of exports originating from less developed countries and non-less developed countries. They further disaggregated the data by looking at the level of exports originating with or without AGOA apparel preferences. They found that by 2004 AGOA exports from Sub-Saharan African countries to the United States had increased to 22 billion USD with 90 percent of this figure from petroleum exports. The 2.2 billion USD non-exports was still a significant increase on the level of exports in 2002. However, non-oil exports dropped in 2005 to 1.7 billion USD, with 40 percent decline due to AGOA apparel exporters losing market share in the United States.

Mueller uses a Praise-Wiston Gravity Model to assess the extent of contribution of AGOA to exports from eligible countries from 2000 to 2004 (2008). The author used two models to assess different aspects of AGOA. The first measures the general effect of AGOA on trade by testing the impact of AGOA on total United States imports (excluding oil) from AGOA eligible countries and the second model tests the impact of AGOA on trade by testing on apparel imports. The first model, according to Mueller, results in a negative but non-significant coefficient for AGOA, the implication being that AGOA eligibility is found to have no significant impact on non-oil trade for eligible countries. The effect of AGOA on apparel exports was also found not to be statistically different from zero, though with a positive co-efficient (of 0.075).

Three studies—Gath Frazer and Van Biesebrucek (2007), Fayissa and Tadesse (2007), Nouve (2005)—found that AGOA has had a more positive impact. Frazer and Van Biesebrocek, however, found that AGOA has had a small, albeit positive, impact on Sub-Saharan exports to the United States. They employ a variation of the traditional gravity model using a triple difference estimation regression model to assess the impact of AGOA over the period 2000- 2006. They found that the absolute export increased in the period 2000-2006, which can be attributed to AGOA amounts of 439 million USD, 8 percent of the total increase in non-oil exports from Sub-Saharan Africa during this period. Nouve employs a different approach than the other studies by using a dynamic panel trade model to assess the impact AGOA has had on aggregate exports from Sub-Saharan Africa to the United States up to 2004. This analysis is premised on the assumption that the export opportunities and benefits arising from a preferential access scheme such as AGOA have positive spill-over effects and thereby raise the overall exports of a given country.

To measure this effect, the author included total AGOA exports and total AGOA apparel exports as additional endogenous variables in an augmented gravity equation with the aim of understanding the impact AGOA has on total overall Sub-Saharan exports to the United States (i.e AGOA and non-AGOA exports). The overall result is that AGOA has had a strong positive effect on aggregate Sub-Saharan African exports to the United States. However, according to US Department of Commerce, the highly specialized trade is also restricted to very few countries (2004). Imports from five countries (Nigeria, South Africa, Angola, Gabon and Equatorial Guinea) comprise about 86 percent of total Unites States' imports from Africa and all but South Africa are overwhelmingly oil imports.

Despite AGOA's broad product coverage, petroleum is by far the most heavily exported AGOA product, comprising 82 percent of total imports under AGOA in 2013. AGOA has already facilitated exports in non-traditional products, but petroleum exports continue to dominate AGOA trade, hovering at between 80 to 90 percent of total AGOA exports. Continued support for export diversification under AGOA would better distribute the benefits of AGOA and support sustained economic growth. According to Nouve and Staatz's literature, the data on the impact of AGOA on agricultural exports shows that the AGOA induced gains in agricultural exports are found to be not statistically different from zero. In summary, the data shows that AGOA has had no observable impact on agricultural trade.

AGOA has also faced a lot of criticisms, especially from anti-globalization movements and US interest groups. According to Cooper, textile lobby groups and labor unions were primarily concerned that the removal of trade barriers on textile and apparels would result in the massive loss of jobs (2002). However, many have identified the benefits of AGOA. Some attribute the success of AGOA to increased employment. For example, Lucke explained that Swaziland credits AGOA with the creation of more than twenty-eight thousand jobs and thus, the small states of Swaziland and Lesotho attribute AGOA to providing jobs (2004). AGOA seems to have redirected trade away from traditional markets, mainly the European Union, towards the United States of America. It appears that this result was an original goal of AGOA reinforced with the new negotiations for a United States of America/ Southern African custom Union Free Trade Area (FTA).

IV. DATA AND METHODOLOGY

In the thesis, we collected export, import data and trade balances of the United States with Uganda and Ghana (predominantly exporter of primary agricultural products); Angola and Botswana which are mineral-petroleum rich exporting countries. Also data on Foreign Direct Investment

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were collected for these countries in order to assess the performance of the AGOA initiatives on the FDI inflows both as percentage of GDP and FDI stock of capital accumulation. Additional information included poverty related indicators i.e. variations in Poverty Gap, Head counts, agricultural added values per worker, income share held by the lowest 20%, prevalence of stunting and malnutrition over the similar period; to assess whether any increases in trade has been transformative towards the primary national goal of poverty reduction.

The data collection tools used were: desk reviews on trade reports on AGOA initiative focusing on the export trends, challenges and opportunities including FDI flows in selected eligible benefiting countries. Secondly, key informants interviews were held with focal points from the Ministry of Trade, Industry and Cooperatives, (MTIC); the Uganda Investment Authority (UIA); and the Uganda Exports Promotion Board. The data is presented into tables. The research methodology used is purely descriptive which is clearly aimed at summarizing the data set in order to investigate AGOA performance in Uganda; and mineral and petroleum rich countries, Botswana and Angola exports and FDI inflows.

In order to achieve the stated objectives, the data was analyzed using both Microsoft Excel and STATA software. In order to answer objective 2 & 4 of "the contribution of trade towards the Direct Investments; and assess whether any increases in trade has been transformative towards the primary national goal of poverty reduction respectively, both MS Excel and STATA statistical packages were used.

Data used to assess the contribution of AGOA trade towards direct investments in the country were FDI inflows, % of GDP (dependent variable) against a set of independent variables (Value of trade from AGOA, country's freedom from corruption, interest rates; final consumption expenditure of the country). The contribution of the trade towards the poverty reduction goal was through: the Prevalence of undernourishment (% of population) as dependent variable vs. value of related trade to AGOA, value added per worker in Agriculture, country's freedom from corruption).

Table 1-4, below summarizes the trade data from year 1990-2015 between United States and Uganda (a country predominantly Coffee, tea, and spice-exporting) and Ghana (a country predominantly agricultural exporting and commonly ranked as a model country in Sub-Saharan Africa for development indicators). While petroleum rich exporting country Angola and predominantly mineral rich exporting country, Botswana were selected sample for making comparisons in the analysis. The period 1990 and 1999 is pre-AGOA exports while the 2000-2015 represents AGOA implementation in Uganda, Ghana and Botswana. The year 2003 was when AGOA came into effect in Angola.

Year	US exports to Uganda	US Imports from Uganda	Balance of Trade
1990			
1991			
1992	15.5	11.8	3.7
1993	21	9.9	11.1
1994	27.7	34.7	-7
1995	22.1	13.4	8.7
1996	17.2	15.9	1.3
1997	35.2	37.6	-2.4
1998	29.8	15.1	14.7
1999	25	20.2	4.8
2000	28.3	29	-0.7
2001	31.7	17.7	14
2002	24	15.2	8.8
2003	41.7	34.8	6.9
2004	63.4	25.9	37.5
2005	62.6	25.8	36.8
2006	50.6	21.8	28.8
2007	80.3	26.7	53.6
2008	88.5	52.7	35.8
2009	119.1	30.9	88.1
2010	93.5	57.7	35.8
2011	94	45.9	48.2
2012	100.1	34.5	65.6
2013	122.7	47.1	75.7
2014	78.3	46.1	32.2
2015	88.3	64.1	24.2
Annual Average Before AGOA	**24.1875**	**19.825**	**4.3625**
Annual Average After AGOA	**72.94375**	**35.99375**	**36.95**

Source: https://www.census.gov/foreign-trade/balance/c7780.html

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding

Table 1: US Trade with Uganda, pre-and post-AGOA, 1990-2015

Year	US exports to Ghana	US Imports from Ghana	Balance of Trade
1990			
1991			
1992	123.9	96.3	27.6
1993	215.2	215.5	-0.3
1994	124.5	198.6	-74.1
1995	167.2	196.1	-28.9
1996	295.7	171.3	124.4
1997	314.9	155.2	159.7
1998	225	143.1	81.9
1999	232.6	208.5	24.1
2000	191.2	204.6	-13.4
2001	199.6	187.1	12.5
2002	192.5	116.4	76.1
2003	209.2	81.9	127.3

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2004	309.6	145.4	164.2
2005	337.4	158.4	179
2006	289.5	192.2	97.3
2007	416.4	198.8	217.6
2008	608.4	222.2	386.2
2009	715.9	135	580.9
2010	989.3	273.4	715.9
2011	1,199.10	779	420.1
2012	1,322.50	291.4	1,031.10
2013	981.4	365.8	615.5
2014	1,186.30	272	914.3
2015	949.9	309.4	640.5
Annual Average Before AGOA	**212.375**	**173.075**	**39.3**
Annual Average After AGOA	**631.1375**	**245.8125**	**385.325**

Source: https://www.census.gov/foreign-trade/balance/c7490.html

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding

Table 2: US Trade with Ghana, pre-and post-AGOA, 1990-2015

Year	US exports to Angola	US Imports from Angola	Balance of Trade
1990	151.7	1,903.60	-1,751.90
1991	186.1	1,775.20	-1,589.10
1992	157.6	2,302.80	-2,145.20
1993	173.8	2,092.20	-1,918.40
1994	197.1	2,061.40	-1,864.30
1995	259.7	2,232.30	-1,972.60
1996	268.4	2,901.50	-2,633.10
1997	280.6	2,779.20	-2,498.60
1998	354.7	2,240.90	-1,886.20
1999	252.1	2,418.30	-2,166.20
2000	225.4	3,555.20	-3,329.80
2001	275.9	3,095.80	-2,819.90
2002	374.2	3,122.70	-2,748.50
2003	490.6	4,267.10	-3,776.40
2004	593.9	4,521.20	-3,927.30
2005	929	8,484.40	-7,555.30
2006	1,388.80	11,719.20	-10,330.30
2007	1,242.00	12,507.60	-11,265.50
2008	2,019.20	18,911.30	-16,892.10
2009	1,423.10	9,338.90	-7,915.80
2010	1,293.50	11,939.60	-10,646.10
2011	1,503.20	13,597.50	-12,094.30
2012	1,490.60	9,823.90	-8,333.30
2013	1,443.40	8,742.90	-7,299.50
2014	2,039.30	5,719.80	-3,680.50
2015	1,166.20	2,806.50	-1,640.30
Annual Average Before AGOA	**242.8692308**	**2498.546154**	**-2255.68**
Annual Average After AGOA	**1309.446154**	**9413.838462**	**-8104.39**

Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7620.html, last accessed October 3, 2016

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding

Table 3: US Trade with Angola, pre-and post-AGOA, 1990-2015

Year	US exports to Botswana	US Imports from Botswana	Balance of Trade
1990			
1991			
1992	46.6	12.2	34.4
1993	24.9	8.2	16.7
1994	22.7	13.6	9.1
1995	35.7	21.3	14.4
1996	29	27	2
1997	43.1	24.5	18.6
1998	35.6	19.9	15.7
1999	33.4	16.9	16.5
2000	31.5	41	-9.5
2001	43.3	20.8	22.5
2002	31.7	29.3	2.4
2003	25.9	13.7	12.2
2004	54.1	73.5	-19.4
2005	67.3	178.2	-110.9
2006	26.9	252.1	-225.2
2007	53.8	187.5	-133.6
2008	62.2	218.8	-156.7
2009	93.2	131.9	-38.7
2010	48.5	169.7	-121.2
2011	44.3	293.2	-248.9
2012	48	221	-173.1
2013	82.1	277.7	-195.6
2014	52.9	318	-265.1
2015	39	211.9	-172.9
Annual Average Before AGOA	**33.875**	**17.95**	**15.925**
Annual Average After AGOA	**50.29375**	**164.89375**	**-114.6**

Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7930.html , last accessed October 3, 2016

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding

Table 4: US Trade with Botswana, pre-and post-AGOA, 1990-2015

In table 5-6**,** data on FDI inflows presented as percentage (%) of GDP) for Uganda, Ghana, Angola and Botswana pre-AGOA (1990-1999); and AGOA period (2000-2015) are reported. It should be noted that data for FDI are aggregate values and thus not isolate these inflows by AGOA commodity sector and countries of FDI origin.

Year	FDI Flow Uganda	FDI Stock Uganda	FDI Flow Ghana	FDI Stock Ghana
1990	-0.12	0.13	0.15	3.20
1991	0.03	0.18	0.18	3.02
1992	0.07	0.24	0.20	3.28
1993	1.27	1.51	1.31	5.09
1994	1.31	2.27	2.67	8.25
1995	1.58	3.52	1.03	7.97
1996	1.52	3.97	1.08	8.52
1997	1.65	5.34	0.74	9.31
1998	1.61	7.16	1.40	9.97
1999	1.79	8.51	1.97	11.64
2000	2.42	10.81	1.44	19.46
2001	1.95	12.39	1.05	19.29
2002	2.26	14.04	0.60	17.23
2003	2.34	15.63	0.90	14.82
2004	2.86	15.92	0.98	13.71
2005	3.09	16.47	0.84	12.47
2006	4.78	19.79	3.12	12.64
2007	4.78	20.86	3.46	13.87
2008	3.63	20.89	4.28	16.32
2009	4.17	24.95	11.15	29.07
2010	2.52	25.79	7.86	31.33
2011	3.80	25.79	8.26	34.00
2012	4.72	25.79	7.89	39.82
2013	4.14	25.79	6.75	41.50
2014	4.03	25.79	8.70	60.13
Average annual flow before AGOA	**1.07**		**1.72**	
Average annual flow after AGOA	**3.43**		**4.48**	

Source: UNCTAD Statistics with modification from Author, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, last accessed October 13, 2016; where there is (-) = there was de-investment in the country

Table 5: FDI Stock and Flow in Uganda and Ghana pre-and post-AGOA (% GDP)

Year	FDI Flow Angola	FDI Stock Angola	FDI Flow Botswana	FDI Stock Botswana
1990	-3.25	9.95	2.58	35.18
1991	5.46	13.88	-0.21	33.64
1992	2.06	14.15	-0.04	31.94
1993	2.98	22.50	-7.04	24.80
1994	1.63	23.50	-0.33	23.44
1995	9.45	58.49	1.49	23.81
1996	2.77	47.53	1.47	21.83
1997	5.38	45.93	1.99	23.36
1998	17.28	71.79	1.99	27.03
1999	40.59	116.59	0.67	25.30
2000	9.92	90.05	0.99	31.56
2001	22.65	106.87	0.56	25.29
2002	15.25	103.80	7.42	15.70
2003	25.63	110.65	5.56	15.54
2004	11.11	89.20	4.37	18.31
2005	-3.97	49.79	2.81	16.76
2006	-0.09	39.00	4.80	19.67
2007	-1.48	25.49	4.52	22.91
2008	1.99	20.30	4.69	22.27
2009	2.92	25.55	1.27	29.80
2010	-3.91	19.47	1.59	24.37
2011	-2.90	12.52	8.97	26.90
2012	-5.98	5.32	3.38	30.94
2013	-5.85		2.70	29.50
2014	-3.08		2.50	27.81
Average annual flow before AGOA	**10.17**		**0.36**	
Average annual flow after AGOA	**1.20**		**3.74**	

Source: UNCTAD Statistics with modification from Author, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, last accessed October 13, 2016; where there is (-) = there was de-investment in the country

Table 6: FDI Stock and Flow in Angola and Botswana pre-and post-AGOA (% GDP)

A. MODEL USED FOR ESTIMATION

The dependent variable, i.e. the prevalence of undernourishment (% of the population), "a proxy for household poverty" and the Foreign Direct Investment value (% of GDP) behave as proportion data with values falling between zero and one. The approach was to treat the proportions as censored continuous variables. The censoring means that we didn't have information below 0 or above 1. A censored Tobit model was thus used to study the influence of the independent variables on prevalence of undernourishment

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(a proxy for household poverty) and FDI inflows as percentage of GDP since the dependent variable was roughly continuous over strictly positive values with zero for nontrivial fractions of the population.

FDI = f (AGOA, CORFREE, MONFREE, INRATE)…Model 1
PMALNR = f(AGOA, AGVAL, CORFREE) …Model 2

Variable	Description	N	Mean (SD)
AGOA	US exports from Uganda under AGOA (USD Millions)	24	30.6 (15.29)
AGVAL	Agricultural value added per worker (Constant 2010 US$)	26	477.7 (23.25)
CORFREE	Index of corruption freedom	22	25.2 (2.88)
MONFREE	Index of monetary freedom	22	78.4 (4.89)
INFREE	Interest rate spread (lending-deposit rate, %)	23	10.53 (2.35)
INVFREE	Index of investment freedom	22	55.5 (9.12)
GDPCAP	Per Capita GDP (USD)	26	476.5 (124.7)
CONEXP	Final Consumption Expenditure, Million, Constant 2010	25	11486.21 (4979)

SD=Standard Deviations in parentheses & N=No of observations;
Dependent variable (1) = Foreign Direct Investment value, % of GDP
Dependent variable (2) = Prevalence of undernourishment (% of total population)

Table 7: Description of explanatory variables for Maximum likelihood estimations

V. RESULTS AND OBSERVATIONS

A. AGOA UTILIZATION BY BENEFICIARY COUNTRY

On record, AGOA utilization, defined as U.S. imports under AGOA from a beneficiary country as a share of total U.S. imports from that country, was 65 percent in 2013 for trade in all products and across all countries (table 8). In 2013, AGOA utilization (for all products) exceeded 90 percent for only three beneficiary countries: Chad (99 percent), Swaziland (92 percent), and Nigeria (91 percent). The utilization rate exceeded 80 percent for an additional three countries: Gabon, Lesotho, and the Republic of the Congo. Meanwhile, South Africa, the largest source for U.S. imports under AGOA, had a utilization rate of just 31 percent in 2013.

Also, 24 out of the 39 beneficiary countries in 2013 reported utilization rates of 10 percent or less, and 21 countries had utilization rates of 1 percent or less. Low utilization rates can stem from many different factors. For example, 12 countries with exports to the United States had no exports under AGOA. Also, countries supplying mostly products that are already duty free under NTR or under GSP have low utilization rates.

By USITC methodology with crude petroleum imports excluded from the calculation, the overall utilization rate falls to 31 percent, (appendix 2). This difference in utilization rates indicates the importance of AGOA preferences for U.S. imports of crude petroleum from the region. For example, the utilization rate for Nigeria drops from 91 percent to 50 percent when crude petroleum is excluded from the calculation, and for Angola it drops from 67 percent to 11 percent. Of total U.S. imports from Chad, only crude petroleum receives AGOA preferences, so its utilization rate falls to 0 percent when crude petroleum is not considered. The Utilization rate for Uganda and Ghana ranked as Agricultural exporters are substantially very low by USITC estimation (Uganda 0.1% vs. Ghana 0.9%) (Table 8)

Country	Utilization rate including all products	Utilization rate excluding crude petroleum
Uganda	0.1	0.1
Angola	67.4	11.0
Botswana	2.1	2.1
Ghana	1.1	0.9

Source: USITC DataWeb/USDOC (2014). Notes: a = Less than 0.05.

Table 8: AGOA utilization rates, including and excluding crude petroleum, by beneficiary country, 2013 (%)

B. TRADE FLOW BETWEEN UNITED STATES WITH UGANDA AND GHANA, PRE-AND-POST AGOA INITIATIVE (1990-2015)

Figure 1 & 2, provides aggregate values of U.S. exports, imports and Balance of Trade (BOT) with Uganda and Ghana as selected agricultural exporting countries (pre- and post-AGOA); while figure 3 & 4, compares the performance of the variables with predominantly petroleum exporting country (Angola) and the mineral exporting country (Botswana) in the same period (1990-2015)

Data obtained showed that, United States exported to Uganda an annual average of 24.2 millions of US Dollars of traded goods during pre-AGOA period (1992-1999). The value went to annual average of 72.9 millions of US Dollars following AGOA initiative (2000-2015). This was thrice the value of traded goods prior to AGOA implementation (table 1**).** In terms of imports from Uganda, United States imported on average of 19.8 million annually of trade in goods prior to AGOA. This figure almost doubled following AGOA initiative i.e. 35.99 million annually. Over the years, United States maintained positive Balance of Trade (BOT) with the Uganda both before and after the AGOA enactment, with exception of 1994, 1997 and 2000 where trade deficit was -7.0 million, -2.4 million and -0.7 million US Dollars respectively. The BOT of United States grew nine times on annual average prior and after AGOA (4.46 million Pre-AGOA vs 36.95 million during Post-AGOA). The US value of Balance of Trade remained higher than the Uganda exports recorded following AGOA initiatives. However, both countries experience increased volume of trade following AGOA implementation (figure 1 & 2 below).

