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The Africa Program was established at the Woodrow Wilson International Center for Scholars in 1999 with the generous support of the Ford Foundation. Under the leadership of former Congressman and Presidential Special Envoy Howard Wolpe, the Africa Program serves as one of Washington D.C.’s leading forums for informed debate about the multiple challenges and opportunities that face Africa, and about American interests in—and policy toward—the continent. The program serves as a bridge for academics, diplomatic practitioners, policymakers, and members of the private sector, from Africa and the United States, who share a common interest in developing informed and effective policy decisions on Africa.

In 2002 with the support of the World Bank’s Post-Conflict Fund, the Africa Program launched a major capacity-building initiative in Burundi, designed to increase the ability of the country’s ethnically polarized leadership to work together in consolidating its post-war transition and advancing Burundi’s post-war economic reconstruction. The strategies and techniques developed in Burundi are now being adapted to conflict and post-conflict situations worldwide. The “Congressional Staff Forum on Africa” series seeks to respond to increased policymaker interest in the African continent. The Africa Program also oversees the Africanist Doctoral Candidate Summer Fellowship Program, which brings advanced doctoral students who have not yet completed their dissertations to the Center for a three-month residency. Finally, within the Center, the Africa Program supports residential fellows whose research focuses on this important region and works closely with the Center's other projects and programs on cross-regional issues, such as governance, the development of state capacity, crime and corruption, and pressing health and social problems such as the AIDS pandemic.
Five years after its initiation, the African Growth and Opportunity Act (AGOA) was the subject of a one-day conference hosted by the Africa Program at the Woodrow Wilson International Center for Scholars (WWICS). The September 14, 2005, conference, entitled AGOA, Five Years Later: Lessons Learned, Challenges Ahead, provided a unique opportunity for international policymakers and experts to reflect on AGOA’s progress, share their experiences and discuss challenges to the program.

The Wilson Center was pleased to host such distinguished speakers as Kenya’s Minister of Trade and Industry, the Honorable Mukhisa Kiyuti; the World Bank’s Vice President for Africa, Gobind Nankani; Ambassador Love Mtesa, Zambia’s Representative to the WTO; Florizelle Liser, Assistant U.S. Trade Representative for Africa; Stephen Lande, President, and Anthony Carroll, Vice President of Manchester Trade; Angela Ellard, Staff Director of the House Ways and Means Trade Subcommittee; Jack Edlow, president of Edlow International; and Edward Kim Jaycox, managing director of the Emerging Markets Partnership.

The conference consisted of two panels. The first panel assessed AGOA’s performance in attaining its stated goal: promoting African economic development and trade relations with the United States by providing market access for African exports. The second panel considered existing and potential challenges to AGOA, particularly with respect to building African capacity to take advantage of new trade opportunities, as well as methods for enhancing the success of the African Growth and Opportunity Act.

Through this publication, we hope to share with you some of the stimulating perspectives and insights conveyed by our panelists. In Building on AGOA: Improving Africa’s Trade Capacity, the Hon. Mukhisa Kituyi recounts Africa’s reaction to AGOA—from the initial “scramble” to the learning process and ensuing reforms—and discusses African leadership’s vision for the future of AGOA. Mr. Lande’s article, Catalysts of Growth: Africa’s Textile and Apparel Industries, portrays the centrality of these African trade sectors to AGOA’s overall success and identifies a number of measures necessary to sustain Africa’s competitiveness in the global market. Finally, Mr. Nankani’s Enhancing Africa’s Development through an “Export Push,” analyzes constraints to Africa’s economic development and describes actions taken by the World Bank Group to help sub-Saharan countries overcome these challenges. We begin, however, with a brief overview of AGOA’s conception and implementation by Amir Stepak and Marianna Ofosu, as well as the key points made by our panelists during the conference.

In addition, we invite you to watch a video webcast of the conference, available on our website at www.wilsoncenter.org, where you will also find information about upcoming Africa Program and other Wilson Center events.

Howard Wolpe, Director
Africa Program, WWICS
Introduced in the United States Congress in April 1997 and signed into law in May 2000, the African Growth and Opportunity Act (AGOA) was prompted by the realization that “it is in the mutual interest of the United States and the countries of sub-Saharan Africa to promote stable and sustainable economic growth and development in sub-Saharan Africa.”1 Proponents of the Act asserted that by extending certain trade benefits to developing sub-Saharan countries, conditioned on structural market and political reforms, the United States would promote economic development and democratic rule, while reaping the benefits of strong trade relations with growing African markets.

To this end, Congress entrusted the President with the authority to determine the eligibility of African countries for certain economic privileges, including duty-free treatment for thousands of African products. Considerable emphasis was placed on apparel and textile products, which were granted duty-free treatment so long as their components were made in the United States or by another AGOA beneficiary.2 Sub-Saharan countries become beneficiaries of AGOA by making steps toward market-based economies, eliminating trade barriers to U.S. products, curtailing corruption, strengthening the rule of law, and protecting human rights—including child and labor rights. Eligibility is subject to annual review by the President. Currently, thirty-seven of the forty-eight sub-Saharan countries are AGOA-eligible.