Uganda registered the highest trade deficit with United States in 2009 during AGOA period; estimated at -88.1 millions of US Dollars (exported 30.9 million verse 119.1 million in imports from United States). The lowest trade deficit was in 1996 when AGOA was not enacted; which was valued to -1.3 million of United States Dollars (15.9 million in exports against 17.2 million in imports. The greatest exports were in 2015 which Uganda had 64.1 million of US Dollars of exported trade goods to United States. Since AGOA inception in Uganda, the country registered only a single trade surplus of 0.7 million US Dollars in year 2000, the time of onset. This supports Nouve and Staatz's literature that the impact of AGOA on agricultural exports has no observable impact on agricultural trade.

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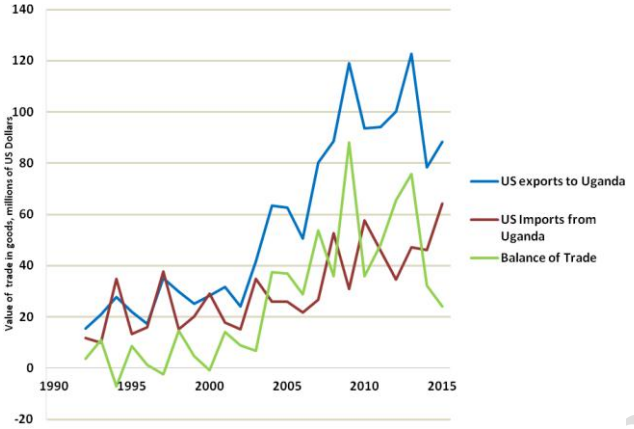
*Despite the general increase in exports to the US, Uganda is not performing well under AGOA. Total exports of products categorized under AGOA (**agricultural products, forest products, textiles and apparel, footwear, minerals and metals and miscellaneous manufactures**) declined from USD 3,315,000 in 2010 to USD 1,578,000 in 2013*

Hon. Ammelia Kyambadde
(Minister of Trade Industry and Cooperatives, Press Briefing)

In interpretation, it should be noted that where United States registered a surplus trade balance, the converse was true for Uganda and other selected countries (Angola, Botswana and Ghana).

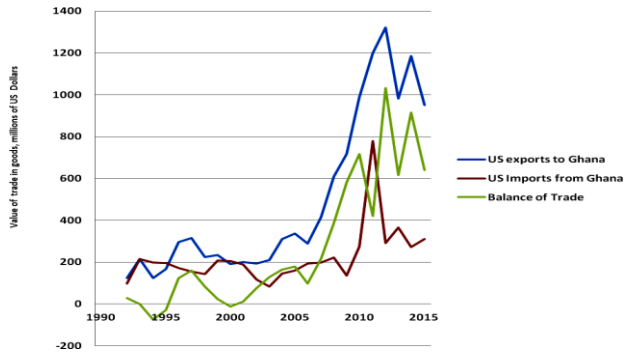


Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7780.html, last accessed October 3, 2016
Figure 1: Trends Of Us-Uganda Trade In Goods (1990-2015)

Similarly, United States exported annually on average of 212.4 million of trade goods to Ghana prior to AGOA. This value went to almost 3 times following AGOA (631.1 million US Dollars annually). In the same period United States imported on average of 173.1 million annually from Ghana compared to 245.8 million during AGOA period. Similar to Uganda, the United States had positive Balance of Trade with Ghana of trade in goods almost in all periods prior and after AGOA.

The Balance of trade averages to 39.3 million US Dollars per year prior to AGOA. However, this rose to 385.3 million during the period of AGOA implementation (2000-2015), which on average was almost ten times before the trade deal. In the last 16 years of AGOA life span in Ghana, it recorded only one year of trade surplus in 2000 valued at about 13.4 million of US Dollars. Like Uganda, both United States and Ghana had increased trade value of trade in goods as a result of AGOA implementation.

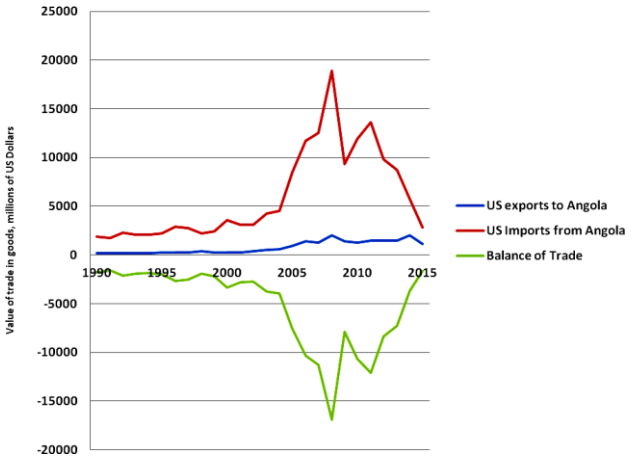
The trade value remains higher for Ghana with United States than Uganda in relative terms (figure 2 and table 2). The highest exports value was during AGOA period, 2013 where it registered about 365.8 million of US Dollars from United States. The greatest trade deficit occurred during 2012 which was AGOA implementation period estimated at -1,031.1 million US Dollars (291.4 million in exports against 1,322.5 million in imports from United States). Similarly, Ghana had the lowest trade deficit during AGOA period, 2001. The trade deficit was estimated to -12.5 million US Dollars (187.1 million exports against 199.6 million in imports).



Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7490.html, last accessed October 3, 2016
Figure 2: Trends Of Us-Ghana Trade In Goods (1990-2015)

C. TRADE FLOW BETWEEN UNITED STATES WITH ANGOLA AND BOTSWANA, PRE-AND-POST AGOA INITIATIVE (1990-2015)

Results showed that in all the periods, Angola a country rich in petroleum rich primary products enjoyed a positive balance of trade i.e. trade surplus in trading with United States, both before and after AGOA enactment. AGOA itself strengthened the surplus trade position following implementation in the country. The greatest trade surplus before AGOA was about 3,329.8 million US Dollars in 2000 compared to 16,892.1 million US Dollars in 2008. This on average was five times the amount registered in 2000, a year before AGOA came into effect in Angola. Considering 1990-2002 (years prior to AGOA), Angola had on average about 2,255.68 million US Dollars in trade surplus per year with the United States. This grew to about USD 8,104.39 US Dollars per year within AGOA implementation period. This is in agreement with popular argument that (i) African exports to U.S. continues to be dominated by petroleum products that have relatively low value added and (ii) the existing U.S.-Africa trade is dominated by imports from a few African countries (Nouve and Staatz, 2003).

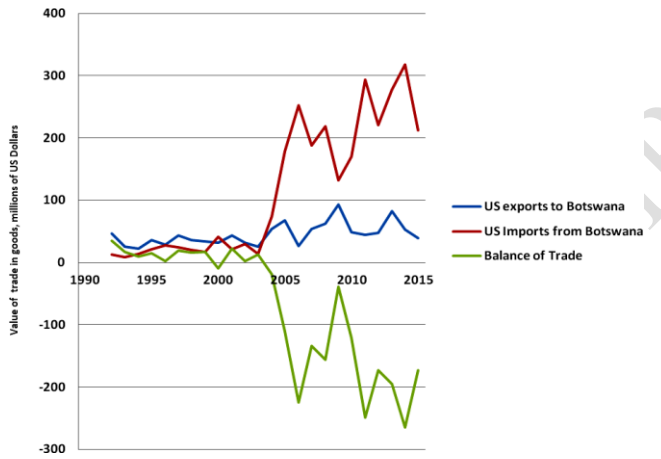


Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7620.html, last accessed October 3, 2016

Figure 3: Trends Of Us-Angola Trade In Goods (1990-2015)

In the same way to Angola, Botswana a country well known for predominantly mineral-exporting recorded positive balance of trade (trade surpluses) in trading with the United States following AGOA with exception of year 2001-2003 where there were some deficits in trade. The lowest trade surplus during AGOA period was reported in 2000 estimated at 9.5 million US Dollars; and the highest was 265.1 million in 2014.

Before the trade deal (1992-1999), Botswana experienced trade deficits in all the periods with the highest in 1992 at 34.4 million US Dollars. Whereas the country used to export on average of 17.95 million prior to the deal, it increased to about 164.9 million per year as a result of AGOA implementation. This has improved the balance of trade position in the country which used to suffer deficit of about -15.9 million per year to a surplus of 114.6 million per year in trade with the United States. This supports the earlier finding put by AGOA proponents arguing that expanding preferential export access to the U.S. markets different products, has the potential to increase trade flows between the U.S. and SSA countries and thereby spur long-term economic growth of the eligible countries (Ianchovichina et al., 2001)



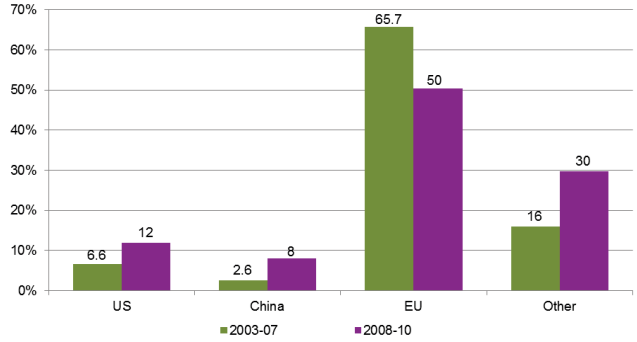
Source: Data extracted from https://www.census.gov/foreign-trade/balance/c7930.html , last accessed October 3, 2016

Figure 4: Trends Of Us-Botswana Trade In Goods (1990-2015)

D. FOREIGN DIRECT INVESTMENT IN SUB-SAHARAN AFRICA BY SOURCE

The sources of FDI inflows to SSA generally have changed over time. The EU has remained the leading source of FDI inflows to SSA during the AGOA period, but the EU's share has declined in recent years as FDI increased from the United States, China, and other sources (figure 5). Between 2003 and 2007, the EU accounted for 66 percent of overall FDI inflows to SSA, compared with the United States (7 percent) and China (3 percent). However, during 2008–10, the EU share declined to 50 percent while the shares from the United States, China, and other FDI sources all increased.