In July 2005, President George W. Bush introduced the African Growth and Competitiveness Initiative (AGCI), designed to boost African trade capacity through U.S. trade-related technical assistance. AGCI will provide $200 million dollars to supplement ongoing Trade Capacity Building (TCB) assistance to Africa—which amounted to $199 million in Fiscal Year 2005. Together with AGCI, the Millennium Challenge Account (MCA), and other bilateral and multilateral initiatives, AGOA is part of a comprehensive program for African development.

In its first five years, AGOA has made some significant strides. According to the U.S. Trade Representative, between 2000 and 2005 direct trade between sub-Saharan Africa and the United States grew by about 106 percent and duty-free imports came to constitute almost all U.S. imports from AGOA-eligible countries. Regional growth rates also increased during this period.


2. AGOA was followed by the Trade Act of 2002 (AGOA II) and the AGOA Acceleration Act of 2004 (AGOA III), which doubled the import cap for duty-free African apparel and extended AGOA from 2008 to 2015.
However, by 2005 certain AGOA-related trade sectors—particularly the apparel, mineral and transportation equipment sectors—began to experience significant decline. Meanwhile, three AGOA-eligible countries—South Africa, Nigeria and Angola—consumed as much as 62.3 percent of sub-Saharan imports from the United States and 76.7 percent of African exports to the United States in 2005. Still worse, Africa’s incremental growth throughout this period did not match the much faster growth of non-African developing countries. Given the ambiguity of recent results, AGOA’s long-term success seems uncertain.

It is against this backdrop that on September 14, 2005, the Africa Program at the Woodrow Wilson International Center for Scholars (WWICS) convened experts and policymakers in a one-day conference, entitled AGOA, Five Years Later: Lessons Learned, Challenges Ahead.

In addition to a keynote address by Kenya’s Minister of Trade and Industry, the Hon. Mukhisa Kituyi, and a luncheon address by the World Bank’s Vice President for Africa, Gobind Nankani, the conference consisted of two panels. The first panel reviewed AGOA’s overall impact on improved market access, and the second focused on African capacity deficiencies.

Market Access and Diversification

AGOA has contributed to considerable gains in opening up American markets to African goods. The Act has expanded the number of African products eligible for duty-free access into the United States from approximately 4,650—specified under the General System of Preferences (GSP)—to more than 6,450. These include apparel and footwear, wine, certain motor vehicle components, agricultural products, and much more.

According to Florizelle Liser, Assistant United States Trade Representative for Africa, AGOA’s expansion of duty-free treatment resulted in increased two-way trade between the United States and Africa, registering a 37 percent trade volume expansion in 2004 alone. It has also helped diversify the range of products being traded. Nonetheless, extractive industries, most notably mining, continue to dominate African exports under AGOA, composing between 85 and 87 percent of all export earnings. While revenues from AGOA-related imports amounted to almost $27 billion in 2004—up 88 percent since 2000—seven out of every eight dollars earned came from oil exports to the United States. Furthermore, foreign ownership over much of Africa’s oil resources prevented much of the revenues from trickling down to the African public and private sectors. Of the remaining non-oil African goods exported under AGOA, apparel and agricultural products accounted for more than 50 percent.

Since AGOA has done little to influence the already substantial oil trade between African oil producers and the United States, the African apparel sector has indeed been a primary beneficiary of AGOA. U.S. imports of African apparel have increased three-fold between 2000 and 2005, making the United States the main destination of Africa’s $80 million apparel export market. Stephen Lande, president of Manchester Trade, noted that since AGOA’s enactment, the apparel sector has created 200,000 new jobs in Africa.
Notwithstanding these accomplishments, Africa’s trade competitiveness in textiles and apparel is increasingly strained. Lande pointed to the phase-out of the quota system known as the Multi-Fiber Agreement (MFA), as well as stipulations within AGOA concerning the use of foreign textiles in exported apparel, as elements that curtail Africa’s competitiveness in the global apparel market. He proposed a number of measures to remedy the situation and sustain AGOA’s contribution to the African apparel sector, including the readjustment of AGOA’s value-added rules; increased flexibility concerning the use of fabrics and yarns not commonly available in Africa; and the loosening of restrictions on the use of third-country fabrics.

Another source of concern to participants was Africa’s agricultural sector, which employs the majority of sub-Sahara’s labor force but receives only marginal attention under AGOA. Kenyan Trade Minister Kituyi lamented the particularly restrictive U.S. regulations on access for African agricultural products, despite the fact that inspection procedures are administered by African trainees of the U.S. Animal and Plant Health and Inspection Service (APHIS).

The centrality of oil to trade between the United States and Africa, compounded by the mounting global challenges to Africa’s apparel sector, highlights the need for African product diversification. The AGOA Competitiveness Report 2005 identifies nine non-oil sectors with the greatest potential for export production in AGOA-eligible countries: high value-added horticulture, floriculture, services (including tourism and transportation), agro-processing (for coffee, cocoa, seafood, lumber, fruits and vegetables), minerals and metals, energy-related products, forestry, fisheries, and light manufacturing. AGOA’s enduring success will likely depend on U.S. support for these sectors through expanded market access and technical assistance.