In addition to China, other Asian countries are also increasing FDI in SSA. The potential of West Africa's palm oil industry is leading to increased investment from Malaysia and Indonesia, both important producers of palm oil in Southeast Asia. Also, Taiwanese firms have invested in the textile and apparel industries in a number of SSA countries, mostly to take advantage of AGOA trade preferences (see below).



Sources: USITC, AGOA Trade and Investment Performance Overview report with extracts from MOFCOM; UNCTAD, UNCTADStat database; USDOC, BEA; EC, Eurostat

Figure 5: Shares Of Fdi Inflows Into Ssa, 2003–07 Vs. 2008–10, By Source Region

There are few official government data sources that report FDI inflows into SSA by source and destination countries and by industry. Commercial databases provide data for individual greenfield FDI projects (from 2003) and for cross-border acquisitions of African firms. According to these sources, greenfield FDI projects accounted for three quarters of new FDI in SSA during 2003–13, with the remainder being acquisitions by foreign firms. Data for the values of particular acquisitions and FDI projects are reported only sporadically, but it is possible to count the number of projects reported by source country, destination country, and industry. Such information is necessarily incomplete, but does provide some insight into the most prevalent investment sectors in SSA throughout most of the AGOA period.

For both greenfield FDI projects and mergers and acquisitions, EU countries have accounted for about one-third of all projects during 2003–13, followed by other SSA countries and the United States (figure 6). The number of greenfield FDI projects from all source countries has increased significantly since 2008. In addition to being the largest destination for greenfield FDI in SSA, South Africa is one of the largest outbound investors in other SSA countries, accounting for 322 of 656 (49 percent) FDI projects originating in SSA countries.

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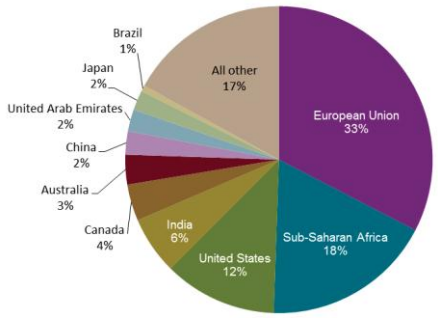


Source: Financial Times, FDIMarkets database; Bureau van Dijk, Zephyr database.

Figure 6: Greenfield Fdi Projects And M&A Deals By Source, 2003–13

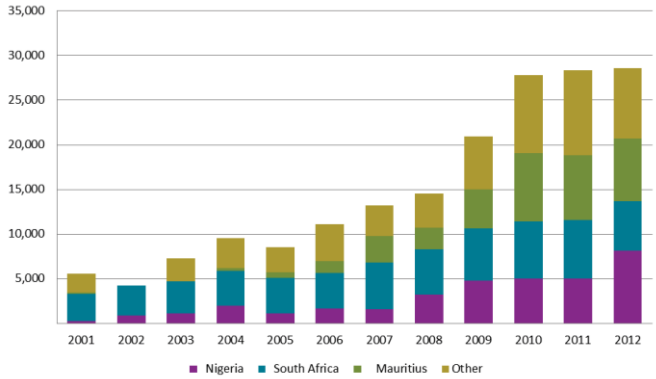
a. U.S. INVESTMENT IN SSA

In 2012, the United States' cumulative FDI position in SSA was $28.6 billion; the three largest destinations for U.S. investment were Nigeria, Mauritius, and South Africa (Table 9). Before 2001, South Africa was a leading SSA destination for U.S. investment, but since then U.S. FDI in Nigeria, Mauritius, and other SSA countries has grown significantly (figure 7). U.S. firms are continuing to invest in Africa. For example, GE reportedly announced $1 billion of investment into Africa in 2013 alone. Illustrative GE projects include a $250 million project that broke ground in June 2013 in Calabar, Nigeria, that will manufacture and service power-generating equipment, and a tentative agreement to build a 1,000 MW natural gas-fired power plant in Ghana, signed the same month.

Country	U.S. FDI outflows													U.S. FDI position
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012
	Million $													
Total SSA	816	1,861	–705	2,228	1,164	1,452	5,103	3,494	2,220	8,904	5,523	3,048	1,546	28,576
Nigeria	137	–192	588	173	676	–846	144	–596	1,772	5,170	81	157	2,762	8,152
Mauritius	–9	29	–121	–13	184	–20	323	1,326	–265	654	1,179	-50	-86	7,062
South Africa	346	–86	125	232	480	82	159	1,000	306	1,088	447	621	250	5,502
Ghana	–24	91	–31	4	120	–4	729	(D)	(D)	205	–313	328	461	3,629
Angola	79	342	–263	–36	–22	98	280	–99	789	54	1,974	707	–3,011	1,245
Liberia	–218	–60	–260	47	62	149	–128	207	61	12	228	109	-19	1,019
Mozambique	1	8	3	1	(D)	(D)	4	–3	–2	12	127	(D)	(D)	619
Tanzania	20	–21	–3	–7	–3	–6	(D)	(D)	(D)	(D)	(D)	(D)	(D)	319
Kenya	–19	(D)	(D)	7	–7	40	–109	2	7	62	3	5	–145	259
Cameroon	(*)	–1	–1	(*)	–32	36	–11	–52	2	–50	48	-4	6	203
Gabon	73	2	–182	11	61	–166	–17	130	–439	4	327	94	78	157
Zambia	5	2	-5	–4	–3	(*)	15	5	–1	3	18	–3	(*)	144
Côte d'Ivoire	–8	–64	40	20	60	54	–23	–88	–166	31	–13	–10	–25	118
Uganda	–5	-1	2	(*)	–4	1	1	(D)	(D)	3	6	1	–3	100
Other SSA countries	333	2,139	–1,418	1,823	8	2,216	4,800	3,090	142	2,646	4,995	2,270	–1,466	14,922

Source: USDOC, BEA, Balance of Payments and Direct Investment Position Data (accessed November 12, 2013 by USITC). Notes: FDI inflows are a measure of new investment in a single year. Inflows are negative when more money is divested from a country than is invested in that year. FDI position (or stock) is a measure of cumulative investment over time. (*) = Less than $0.5 million dollars; (D) = Data suppressed to avoid disclosure of individual company information.

Table 9: United States FDI outflows to SSA 2000-2012 and FDI position



Source: USITC with data from USDOC, BEA, Balance of Payments and Direct Investment Position Data (2013).

Figure 7: Us Direct Investment Position In Agoa Countries, 2001-2012

Overall in 2012, 57 percent of the U.S. FDI position in Africa was directed to the mining sector (including petroleum), 15 percent in holding companies, and 6 percent in manufacturing. For South Africa, the largest shares of U.S. FDI go to manufacturing (42 percent) and professional, scientific, and technical services (10 percent), with mining accounting for only 1 percent. In Nigeria, 45 percent of the U.S. FDI position is in mining (including petroleum). Although further disaggregated industry data are not available, historically a large share of the FDI flows into Angola has been petroleum-related. That has begun to change in recent years, with more FDI going to services and consumer products manufacturing since 2008.

Official U.S. data do not provide an industry breakdown for FDI in Mauritius. Even though Mauritius is one of the largest SSA recipients of U.S. FDI, commercial databases record only 12 greenfield FDI projects or acquisitions from the United States to Mauritius between 2000 and 2013. U.S.-based companies often use Mauritius as an export platform to capture regional markets, benefiting from Mauritius's membership in SADC and COMESA. Mauritius also has a significant offshore financial sector, which serves as a major route for foreign investors to access India and other points in South Asia. As a result, a large share of U.S. FDI outflows to Mauritius is likely to be destined for final FDI projects in India. Outbound FDI from Mauritius to India was estimated at $43 billion during April 2000–September 2010, or 42 percent of total FDI inflows to India during that period. U.S. investors recorded FDI outflows to African holding companies of $3.4 billion in 2012.310 Data for specific country destinations for those investments are not available.

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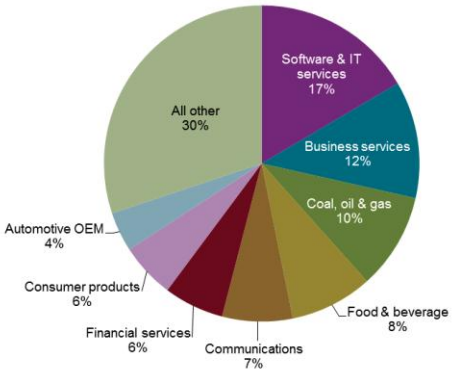
Based on the number of FDI projects, Ghana, Liberia, and Mozambique appear to be the largest destinations after South Africa for non-petroleum-related FDI, although official data for FDI inflows by sector are not available for those countries. Nigeria is also a significant destination for non-petroleum-related FDI. As noted above, although the mining and petroleum industries account for almost one-half of all of the U.S. FDI position, U.S. investors also have significant interests in business services, downstream oil industry projects, communications, and consumer products in Nigeria.

Overall, as measured by the number of greenfield FDI projects, U.S. investors in SSA have principally focused on software and IT services; business services; and coal, oil, and natural gas. In the manufacturing sector, the principal areas are consumer products, food and beverage, and automotive manufacturing (figure 8). In the coal, oil, and natural gas sector, 33 of the 56 projects are oil and gas extraction projects. The others are fossil fuel electric power; natural, liquefied, and compressed gas; other electric power generation (coal, oil, and natural gas); other petroleum and coal products; petroleum refineries; and support activities for mining and energy.

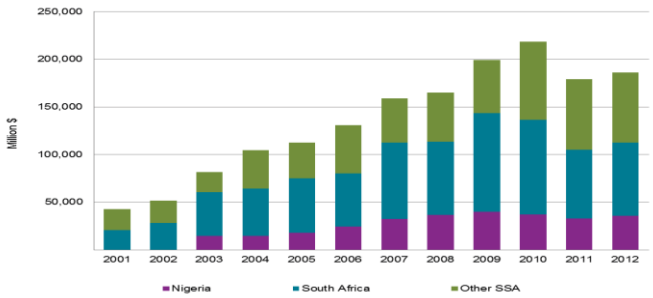


Source: USITC Report with data from Financial Times, FDIMarkets database. Note: OEM–original equipment manufacturer

Figure 8: U.S Greenfield Fdi Projects In Ssa, 2003–13

b. EU INVESTMENT IN SSA

Official statistics from the European Union report data for only two individual SSA countries: Nigeria and South Africa. In 2012, the FDI position in South Africa was $76.8 billion (41 percent of the overall EU position in SSA) and in Nigeria was $35.9 billion (19 percent). The share of the EU FDI position in both countries has dropped since their peak levels in 2009 and 2010 (figure 9). On the other hand, the EU direct investment position in Central and Southern Africa increased at an average annual rate of 14.3 percent, from $42.7 billion in 2001 to $186.1 billion in 2012 (table 10).



Source: USITC Report with data from EC, Eurostat database (2013)

Figure 9: Eu Fdi In Ssa, 2001-2012

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR %
						Million $							
Africa	53,845	66,969	104,899	134,247	141,480	169,378	213,882	224,629	287,292	291,044	272,873	291,882	16.6
Central and South Africa	42,656	51,506	81,659	104,511	112,420	131,009	158,898	165,218	199,283	218,333	179,279	186,059	14.3
Nigeria	NA	NA	14,744	14,363	17,681	24,201	32,584	36,525	39,824	37,271	33,066	35,889	10.4
South Africa	20,730	28,171	45,853	49,732	57,217	56,048	79,768	76,849	103,500	99,060	71,850	76,819	12.6

Source: USITC with data from EC, Eurostat database (2013).
Note: NA = Not available.
CAGR=compound annual growth rate

Table 10: EU Outward FDI position in SSA, 2001–12

According to other data sources, during 2003–13, the United Kingdom accounted for 39 percent of greenfield FDI projects from the EU into SSA, followed by Germany, France, and Portugal (figure 10). In addition, 38 percent of all the United Kingdom's projects were invested in five countries: South Africa, Nigeria, Kenya, Tanzania, and Ghana. All of these countries are former British colonies; each country accounted for between 6 and 8 percent of all UK FDI projects in SSA. In South Africa, more than half of all UK-based greenfield FDI projects were destined for the service sector, with the largest areas reported as financial services, business services, and software and IT services. Portuguese FDI in SSA focuses on Portugal's former colonies of Angola and Mozambique, with 130 and 12 projects, respectively, out of a total of 149 projects in those countries during the period. In Angola, 94 of those are financial services projects, primarily new bank branches opened by several large Portugal-based banks. However, these projects are not likely to represent significant financial outlays. In Mozambique, many projects are in the manufacturing sector, including several from Cimpor, a large cement company.

German firms, with almost as many individual FDI projects as Portuguese firms, were much more focused on South Africa (86 projects), followed by Nigeria (12 projects) and Kenya (13 projects). In South Africa, auto industry projects accounted for one-third of the total, including 11 by Volkswagen; chemicals investments accounted for another 18 projects. Other Germany-based FDI projects in SSA are scattered among a wide variety of industries.

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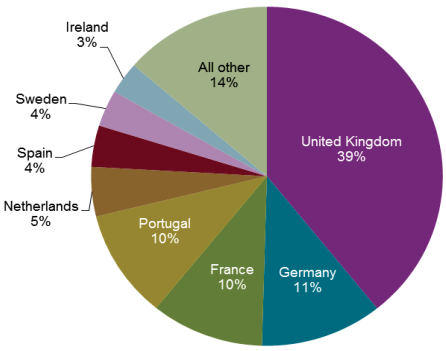

Source: USITC with data from Financial Times, FDIMarkets database

Figure 10: Greenfield Projects In Ssa, By Eu Member, 2003–13

FDI projects from France are diversified among 30 SSA countries, with South Africa, Nigeria, and Senegal accounting for the largest shares. France-based companies have invested in a wide variety of industries in SSA. The coal, oil, and natural gas sector is the largest (17 percent of all projects); oil and gas extraction projects account for half of these. Telecommunications is next, followed by business services, financial services, computer and IT services, and food and tobacco The United Kingdom was also the largest acquirer of existing SSA companies. However, the Netherlands and Luxembourg, which did not appear among the largest greenfield investors, also numbered among the primary investors.

c. CHINESE INVESTMENT IN SSA

Many Chinese investors in SSA are state-owned enterprises (SOEs), but as much as one-half of total investment comes from private-sector companies. Official Chinese FDI data may underestimate FDI in Africa, since the statistics often fail to include smaller, private sector companies involved in wholesale and retail trade and textiles. In general, Chinese private sector companies focus investing in the manufacturing and service sectors, while SOEs are more likely to invest in construction and resource extraction. According to an UNCTAD estimate, as of 2006, there were about 700 Chinese-based firms operating in Africa. That number was likely to be significantly higher in 2014. Most Chinese FDI in SSA has been greenfield investment.

During 2000–2013, only five Chinese acquisitions of SSA companies were reported, one each in Chad, the Democratic Republic of the Congo, Ghana, Mauritius, and South Africa (Standard Bank). FDI from China and from OECD countries has taken different paths, for two principal reasons. First, Chinese SOEs are able to operate on a longer time horizon than many OECD-based multinational firms, as many of their FDI projects are funded by the Chinese government with preferential access to capital, whereas most FDI from OECD countries is funded through stock markets or other private capital at market rates. Second, most OECD FDI is constrained by a number of international agreements affecting labor rights, the environment, product specifications, and the U.S. Foreign Corrupt Practices Act, whereas Chinese SOEs have far fewer restrictions to observe.

Financing for many large infrastructure investment projects from China follows a model of "tied aid" that Western countries have largely abandoned. These projects generally follow a pattern: China's Export-Import Bank provides a line of credit, usually at subsidized interest rates, with the funds tied to the use of Chinese inputs and labor. Chinese SOEs bid on substantial infrastructure or resource extraction projects. The funds most often are transferred directly from the Export-Import Bank as payment to the Chinese firms, never going to African countries directly. The funding is repaid to the Chinese government in the form of commodity exports resulting from the project, from the African countries to China.

South Africa was by far the largest destination for FDI outflows from China during 2003–10 from available data. However, Chinese investment in South Africa was driven almost entirely by a single transaction: the 2008 acquisition by the Industrial and Commercial Bank of China of a 20 percent stake in South Africa's Standard Bank, valued at $4.75 billion. Nigeria ranked second, followed by Zambia and the Democratic Republic of the Congo, two countries that have attracted significant Chinese FDI in the mining industry (table 11).

Country	2003	2004	3005	2006	2007	2008	2009	2010	Total
					Million $				
South Africa	9	18	48	41	454	4,808	42	411	5,830
Nigeria	24	46	53	68	390	163	172	185	1,101
Zambia	6	2	10	87	119	214	112	75	626
Congo, Dem. Rep.	0	12	5	37	57	24	227	236	598
Niger	NA	2	6	8	101	0	40	196	352
Sudan	NA	147	91	51	65	-63	19	31	341
Ethiopia	1	0	5	24	13	10	74	59	186
Kenya	1	3	2	0	9	23	28	101	167
Madagascar	1	14	0	1	13	61	43	34	166
Angola	0	0	1	22	41	-10	8	101	164
Other SSA	29	56	72	78	95	186	335	454	1,305
SSA total	70	298	292	417	1,359	5,416	1,100	1,883	10,836

Source: Government of China, Ministry of Commerce. Notes: SSA total calculated by the Commission by removing data for North African countries from the total provided by China's Ministry of Commerce. NA = Not available.

Table 11: China: FDI outflows to SSA destinations, 2003–10

Studies by the African Economic Research Consortium identified the most significant industry destinations for Chinese FDI in 20 SSA countries (table 12). Based on data from 2007, industries of particular note included oil and gas, mining, agriculture, services (particularly telecommunications, but also utilities and financial services), apparel and shoes, and agro-processing.

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Industry	Identified destination countries
Oil and gas	Angola, Nigeria, and Sudan
Mining	Ethiopia, Sudan, Zambia, Kenya, and Uganda
Agriculture	Cotton in Zambia, Mali, and Uganda; poultry in Ghana; sugar in Madagascar; coffee in Kenya
Telecommunications	Angola, Ethiopia, Madagascar, Nigeria, Republic of the Congo, and Uganda
Utilities	Ethiopia
Financial services	Madagascar and South Africa
Apparel and footwear	Ethiopia, Ghana, Madagascar, Mauritius, and Kenya
Agro-processing	Nigeria, Zambia, and Uganda
Construction and infrastructure	Angola, Ethiopia, Nigeria, Zambia, Republic of the Congo, Mali, South Africa, Uganda, Cameroon, Namibia, and Tanzania
Import/export and retail	Widespread activity throughout SSA reflecting small, private-sector Chinese firms

Source: Kaplinsky and Morris, "Chinese FDI in Sub-Saharan Africa," 2009, 557.

Table 12: China: Significant industry and country destinations for FDI in SSA, 2007

Much of the infrastructure investment is related to FDI in the extractive industries (both petroleum and mining) and metals. Examples include an oil pipeline and related port facilities in Sudan; a deepwater port, railroad track, and a hydroelectric power plant linked to an iron mine in Gabon; and the refurbishment of Angola's rail network, linked to petroleum extraction in that country, with potential links between Angolan ports and Zambia's copper mines. In the metals industry, Chinese FDI in Mozambique's aluminum industry, driven by higher demand for aluminum from China, significantly increased overall FDI in that country. China has also invested heavily in Zambia's copper industry, particularly the Lumwana Mine and the Konkola Deep Mining Project.

d. SSA COUNTRIES' INVESTMENT IN SSA

As noted above, SSA countries account for a significant share of overall FDI into the region, with South Africa being the leading investor. Kenyan firms ranked second as intra-SSA investors, with 145 outbound FDI projects in SSA. Together, South Africa and Kenya comprised 71 percent of all intra-SSA FDI projects during 2003–12. SSA investors are more likely than investors from other regions to focus on the services and manufacturing sectors, rather than on natural resources extraction or processing. Manufacturing projects, in turn, tend to focus on less capital-intensive and lower-technology industries. Table 13 highlights greenfield FDI projects and acquisitions by SSA countries in other SSA countries. For 2003–12, the top three country destinations for South Africa's FDI in SSA were Nigeria, Ghana, and Namibia.