Building African Capacity
Improved market access will maximize AGOA’s contribution to African growth only if it is accompanied by a parallel and equally important process: the development of Africa’s infrastructure and private sector. Even relatively well-developed sectors that benefit from trade access to the United States under AGOA are handicapped by high production costs.

The panelists were unanimous in their concern about Africa’s deficient transport, energy, and communication infrastructure. Edward Kim Jaycox, managing director of Emerging Markets Partnership, advocated the creation of private funds to sponsor African infrastructure development. This would require creative public-private partnerships, in which the financial burden and the investment returns would be shared by foreign investors and African governments.

Meanwhile, developing a strong and entrepreneurial private sector necessitates governmental reforms and collaboration with the international business community. Trade Minister Kituyi spoke of the initial resistance among many African governments to relinquish some of their regulating authority in favor of freer markets. Kim Jaycox argued that informed and private sector-friendly macroeconomic policies that encompass corporate social responsibility would promote business development and attract investments from the African diaspora. In order to reinforce small- and
medium-sized business creation, Jaycox suggested that African governments need to offer investment capital. There is also a need—as pointed out by Jack Edlow, president of Edlow International—to educate business communities on both sides of the Atlantic about the investment opportunities available to them under the African Growth and Opportunity Act.

The Future of AGOA
During his presentation, Edlow maintained that AGOA’s first five years were “a good start, but not enough.” Other speakers echoed this sentiment. Although AGOA has made some palpable achievements, they argued, improving U.S.-Africa trade remains an uphill battle. Fierce global competition, deeply entrenched structural obstacles, and insufficient foresight during the creation of the African Growth and Opportunity Act, are only some of the challenges mentioned by the panelists to AGOA’s success.

Nevertheless, as Stephen Lande reminded the audience, despite its faults AGOA has been “a godsend” for many Africans, who now benefit from the employment opportunities and structural investments that it generated. Sustaining these benefits will require further reforms and closer cooperation between governments and business communities. Yet the vision of a competitive and prosperous Africa, facilitated by the AGOA process, is attainable.
The impact of the African Growth and Opportunity Act (AGOA) on Africa must be understood within its historical context. The break up of the Soviet Union rendered communist economic policies unviable. Open and free trade became a fact of life, a reality that African states had to acknowledge and adapt to, in order to survive capitalist competition and remain economically sustainable. It required a redefinition of relations between Africa and the developed world.

Our engagements with the European Union (EU) on trade-related issues have been characterized by negotiations on specific trade sectors, such as cotton. We bring a list of concrete expectations to the agreement—a “shopping list”—that are then subject to negotiations. AGOA is fundamentally different. It was not a result of bargaining but a product of Congressional legislation. In addition, whereas negotiations with the EU have been issue-specific, AGOA is a policy-driven, multifaceted initiative that aims to create greater market access for qualifying Africa states.

Adjusting to AGOA
The unique manner in which AGOA was hatched shaped the implementation of its contents. The realization of AGOA has been a gradual and evolutionary process. First, the law had to be transformed into a program. Yet even then, since AGOA did not emerge from formal negotiations, most African countries were not fully prepared to take advantage of the opportunities it offered. Countries that already had relatively developed economies and private sectors were better situated to respond quickly. Meanwhile, other countries underwent an extended “incubation” period, during which they formulated strategies to help them take full advantage of AGOA. This involved an intellectual discussion on fundamental questions, such as “what does it take to transform political will into commercial enterprise?” and “how can we translate this market opening into full-grown trade?”

In Kenya, we learned a number of important lessons during this incubation period. We quickly identified the trade potential of our apparel sector, which promised quick gains. Indeed, in only three years Kenyan exports to the United States increased seven-fold, from $40 million to $280 million. Over the same period, employment in the U.S-oriented apparel industry grew from 8,000 to 35,000.
These are very dramatic and significant developments, particularly given the fact that many of the new employees were unskilled and previously unemployed.

Furthermore, these new jobs became catalysts for further progress. There are currently a number of very interesting innovative experiments, including a number of cases in which investors in AGOA-related apparel factories set up daycare centers for single mothers. AGOA has therefore fueled renewed optimism, new opportunities for livelihood, and new market discipline in a sector that had previously suffered from relative neglect.

In this increasingly trade-dominated era, AGOA also taught us a critical lesson in what it takes to compete on the global stage. Under AGOA, we have to compete with such formidable trading powers as China and India. This is a vital experience that is relatively new for many African policymakers and entrepreneurs. Consequently, AGOA has galvanized African leaders into action, prompted by the realization that we must work hard to prepare for a trade-driven millennium.

**Building Trade Capacity**

As we work to make long-term adjustments to our economies, we need to overcome several capacity-building constraints, including deficient infrastructure and regional integration, a legacy of robust government involvement in the economy, and a nascent private sector.

AGOA emphasized the need to improve regional integration in an area where infrastructure still reflects colonial legacies. Historically, the transport infrastructure of many African countries was shaped by the logic of resource extraction: roads and railroads were designed to transport natural resources, such as minerals, from the inlands to the ports for export.