Industry	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Metals, mining and agriculture	10	6	7	13	7	8	6	16	11	5	4	93
M&A	6	3	3	7	4	3	1	4	1	2	0	34
Greenfield	4	3	4	6	3	5	5	12	10	3	4	59
Chemicals, rubber, plastics, non-metallic manufacturing	5	3	2	1	3	7	5	3	13	6	7	55
M&A	3	1	1	0	1	4	1	1	0	1	1	14
Greenfield	2	2	1	1	2	3	4	2	13	5	6	41
Food, beverages, tobacco	1	2	2	2	1	14	5	8	17	18	13	83
M&A	0	0	0	0	0	3	1	1	1	1	1	8
Greenfield	1	2	2	2	1	11	4	7	16	17	12	75
Textiles, apparel, leather	5	2	0	1	1	1	0	1	3	1	6	21
M&A	1	1	0	1	0	0	0	0	0	0	0	3
Greenfield	4	1	0	0	1	1	0	1	3	1	6	18
Machinery manufacturing	0	1	2	0	6	6	5	4	3	1	8	36
M&A	0	1	0	0	4	2	0	1	0	0	0	8
Greenfield	0	0	2	0	2	4	5	3	3	1	8	28
Financial services and real estate	6	12	13	23	17	91	72	49	73	42	49	447
M&A	1	6	3	7	5	14	3	4	7	1	2	53
Greenfield	5	6	10	16	12	77	69	45	66	41	47	394
Communications, business, and computer services	9	8	14	25	7	10	18	23	33	53	34	234
M&A	6	8	10	19	7	7	6	5	4	4	4	80
Greenfield	3	0	4	6	0	3	12	18	29	49	30	154
Wholesale, retail, distribution	0	0	5	3	1	5	2	1	3	2	3	25
M&A	0	0	4	2	1	5	2	1	3	2	3	23
Greenfield	0	0	1	1	0	0	0	0	0	0	0	2
Transportation	1	1	1	6	0	1	3	1	1	9	1	25
Greenfield	0	0	0	2	0	1	2	0	1	7	1	14
M&A	1	1	1	4	0	0	1	1	0	2	0	11
Tourism	3	2	1	1	1	11	0	3	1	2	7	32
M&A	0	1	1	0	1	2	0	0	1	0	2	8
Greenfield	3	1	0	1	0	9	0	3	0	2	5	24
Construction	0	0	1	1	0	5	4	3	8	3	13	38
M&A	0	0	1	1	0	0	0	1	1	0	0	4
Greenfield	0	0	0	0	0	5	4	2	7	3	13	34

Sources: Bureau van Dijk, Zephyr M&A database; Financial Times, FDI Markets database; Commission calculations.

Table 13: Number of greenfield FDI projects and mergers and acquisition transactions in SSA by SSA-based investors, by selected industry, 2003–13

e. INVESTMENT IN SSA BY INDUSTRY

In the past, much of the FDI in SSA was focused on natural resource extraction, including mining, petroleum and natural gas extraction, and renewable energy. This pattern is changing, however: during 2007–12 the number of new FDI projects focused on resources declined, while the number of projects in the services and manufacturing sectors increased (figure 11). Natural resources contributed to less than one-third of Africa's GDP growth between 2000 and 2012, with the service sector growing particularly fast as a share of GDP. In an effort to illustrate this change, UNCTAD has recently tracked the share of greenfield FDI projects focused on sales to African consumers.

UNCTAD defined the consumer sector as a basket of manufacturing and service sector industries that include financial services; food, beverages, and tobacco; textiles, clothing, and leather; transport, storage, and communications; and motor vehicles. The share of overall greenfield FDI projects in these sectors has increased steadily since 2008, reaching almost 25 percent in 2012. The service sector accounts for the majority of greenfield FDI projects in SSA, led by financial services and communications (table 14). The

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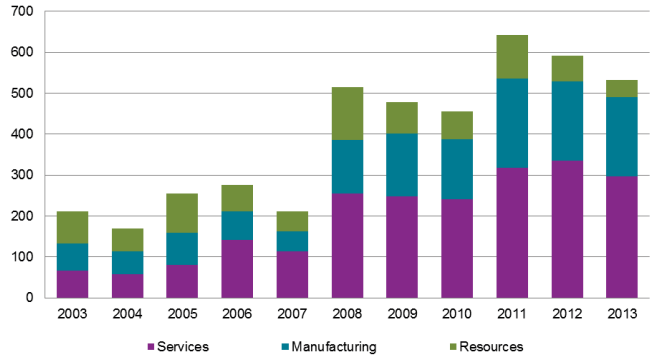
metals sector includes both metals mining and metals processing; the latter is a manufacturing industry. Other prominent manufacturing industries are food and tobacco and automotive manufacturing. Along with greenfield FDI, mergers and acquisitions (M&A) are the other source of foreign investment in SSA. Metals, mining, and agriculture; financial services; and wholesale and retail trade account for the largest shares of foreign acquisitions of existing SSA companies (figure 12).



Source: USITC with data from Financial Times, FDIMarkets database. Note: Data are available only beginning in 2003.

Figure 11: Number Of Greenfield Fdi Projects In Ssa, By Sector, 2003–13

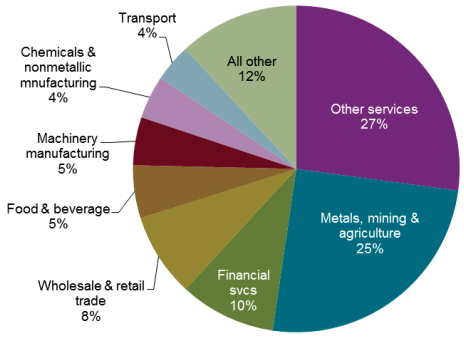
f. NATURAL RESOURCES (PETROLEUM, METALS, AND MINERALS)

Some of the highest-value investment projects in SSA involve oil and gas extraction, many by Asian-owned petroleum companies. However, FDI in the natural resources sector also includes significant investment in downstream petroleum industry projects, including construction of pipelines and refineries (table 14). Chinese state-owned companies are also particularly active investors in the SSA mining industry, especially in iron ore mines in Guinea, Sierra Leone, and Liberia, and likely to remain so for the foreseeable future. Combining production by China-based mining companies with production by companies based elsewhere, Guinea in particular could become one of the world's largest sources of iron ore by 2020. During 2003–12, almost one-half of SSA greenfield FDI projects in the resource sector (including coal, oil, natural gas, metals, and minerals) were focused on downstream manufacturing and services activities, rather than on resource extraction (table 16).

Industry	Number of projects	Share of total %
Financial services	779	18
Communications	401	9
Metals	367	8
Business services	332	8
Coal, oil, and natural gas	290	7
Food and tobacco	257	6
Software and IT services	247	6
Transportation	158	4
Automotive OEM	146	3
Industrial machinery, equipment, and tools	123	3
Hotels and tourism	101	2
Other	1,136	26
Total	4,337	100

Source: USITC with data from Financial Times, FDIMarkets database (2014).

Table 14: Number of greenfield FDI projects in SSA, by industry, 2003–13



Source: USITC with data from Bureau van Dijk, Zephyr M&A database (2014)

Figure 12: M & A Deals In Ssa, By Industry, 2000-2013

Destination country	Company	Project	Expected start-up date	Notes
South Africa	Sinopec (China)	Mthombo refinery, Port Elizabeth	2016	$10 billion project planned by Sinopec, PetroSA (South Africa), and Industrial Development Corp. (South Africa)
South Africa	Petronas (Malaysia)	Engen Petroleum	2013	Petronas is currently in talks to sell its stake in Engen Petroleum to PetroSA
Sudan	CNPC (China)	Khartoum refinery	2000	50/50 joint venture between CNPC and the Sudanese Ministry of Energy and Mining
South Sudan, Kenya, Rwanda	Toyota (Japan)	Oil pipeline	NA	$4 billion project. Dual pipelines running from South Sudanese oilfields to Kenya port of Lamu and from Rwanda to Mombasa
Uganda	CNOOC (China)	Hoima refinery	NA	In talks to develop a 30,000 barrel/day refinery in conjunction with a crude oil export pipeline as part of an upstream development in Lake Albertine
Uganda	China Export-Import Bank (China)	Dar Es Salaam pipeline	2014	Domestic pipeline connecting gas-rich Mtwara to Dar es Salaam, Tanzania
Tanzania	KOGAS (Korea)	Maputo gas pipeline	2014	Joint venture by KOGAS and ENH (Mozambique) to pipe gas for

Source: BMI, Asian Investment in Africa, 2013. Note: NA = Not available

Table 15: Key Asian investment in SSA's downstream oil and gas industry

Coal, oil and natural gas			Metals and minerals		
Activity	Number of projects	Share of total %	Activity	Number of projects	Share of total %
Oil and gas extraction	115	40	Gold ore and silver ore mining	94	20
Coal mining	24	8	Copper, nickel, lead, and zinc mining	69	15
			Other mining	122	26
Non extractive activities	151	52	Nonextractive activities	178	38
Total	290	100	Total	463	100

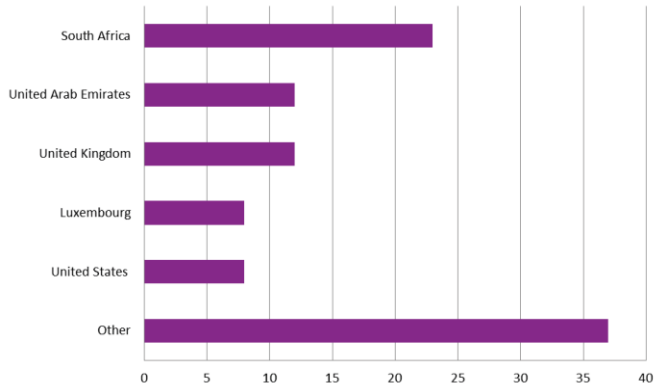
Source: USITC with data from Financial Times, FDIMarkets database, 2014

Table 16: Greenfield FDI projects: Mining and oil and gas extraction vs. downstream activities, 2003–13

g. AGRICULTURE

Agricultural investment in SSA has focused primarily on grains, sugarcane, and palm oil plantations. South Africa is the largest destination for acquisitions in the agriculture sector (21 percent of all deals), followed by Kenya (9 percent), Côte d'Ivoire (7 percent), and Tanzania (6 percent). Investment in SSA agricultural projects comes from diverse corners of the globe. Investors from South Africa, UAE, and OECD countries account for a large share of agriculture investment projects in SSA (figure 13).