In order to illustrate the need for improved infrastructure throughout Africa, consider the example of cotton trade between Kenya and Tanzania. North-Western Tanzania is the main cotton-producing area of East Africa. The region is about 220 miles from the border with Kenya. Yet in order to reach Kenya, the cotton must first be transferred by rail to Dar Es Salaam on the coast (a distance of about 625 miles), and then shipped by sea to Mombassa (another 190 miles). Finally, the cotton is again loaded onto railroad carts to make the last 310 mile leg of the journey to Nairobi. Small wonder, then, that the transportation cost of a container from northern Tanzania is about twice as expensive as the cost of shipping the same container of cotton from India to Mombassa.

African governments are working in cooperation with industrialized countries to improve the conditions of local infrastructure. The U.S. Government is currently supporting a study for the possible introduction of an integrated rail system that would link most West African countries. East African governments are focusing on improving regional transportation and communication systems to reduce manufacturing and export costs.

Trade now stands on the frontier of diplomacy; it is accelerating the pace of regional integration. Initially, there was considerable political resistance to the reduction of tariffs between neighboring African states because many of them specialized
in similar goods and crops. But in the past few years, my fellow trade ministers and I have engaged in dialogue on regional cooperation to bolster our overall performance. In the process, we have built confidence and mutual trust. Today, 43 percent of Kenya’s total trade is with the Commonwealth countries (which include neighboring Uganda and Tanzania); 87 percent of Kenya’s value-added exports are to the countries of the Free Trade Area within the Common Market of Eastern and Southern Africa (COMESA). While anxieties remain about the effects of global trade liberalization on weak and vulnerable economies, the process of regional integration is irreversible.

AGOA and the subsequent liberalization of trade have reinforced the realization that certain economic sectors have survived solely because of subsidies, at the expense of the African population, which has been denied access to affordable, quality products from abroad. Subsidized-industry leaders attempted to discourage decision-makers from removing protectionist trade-barriers with doom-and-gloom scenarios of industry collapse. When tariffs were finally lowered, these businesses did go into crisis, but soon thereafter they invested in more efficient technologies that expanded production and increased their competitiveness.

Trade relations between Kenya and Egypt provide an excellent illustration of this dynamic. Kenya and Egypt are both members of COMESA’s Free Trade Area, which was launched in 2000. Soon after the elimination of trade restrictions, Kenya’s dominant industries experienced a sharp 40 to 45 percent decline in trade volume with Egypt. These industries responded by investing in more competitive production technologies and subsequently expanded production with such success that they doubled the volume of their initial output. The destination of their products, however, changed: South Africa has replaced Egypt as a significant importer of East African products. Nowadays, exports of soap and washing powder from East Africa to South Africa alone exceed East African consumption of these products. This example conveys the powerful message that low-tariff policies and political courage can lead to new opportunities and greater competitiveness.

From the perspective of African governments, one of the most difficult aspects of adapting to AGOA has been the need to relinquish interventionist controls over the economy and allow the private sector to react to market dynamics on its own. This may appear relatively simple to those who were brought up in countries with strong traditions of private sector independence and capitalist development. But in many parts of Africa, the state was not created as part of an agreement on how to manage private sector enterprises. Through AGOA, we have learned that in the area of trade, the government should play a facilitative role more than a regulatory one. Traditionally, African governments have been, in fact, more than regulatory; many of them have had direct control over trade. As AGOA makes its first gains, the importance of diminished government involvement in the economy is becoming increasingly evident.

The empowerment of the African private sector is now evolving independently in new, interesting ways. Cross-continent initiatives for dialogue among industry leaders are, in my opinion, laying the foundations for a future African Chamber of
Commerce and Industry. Recently, a meeting of the African Cotton and Textile Industries Federation—an autonomous federation that was formed by the main apparel exporters across Africa—was held in Nairobi. The meeting’s purpose was to resolve differences between African textile and apparel producers, so that apparel exporters would be in compliance with AGOA requirements on the domestic production of their materials, while remaining economically viable.

**Beyond AGOA**

The AGOA market opening was particularly useful for low-tech industries, such as apparel, that could adjust quickly and easily to the program’s stipulations. Yet in order to use AGOA as a platform for a truly fundamental reform of Africa’s economic competitiveness and for closer relations between Africa and the United States, additional steps must be taken. For if the AGOA-oriented apparel industry falls into crisis, the process of engagement between the United States and African countries would slow down. Hence, it is critical that we address some of the key issues of trade.

President Bush’s African Global Competitiveness Initiative, which was launched in July 2005, amends some core areas that were left untreated by AGOA. Its main purpose is to improve African trading capacity and competitiveness by helping participant countries make financial, infrastructure, policy, and regulatory reforms. The African Global Competitiveness Initiative broadens the range of reform areas, in order to increase African access to the opportunities that AGOA presents.

African governments would like to transform these initiatives into a long-term engagement with the United States, where market access is only the first step in a much longer journey of building capacity, increasing human dignity and promoting dialogue in a way that benefits business interests on both sides of the Atlantic. For East Africa this would be a particularly promising engagement, because historically our trade with the United States has been relatively marginal—geography and the lack of strong U.S. incentives led us to trade mainly with Europe and the Near East. AGOA and the African Global Competitiveness Initiative present new promise for our trade relations.

The effects of our closer relations are already becoming visible. In 2004 the flow of U.S. tourists to Kenya grew by 39 percent, in spite of a State Department advisory. In the first half of 2005, tourism grew by 60 percent. This is the largest expansion of tourism that Kenya has witnessed in the past forty years. Interestingly, last year the number of American tourists exceeded the number of tourists from Germany—making the United States Kenya’s second largest source of tourism. With the increased flow of American travelers, we are witnessing a growth of business interactions between them and Kenyan businessmen, and we are hopeful that we can build on these dialogues to increase cooperation between our two countries.

The United States, and the Animal and Plant Health and Inspection Service (APHIS) in particular, can also facilitate African trade by requiring more balanced and reasonable standards from African producers. Ironically, many producers are currently forced to export their produce to the United States through Europe,
because of the less restrictive requirements on European agricultural products. In the case of the flower industry, for example, Kenya-grown roses destined for the U.S. market are first exported to the Netherlands, and then enter the United States as Dutch produce. The Kenyan Plant and Health Inspection Service, whose personnel receive U.S. training and funding, administers the European standards. Flowers from Europe do not need any further inspection before they come to the U.S. market. But the same flowers with the same certification cannot fly directly from Kenya to the United States. If the United States started accepting the inspection standards administered by its own trainees, that would make a significant contribution to our bilateral trade.

Africa has for too long played the role of the failed continent. We are glad that in recent years the international community has paid more attention to the plight of African nations. But in this millennium, a new generation of leaders is emerging in many part of Africa that simply wants the possibility to prosper and triumph in the global economy by playing by the rules. We want to have the opportunity to prove ourselves and to succeed on the same terms that others face. That is not to say that aid is no longer important; it remains essential in many parts of Africa. However, we are now at a point where we need aid that can facilitate trade.

Africa can rise to the challenge; it is not that vulnerable. In the case of Kenya’s booming flower industry, for example, we have seized much of Israel and Egypt’s market share. When given the opportunity to compete on fair and equal terms, we can triumph.
There are two secrets to successful integration into the global economy. The first is to avoid the pitfalls of traditional export patterns by shifting from exports of unprocessed and semi-processed agricultural and mineral products toward sales of more advanced forms of the product. The second is to incorporate domestically produced materials into the production process, rather than simply assemble imported parts and components.

Moving from growing and extraction to processing and manufacturing encourages the evolution of an integrated supply chain, which contributes to economic progress in several ways: providing much needed jobs and sources of income; developing economic activities in rural and urban areas; promoting the development of trade-related infrastructure; serving as a growth pole for other industries; and adding domestic value to manufactured goods, which increases foreign exchange earnings.

Perhaps most importantly, from the perspective of African developing countries, integrated production allows companies to evade the low wage structure prevalent in many Far Eastern countries. Given a variety of constraints on the export competitiveness of less developed countries (LDCs) in sub-Saharan Africa (SSA)—including less developed financial and physical infrastructure, slow and irregular transportation links, and unfair trade advantages enjoyed by many Asian producers—African manufacturers must typically price labor at lower levels than in Asia in order to remain competitive. SSA countries cannot win a “race to the bottom” based solely on assembly operations and, therefore, must bring into play comparative advantages offered by having an internal supply chain.

Africa’s Textile-Apparel Industry in the Global Market

The sub-Saharan African textile-apparel sector is particularly well positioned to successfully integrate into the global economy. Apparel assembly is the traditional entry point for developing countries into global manufacturing. In addition, a number of SSA countries are endowed with primary products—such as oil and cotton—that are at the foundation of the clothing production chain. Africa also has a long tradition of textile mill production: South Africa has long been a leader in this field, despite recent harm to its competitive advantage by the overvalued rand. Textile mills in
Kenya, Mozambique, Nigeria, Tanzania, Zambia and Zimbabwe date back to the colonial period, although in recent decades they have lost much of the competitive advantage they previously had, due to the deterioration of infrastructure.

Global market demand for immediate re-supply of retail outlets necessitates short supply lines between textile mills and component manufacturers, on the one hand, and between the mills and clothing factories, on the other. National apparel industries cannot survive for long without local or nearby sources of yarn, fabrics, and other inputs. It is no coincidence that the top ten apparel suppliers to the United States are either major textile producing countries (China, Indonesia and India), or countries that abut leading textile producers (Mexico, Bangladesh, Honduras, Vietnam, Cambodia, El Salvador and Hong Kong). Consequently, African countries that wish to remain globally competitive cannot rely on long supply lines from Asia. Assembling apparel products without a textile base is akin to having a head without a body—a formula that would inhibit long-term survival.

This paper does not suggest that SSA textile industries would eventually supply all the needed yarns and fabrics for Africa’s garments industry, which is nearly impossible given the multitude of fabrics, rapidly changing fashions, and the large investments required for refurbishing or building new textile mills. However, appropriate incentives could allow African textile mills to meet a significant and increasing portion of apparel production needs over the remaining duration of AGOA (until 2015, unless extended). Indeed, the African Growth and Opportunity Act (AGOA) was designed precisely for this reason.