The Gulf countries account for 22 percent of total foreign land acquisitions in Africa, compared with 12 percent for India and 3 percent for China. Some of Southeast Asia's largest agricultural firms are among the investors, including Olam International (Singapore), Wilmar International (Singapore), Golden Agri-Resources (Indonesia), and Sime Darby (Malaysia). Palm oil companies are showing increased interest in Africa, as expanded production in Indonesia becomes limited by land and labor availability. Vietnamese companies have also recently started acquiring land in different countries for rice cultivation, including Sierra Leone and Nigeria.



Source: Bureau van Dijk, Zephyr M&A database (USITC, 2014). Note: Reflects countries making acquisitions outside of their home country

Figure 13: Number Of Foreign Acquisitions In Ssa Agriculture, By 2000–2013

h. INVESTMENT IN SELECTED COUNTRIES PRE-AND-POST AGOA

Notably by stock of FDI, Ghana continues to perform better that Uganda both before and AGOA period except in 2003-2008 (figure 14). Both countries had almost similar amount of FDI as a percentage of their GDP prior to AGOA (annual average of 1.07% in Uganda vs. 1.72% in Ghana). Similarly both countries reported increases in FDI during AGOA implementation period (3.4% Uganda vs. 4.48% Ghana).

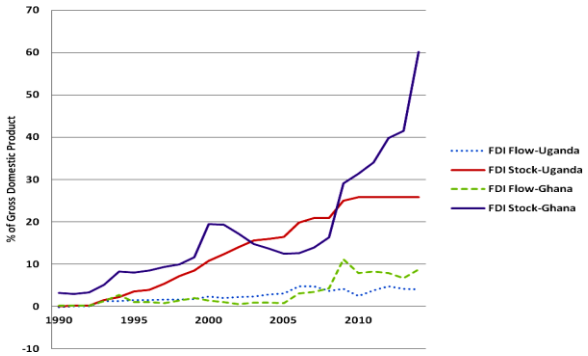
Uganda in specific, the results of regression analysis showed contradicting sign of coefficients on how AGOA contributed to FDI inflows to Uganda. The coefficient was statistically significant at 5% level. From theory, it was expected that increase in the value of free trade would attract more FDI to take advantages of the open opportunity. The converse was true. This could not be explained based on available data collected.

Variable	Coefficient	Standard Error
AGOA	-0.034**	0.015
CORFREE	0.006***	0.056
MONFREE	0.034**	0.0340
INRATE	-0.142	0.088
CONEXP	0.00028***	0.0000519
CONS	-0.8676238	4.259405

*Dependent variable = FDI inflows (% of GDP), Number of obs = 20, LR chi2 (5) = 26.29; Prob > chi2= 0.0001; Log likelihood = -17.920274, Pseudo R2 = 0.4231, Obs. (0 left-censored observations, 20 uncensored observations, 0 right-censored observations); ***Significance at 5% level.*

Table 17: Likelihoods Estimation Of Fdi Inflows In Uganda, Censored Tobit

The FDI inflows in the country were correlated to indices of corruption freedom, monetary freedom and consumption expenditures as observed from the analysis.



Source: UNCTAD Statistics with modification from Author, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, last accessed October 13, 2016

Figure 14: Trends Of Inward Fdi In Uganda And Ghana, 1990-2015

i. SOURCES AND DESTINATION SECTOR OF FDI IN UGANDA

In 2013, Uganda's foreign direct investment was estimated at USD 1.19 billion by the World Bank with the

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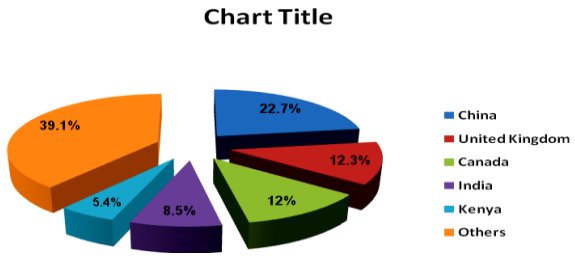
total U.S. foreign investment in Uganda for same year 2013/14 valued at USD 5 million, a substantial drop from the USD 20 million figure of 2012. The top five sources of inward Direct investment in Uganda is China (USD 270 million) followed by United Kingdom (USD 146 million); Canada (USD 143 million); India (USD 101 million) and Kenya (USD 64 million).

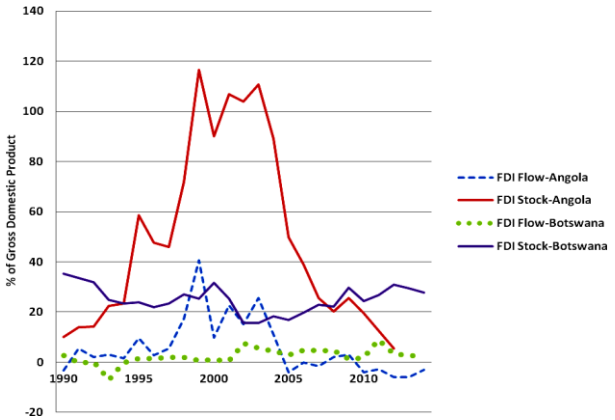
The main areas of foreign investment are in manufacturing, telecommunications, financial services and real estate, and agriculture, forestry and fish. Other areas of significant investment include power, oil, construction and mining. If oil production licenses are issued, and oil companies decide to pursue projects currently on hold, Uganda's oil and gas sector has the potential to drive foreign direct investment for the next several years.



Source: USAID, Uganda Investment Climate, 2015 http://www.state.gov/e/eb/rls/othr/ics/2015/241780.htm#executive, accessed October 13, 2016

Figure 15: Top Five Sources Of Fdi In Uganda, 2015

Data collected from Angola (predominantly petroleum exporter) showed that the country attracted more FDI prior to trade deal (10.2% of GDP by annual average compared to 1.2% during the AGOA trade period (2003-2014). The converse was true for Botswana (mineral exporting country). Before the trade Agreement, Botswana had on annual average of 0.35% of FDI inflow, compared to 3.5% after the deal. There were many de-investments in Angola after the trade relative to prior the deal as indicated my many years with negative statistics (table 6).



Source: UNCTAD Statistics with modification from Author, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, last accessed October 13, 2016

Figure 16: Trends Of Inward Fdi In Angola And Botswana, 1990-2015

E. AGOA CONTRIBUTION TO THE NATIONAL PRIMARY GOAL OF POVERTY REDUCTION

Uganda has experienced a remarkable decline in household poverty over the decades but this was not directly linked to AGOA related trade as observed from the results of the regression analysis. In addition, majority of the population on employment (83.2%) are in vulnerable jobs i.e. the risk of these individuals being unemployed or falling into poverty line is very high according to World Bank Development Indicator in presence of the bilateral trade (table 19). However, the increase in AGOA traded value is likely to reduce the prevalence of undernourishment in the population (a proxy of poverty level) but this was statistically insignificant at 5% level (coefficient = 0.058), table 18.

VARIABLE	COEFFICIENT	STANDARD ERROR
AGOA	**-0.0579648**	**0.0339929**
CORFREE	**0.141605**	**0.2377513**
AGVAL	**-0.042084*** **	**0.0432446**
CONS	**44.59092**	**26.70003**

Dependent Variable = Prevalence of undernourishment (proxy of poverty) (% of total population)
Number of obs = 21; LR chi2 (3) = 7.09, Prob > chi2 = 0.0692
Log likelihood = -43.196473; Pseudo R2= 0.0758
0 left-censored observations
21 uncensored observations
0 right-censored observations
****Significance at 5% level.*

Table 18: Likelihoods Estimation Of Undernourishment From Censored Tobit

The level of undernourishment had been almost the same over the last two decades. The lowest was reported in 2005 at 21.9% and highest in 1998 at 30%. The average was 25.6% during 1991-2015 period. According to the World Bank Development Indicator, there had been no much variation in the levels of malnutrition in Uganda both before and after AGOA. The decline in incidences of malnourishment in the population was highly correlated with growth in added value of agricultural output per worker as found in the study (coefficient = 0.042 at 5% level of significance), table 18, above. Therefore, it's reasonable that the increase in Uganda's exports of goods to United States during AGOA period did not translate much to poverty reduction.

Year	1990-92	1993-96	1997-99	2000-02	2003-05	2006-09	2010-12
Poverty Gap at $1.90 a day (2011 PPP) (%)	28.61	22.56	26.33	24.47	19.4	13.16	10.29
Poverty Gap at $3.10 a day (2011 PPP) (%)	48.45	42.27	45.58	43.75	37.76	30.22	26.22
Poverty Head Count ratio at $1.90 a day (2011 PPP) (% of population)	68.11	59.6	64.12	62.21	53.18	41.46	34.64
Poverty headcount	87.8	83.37	84.64	82.48	76.33	69.37	64.95

ratio at $3.10 a day (2011 PPP) (% of population)							
Rural poverty gap at national poverty lines (%)	22.6	15.2	11.2	13.1	9.7	7.6	5.9
Rural poverty headcount ratio at national poverty lines (% of rural population)	60.3	48.7	37.4	42.7	34.2	27.2	22.4
Urban poverty gap at national poverty lines (%)	8.7	4.3	2.1	3.9	3.5	1.8	2.5
Urban poverty headcount ratio at national poverty lines (% of urban population)	28.8	16.7	9.6	14.4	13.7	9.1	9.6
Income share held by lowest 20%	6.18	6.82	5.94	5.87	6.06	5.92	6.36
Vulnerable employment, total (% of total employment)				85.5	85.2		78.9

Table 19: Poverty Trends in Uganda 1990-2012

F. TRADE BARRIERS UNDER AGOA

The main barriers identified affecting trade in Uganda ranged from both domestic and international. The country'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 (Appendix 5 & 6).

These obstacles have hindered Uganda's 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 but less competitive (table 20 & Appendix 4).