AGOA and African Apparel: Early Years of Success

Launched in 2000, one of AGOA’s principal objectives was to provide preferential treatment for African garments at a time when many of world’s most competitive suppliers were paying high Most Favored Nation (MFN) duties—18 to 30 percent—for entry into the U.S. market, and were subject to quantitative restrictions under the Multi-Fiber Agreement (MFA). Initially, African garment production under AGOA was expected to rely mainly on third-country fabrics. Still, the intent was that within four years (eventually extended to seven years), African fabrics would replace third-country materials in African apparel exports. Subsequently, duty-free treatment for clothing that incorporate third-country yarns and fabrics would cease.

In its first few years, AGOA attained significant progress in establishing a world-class African garment industry. From an insignificant U.S. market share prior to AGOA, African apparel exports—especially from the less developed countries in Africa—have increased threefold; by 2004, they accounted for more than 2 percent of the $83 billion U.S. apparel import market. The apparel sector grew considerably in six African countries—Kenya, Lesotho, Madagascar, Mauritius, South Africa and Swaziland—and there were promising developments in Botswana, Ghana, Mozambique, Tanzania and Uganda. More than 200,000 jobs were created—many in some of the poorest countries in the world. While South Africa remained the only sub-Saharan African country with significant capacity to supply yarns and fabrics,
AGOA’s provisions encouraged investment in textile mill production in Lesotho, Madagascar, Mauritius and Namibia.

**AGOA in the Post-MFA Era: on the Brink of Failure?**

Unfortunately, the positive achievements of AGOA in its early years came to an abrupt end and began to unravel with the expiration of the Multi-Fiber Agreement in January 2005.\(^1\) According to the International Textile, Garment and Leather Workers’ Federation, since the end of the MFA, more than 250,000 jobs have been lost in the African apparel and textile sector.\(^2\) With the exception of Kenya, which achieved 4 percent growth in apparel exports, other African apparel and textile suppliers suffered declines in 2005. In fact, Africa’s share of the U.S. market in recent months has fallen back to its pre-AGOA level.

In addition, textile mill production throughout Africa has slowed down substantially. Ramatex, a Malaysian-owned textile manufacturer, closed its operations in Namibia; some Mauritian knit facilities have moved back to the Far East; and denim production in Lesotho is struggling. Although a number of textile mill operations in Nigeria, Tanzania and Zambia are still making progress, their output would likely be exported overseas rather than be incorporated into African garments.

The situation is further aggravated by the expansion of U.S. preferential treatment for apparel products from other countries. For example, the duty-free provisions in the Qualifying Industrial Zones (QIZ) affecting Egypt and Israel grant unlimited access into the United States for apparel that is manufactured in Egypt with Israeli inputs and third-country fabrics. Likewise, negotiated U.S. free trade agreements provide preferential access to clothing from countries ranging from the Dominican Republic to Singapore and Morocco.

The challenge will become even greater if AGOA is not amended soon, since starting October 1, 2007, garments that incorporate third-country yarns and fabrics—composing up to 85 percent of all African apparel currently exported to the United States—will become subject to duties. Meanwhile, U.S. garment importers, who typically plan six to twelve months in advance, would likely drop African suppliers early next year unless they have assurances that the duty-free treatment would continue beyond 2007.

**Reinvigorating AGOA**

Apparel and textile producers in fifteen African countries, working in close collaboration with U.S. importers, retailers and customs experts, have spent the last two

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\(^1\) The Multi-Fiber Agreement was an instrument under the General Agreement of Tariffs and Trade (GATT) to regulate world textile and apparel trade, by establishing quotas on textile imports from the developing world. It was created in 1974 to function as a transitional mechanism that would allow developed countries to adjust their domestic industries to the influx of low-priced textile products from abroad. It also protected smaller textile-producing developing countries from competition from low-cost textile giants, such as China. The MFA was completely phased out on January 1, 2005.

years developing an integrated package of proposed amendments to AGOA that would make it more flexible and enable African apparel and textile producers to successfully respond to post-MFA challenges. These proposed amendments to AGOA are relatively minor and easy to implement, but they could encourage far greater regional and vertical integration, which most experts agree is essential for the long-term competitiveness of the African apparel and textile industries.

As originally enacted, AGOA would have limited African apparel producers to sole reliance on African yarns and fabrics by 2004. While the implementation of this restriction was later postponed to 2007, the formula itself has now been widely discredited. No major apparel producer in the world relies solely on domestically produced yarns and fabrics, since rapidly changing styles and large investment requirements make it impossible for one country or even an entire region to meet all local demands. Indeed, even China imports a major portion of the yarns used in the manufacturing of its apparel products.

At the same time, we believe that meaningful incentives to encourage the use of SSA-made yarns, fabrics and other inputs must be set in place, in order to improve the competitiveness of the African textile-apparel industry in the post-MFA environment. With proper incentives, African textile production can increase slowly but steadily. This is especially true when one considers the increased availability of “Aid for Trade” programs to develop supply-side capacity and trade related infrastructure; the improvement of the investment climate throughout Africa; and the willingness of India, China, Malaysia and a number of other developing countries to undertake the investment required to build or refurbish African textile mills.

The African Coalition for Trade, Inc. (ACT), a non-profit membership organization composed of African trade associations and chambers of commerce, has proposed amendments to AGOA that would simultaneously maintain critical mass in the apparel industry and encourage the development of regional supplies of yarn, fabrics and other inputs, thereby creating employment opportunities and enabling Africa to utilize its own natural resources in the production of finished goods. The core elements of these proposed amendments are:

1. Establishing a flexible value-added rule of origin, beginning at 20 percent and gradually increasing to 35 percent by 2015, coupled with the possibility of derogations when necessary, to replace the third-country fabric provision after it expires in 2007;

2. Continuation of the full tariff rate quota (TRQ) on African apparel that incorporates third-country fabrics for 2006–2007 to avoid a chain reaction of cancelled orders;

3. Creating an “abundant supply” provision to encourage the use of readily available African-made yarns and fabrics in African apparel products (again, subject to flexible derogations as necessary); and
4. Duty-free eligibility for African yarns and fabrics, in order to attract additional investment to the African textile industry and thus enhance its capacity to supply the input requirements of the African apparel sector.

Some have suggested that instead of the above proposals, the United States should simply extend the current third-country fabric provision. Nonetheless, such a proposal would not provide real relief for the African textile industry, as evidenced by the dramatic job loss in this sector since the expiration of the Multi-Fiber Agreement, in spite of existing third-country fabric provisions. It would also do nothing to encourage textile mill production, which is necessary for maintaining a world class garment industry. More meaningful reform, such as the four points suggested above, is necessary to prevent the complete collapse of the African apparel industry.

Changing to a value-added standard should not be difficult since it is based on the same value-added rules that are at the heart of the U.S. Generalized System of Preferences (GSP). This system has been in effect for decades and African customs officials are familiar with it, because all AGOA beneficiaries are also GSP participants. Moreover, the leading U.S. trade associations of apparel importers and retailers have expressed their preference for a value-added system, since it is simple to implement and is more flexible than AGOA’s current provisions.

Some poorer African countries with very low labor costs have expressed concern that they would not be able to meet the growing value-added requirements. It is important to remember, however, that the value-added proposal was developed by ACT, which represents African apparel and textile manufacturers, who are confident that they can meet these value-added requirements. Cost of production data provided by ACT members supports this conclusion, indicating that the initial 20 percent value-added standard is already satisfied by all AGOA countries through wages and direct processing costs. In other words, the initial 20 percent value-added requirement would only be a transitional mechanism that would permit continued use of imported yarns and fabrics.

As the value-added requirement gradually increases to 25 percent, 30 percent, and ultimately to 35 percent, additional locally-produced value would need to be added to garments with low labor costs, such as T-shirts. This can be accomplished either by using African-made yarns or fabrics, or by incorporating regionally produced components, such as packaging, hang tags, labels and trimmings (e.g., buttons, zippers and linings). Greater reliance on locally produced materials would have a positive ripple effect in a variety of support industries, attract investments, create employment opportunities and help anchor the African apparel industry by providing ready access to various production accessories. At the same time, more labor-intensive garments, such as trousers—which constitute the largest category of apparel imports under AGOA—would still be able to meet the 35 percent value-added standard while using imported fabric.

By 2015, when the value-added requirement reaches 35 percent, many products will have to be made from African-made yarns or fabrics to qualify for duty-free treatment. During the intervening nine years, other elements of ACT’s proposal (i.e.,
“abundant supply” and duty-free eligibility for yarns, fabrics and made-ups) would serve to attract new investment so that sufficient high-quality yarns and fabrics would be available to meet the needs of apparel producers. At the same time, the value-added rule would be flexible enough to permit continued use—even after 2015—of imported yarns and fabrics that are not produced in Africa and that are needed for use in labor-intensive, high value-added garments, such as suits.

Flexibility is the key to success for any trade promotion program. Accordingly, in order to ensure that the value-added requirement and the “abundant supply” provision do not result in the loss of orders and jobs, ACT suggests that derogations would be granted if a particular apparel producer is unable to use African-made yarns or fabrics competitively or is otherwise unable to meet the applicable value-added requirements.

Finally, some observers have suggested that a simple extension of AGOA’s current third-country fabric provision would be more politically feasible than enactment of the value-added proposal. Yet, in fact, the opposite is true. House Ways and Means Committee Chairman William Thomas stated quite clearly during the 2006 AGOA Forum that he would oppose any simple extension of the third-country fabric provision, which he views as a barrier to development because it discourages vertical integration. He implied that he might be interested in measures that would facilitate greater vertical and regional integration within Africa. The above proposal would fulfill these requirements. Similarly, ranking member Charles Rangel has proposed a version of AGOA enhancement that is based on a value-added system.

Normal legislative procedures require that trade-related measures originate in the House Ways and Means Committee. If the political will exists and agreement is reached in the Committee on the proper legislation in coming months, Africa’s textile and apparel industries, and the AGOA process as a whole, could still be invigorated.
Sub-Saharan Africa is the source of some of the world’s most formidable development challenges. During the past two decades, the number of impoverished people in Africa has doubled from 150 million to 300 million—more than 40 percent of the region’s population. Africa has the highest poverty incidence among all developing regions, and extreme poverty is twice the average global rate. While the region accounts for just 10 percent of the world’s population, it is home to 30 percent of the world’s poor. In addition, about one third of Africans live in countries that are currently affected by or emerging from conflict, while HIV/AIDS continues to wreck havoc throughout the continent.