Indicator	Uganda	SSA Average	OECD Average
Starting Business (ranked, 2016 estimates = 168)			
Procedures (number)	15	8.0	4.7
Time (days)	27	26.8	8.3
Cost (% of income per capita)	39.7	53.4	3.2
Paid-in min. capital (% of income per capita)	0.0	45.1	9.6
Dealing with Construction Permits ranked, 2016 estimates = 161)			
Procedures (number)	18	14.4	12.4
Time days	159.0	162.2	152.1
Cost (% of warehouse value)	9.6	6.6	1.7
Building quality control index (0-15)	8.5	6.9	11.4
Getting Electricity (ranked, 2016 estimates = 167)			
Procedures (number)	6	5.4	4.8
Time (days	86.0	130.1	77.7
Cost (% of income per capita)	9,030.5	4,075.6	65.1
Reliability of supply and transparency of tariff index (0-8)	4.0	0.9	7.2
Registering Property (ranked, 2016 estimates = 120)			
Procedures (number)	10	6.2	4.7
Time (days)	42.0	57.5	21.8
Cost (% of property value)	2.6	8.3	4.2
Quality of the land administration index (0-30)	10.0	8.4	22.7
Getting Credit (ranked, 2016 estimates = 42)			
Strength of legal rights index (0-12)	6.0	4.9	6.0
Depth of credit information index (0-8)	7.0	2.3	6.5
Credit registry coverage (% of adults)	0.0	5.8	11.9
Credit bureau coverage (% of adults	5.3	7.1	66.7
Paying Taxes (ranked, 2016 estimates = 105)			
Payments (number per year)	31.0	38.6	11.1
Time (hours per year	209.0	308.6	176.6
Total tax rate (% of profit)	36.5	46.5	41.2
Profit tax (% profit)	25.2	17.8	14.9
Labor tax and contributions (% of profit	11.3	14.1	24.1
Other taxes (% of profit)	0.0	15.0	1.7
Trading Across Borders (ranked, 2016 estimates = 128)			
Time to export: Border	77	108	15

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compliance (hours)			
Cost to export: Border compliance (USD)	287	542	160
Time to export: Documentary compliance (hours)	64	97	5
Cost to export: Documentary compliance (USD)	102	246	36
Time to import: Border compliance (hours)	149	160	9
Cost to import: Border compliance (USD)	489	643	123
Time to import: Documentary compliance (hours)	138	123	4
Cost to import: Documentary compliance (USD)	296	351	25
Enforcing Contracts (ranked, 2016 estimates = 78)			
Time (days)	490.0	653.1	538.3
Cost (% of claim)	31.3	44.9	21.1
Quality of judicial processes index (0-18)	8.0	6.4	11.0

Source: World Bank, October 2016, Note.—Indicator definitions are provided in appendix 7

Table 20 Uganda: Business Environment, 2016

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 seven fourth-most corrupt country in Africa. Corruption persists even though laws and institutions are in place to combat the vice. Enforcement of Uganda's intellectual property laws to prevent piracy and distribution of counterfeit products is limited. Much of population works in informal sector due to rigid labor market.

The 2016 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 21).

Indicator	Uganda	SSA Average	North America Average
Overall Score 2016	59.3	55.5	72.9
Business freedom	40.3	51.5	79.1
Trade freedom	72.8	68.4	84.4
Fiscal freedom	73.2	75.9	73.5
Government spending	91.5	76.1	60.5
Monetary spending	80.1	74.2	77.1
Investment freedom	60.0	50.9	73.3
Financial freedom	40.0	40.2	70.0
Property rights	25.0	29.8	73.3
Freedom from corruption	26.0	32.8	63.3
Labor freedom	83.7	55.3	74.1

Source: Heritage foundation, index of economic freedom, http://www.heritage.org/index/heatmap, retrieved October 17th, 2016

Table 21 Uganda: Economic Freedom, 2016

Less than 7 percent of the country's road network paved, and the rail service is mostly unreliable (table 22). Most businesses opt to use trucks, but efforts are underway to increase 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 has partially funded a feasibility study on the upgrade and expansion of Entebbe International Airport on behalf of the Civil Aviation Authority of Uganda. 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.

Airports: rank = 93 in the world comparison	47
Airports with paved run ways	5
Airports with unpaved runways	42
Railways: Rank = 83	1,244 km,
Roadways: rank =109	20,000 km (excludes local roads)
Paved	3,264 km
Unpaved	16,736 km (2011)
Telephones - fixed lines: rank= 114	
Total subscriptions:	328,811
Subscriptions per 100 inhabitants**:** (July 2015 est.)	1person
Telephones - mobile cellular: rank= 57	
Total:	20.22 million
Subscriptions per 100 inhabitants:	54 people

(July 2015 est.)	
Internet users: rank = 57	
Total:	7.131 million
Percent of population: (July 2015 est.)	19.2%
Electricity access:	
Population without electricity:	32.1 million
Electrification - total population:	15 %
Electricity - production: rank= 132	3.045 billion kWh (2012 est.)
Electricity - consumption: rank= 137	2.821 billion kWh (2012 est.)

Source: CIA World fact book, data https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html; retrieved October 17th, 2016

Table 22 Uganda: Infrastructure related indicators, 2016

The 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. Sometimes, 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.

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.

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. Depending on the nature of activities, operations in the sector are subject to exploration, mineral dealer, and mining licenses. However, the revised mining statute is expected to reduce the number of licenses 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 semi-finished edible oil products. Improvement in the domestic supply of agricultural inputs could improve productivity in downstream industries.

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. Price trends have been unfavorable for the Ugandan growers as margins have been narrowing and projected price increases have not materialized. In addition, flowers are perishable commodities and need proper preservation to maintain quality. The requisite 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.

With the removal of textile and apparel quotas in 2005, 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.

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.

In the United States, the pest-risk assessment 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. 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. 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. 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. In addition, Uganda's trade with some of its neighbors, specifically South Sudan and Democratic Republic of the Congo, is hampered because of the chronic instability in the region.

Major Challenges why Uganda has benefited less from AGOA

- Inadequate developed infrastructure
- Limited value addition and inadequate appropriate technology
- Some of the products of export interest to Uganda are not included under AGOA e.g coffee and tea, textile bags and tested medicinal herbs
- Production that is not linked to US market tests and preferences
- Lengthy and costly connections to the US due to lack of direct flights and lengthy visa Requirements
- Short time span of AGOA which inhibits long term meaningful investments
- Stringent non-tarrif measures such as SPS, rules of origin and other technical barriers to Trade

Hon. Ammelia Kyambadde
(Minister of Trade Industry and Cooperatives, Press Briefing 2013)

In the same direction, USITC reported domestic barriers and impediments in AGOA related trade in Uganda as (Appendix 6):

- 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

While reported "international barriers and impediments" are:

- 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

VI. CONCLUSIONS AND RECOMMENDATION

Despite some observable trade increment under AGOA bilateral agreement in Uganda, there has been limited impact and transformation on the primary national goal of poverty reduction. About 25.6% of the population remains undernourished and chronically poor. . In addition, majority of the population on employment (83.2%) are in vulnerable jobs i.e. the risks of these individuals being unemployed or falling into poverty line is very high according to World Bank Development Indicator. The FDI inflow in the country responds mainly to administrative efficiency patterns e.g. freedom from corruption, index of monetary freedom and national consumption expenditure with less attachment to the openness being offered in AGOA.

AGOA has primarily benefited petroleum and mineral rich eligible countries as discovered in the study, but lack of greater results in Uganda has been related to structural bottlenecks, majorly supply side constraints to development thus affecting trade and investments in the country. Uganda continues to perform below average relative to other countries in the SSA region in a number of measures and clustered among the less competitive world economies. By Heritage Foundation Standards, the major binding factors include areas of business freedom, property rights and freedom to corruption. Other notable challenges to lack of major response to AGOA trade stimuli forwarded by the Ministry of Trade in Uganda are:

✓ Inadequate developed infrastructure

- ✓ Limited value addition and inadequate appropriate technology
- ✓ Some of the products of export interest to Uganda are not included under AGOA e.g coffee and tea, textile bags and tested medicinal herbs
- ✓ Production that is not linked to US market tests and preferences
- ✓ Lengthy and costly connections to the US due to lack of direct flights and lengthy visa Requirements
- ✓ Short time span of AGOA which inhibits long term meaningful investments
- ✓ Stringent non-tarrif measures such as SPS, rules of origin and other technical barriers to Trade

Similarly, USITC reported key domestic barriers and impediments in AGOA related trade in Uganda as:

- ✓ 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

While the reported international barriers are:

- ✓ 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

With AGOA in extension 2016-25, the United States also should focus towards continual progress to improving economic environment in Uganda. AGOA has already facilitated exports in non-traditional products, but petroleum exports continue to dominate US imports under the bilateral trade agreement, hovering at between 80 to 90 percent of total AGOA exports from eligible countries. The US Continued support for export diversification under AGOA would better distribute the benefits of AGOA and support sustained economic growth in predominantly agricultural exporting countries. A particular focus should be placed on how to better support agricultural exports. The United States could help countries to improve their national investment and export strategies to improve competiveness, also build value chains and strengthen participation in Africa's regional markets. Encourage US businesses to increase imports from agricultural countries in Africa besides increased capacity building for international services among entrepreneurs.

The area of increased technical Assistance is very important in order to help Uganda meet SPS standards, coordinated capacity building for agricultural commodities and increased infrastructure investments. The US Increased support could help Uganda implement SPS standards to take better advantages of export opportunities. Simplifying rules of origin that support regional integration and global supply chain e.g. reducing the minimum value added requirements (currently at 35%) and introducing flexible cumulating rule, targeted tax incentives for US companies that invest in non-extractive, priority sectors in AGOA beneficiary country.

Both countries ensure a greater role of African Diaspora in trade through "Diaspora funds" to share knowledge about doing business in the United States, attract technologies and provide capital and financing facilities to incentivize Diaspora Investment.

The primary goals Uganda require in order to benefit from the trade will entail; making sizeable investments in infrastructures; increased efficiency in public administration for better economic/business environment (e.g., improving access to credit, reducing cross border trade barriers, and improving contract formation to Uganda's core competitiveness constraints); Other areas require investment in education through technical Assistance in order to help government and private sector meet SPS standards); technological advancement in agricultural production, value addition and supply chain management.

The key sector of focus will include: improving governance aimed at efficiency in public administration; increasing agricultural output and promoting feasible agro-processing that is likely to widen in scope and size. The re-introduction of agricultural credit and marketing cooperatives for key commodities which used to support farm production and marketing few decades ago, is paramount for the country to take better advantages of export opportunities under AGOA besides integration into the regional and global supply chain.

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