Nevertheless, recent progress is encouraging, and Africa appears to be at a turning point. This is occurring on several fronts. Perhaps most importantly, a growing number of African leaders are personally spearheading development efforts. They are receiving much needed support from the African Union (AU) and the New Economic Partnership for African Development (NEPAD). As a result, country policies and institutions are improving and growth is accelerating. Poverty has begun to plummet in many African countries and Human development indicators, particularly in the area of education, are showing significant progress.

The response of the development community to this improved performance is also promising. The medium-term prospects for substantial increases in aid to Africa are brighter, as a result of the Gleneagles G-8 Summit in July 2005. Development partners have indicated that they expect aid levels to climb in accordance with their Monterey commitments. Gleneagles marks a monumental commitment by the world’s richest nations to their Monterey pledges and suggests the possibility of additional development assistance and debt relief for African countries in the near future.

We, who work on Africa in the World Bank Group, have set a goal for ourselves: working in partnership to help every African country reach as many of the Millennium Development Goals as possible by 2015. To this end, we have developed the Africa Action Plan (AAP). The Action Plan, which will be discussed at the upcoming Annual Meetings, delineates a Bank Group initiative to support African countries’ implementation of a shared growth strategy through a series of concrete actions and in partnership with other international development actors.
Ultimately, the AAP aims not only to raise growth rates, but also to ensure that all Africans enjoy the fruits of growth.

The principal activities through which African countries can attain these development goals are: (i) political reforms that would sustain more honest and capable governance practices; (ii) implementation of policies that nourish the engines of growth; and (iii) facilitating the participation of the underprivileged—namely, the poor, as well as women—in economic development and its benefits. These three areas are the basis for the core recommendations embodied in the Bank’s Action Plan.

We strongly believe that measures that improve Africa’s trade openness and export performance are integral to the success of the above policies. Open trade both engenders competition and disciplines business and governmental conduct to enhance efficiency and limit discretion. At the same time, greater opportunities for trade, complemented by domestic policies that ensure economic flexibility to market behavior, stimulate the creation of new businesses and the expansion of existing ones, thus enhancing growth, creating jobs, and reducing poverty.

• What are the critical policies that will help bring about these outcomes?

• Increasing market access to African exports;

• Developing a vibrant and internationally competitive African private sector; and

• Implementing domestic reforms throughout Africa that build solid trade-related market institutions and promote a hospitable climate for entrepreneurship and investment by both Africans and foreigners.

In our view, these three policy actions—which are the focus of my remarks here—should be at the heart of Africa’s development agenda, and they require active assistance from the international community. Yet before turning to a more detailed discussion of the actual content of these policies, it is first important to understand the broader economic challenges that Africa faces.

**Is Africa at an Economic Turning Point?**

Virtually all African economies suffered steep declines between the mid-1970s and the late 1980s. While growth picked up in a number of countries during the 1990s, many countries continue to stagger under the burden of military conflict and the sharp rise in oil prices since mid-2005. Nonetheless, improved economic performance throughout much of Africa in recent years reflects important ongoing changes; it also accentuates the growing gap between well-performing and poorly-performing African countries.

Since the mid-1990s, sixteen African countries have had annual Gross Domestic Product (GDP) growth in excess of 4.5 percent. In a number of these countries—including Uganda, Mozambique, Tanzania, Ghana and Senegal—this growth has been accompanied by the diversification of exports. The fastest growing economies
in Africa have also achieved better human development outcomes. This is partly a result of faster growing incomes and partly due to improvements in the delivery of social services, such as education and health. All told, since 1995 the fifteen fastest growing economies in Africa (excluding the oil-rich countries) have experienced a median growth rate of 5.3 percent. These countries host 35 percent of the region’s population. The fifteen slowest growing economies, on the other hand, have witnessed their growth stagnate at an average median rate of 1.7 percent, with several countries experiencing zero or negative growth. These countries, many of which are either currently engaged in, or have recently emerged from conflict, host 31 percent of sub-Saharan’s population.

Regrettably, conflict remains a major obstacle to development in sub-Saharan Africa, and it has serious ramifications for economic performance and African trade. Across the region, there are now five ongoing armed conflicts and eight countries are at risk of lapsing back into conflict. Approximately 15 million Africans are internally displaced, and about 4.5 million Africans have sought refuge in neighboring countries. These factors make the challenge of delivering effective support for development in Africa especially difficult.

Indeed, a clear understanding of Africa’s development challenges must inform any diagnosis of, and prognosis for development. More than half of the countries in the region are engaged in a dual reform process—economic and political—and civil society has played an important role in promoting this dual approach. Recent Afrobarometer surveys and the World Values Survey show that Africans believe democracy is good for the economy and prefer democratic political systems to authoritarian alternatives. The African public expects democracy to deliver access to the basic necessities of life, such as food, water, shelter and education.

It is against this backdrop that the United Nations (UN) Africa Commission Report, the World Bank’s Global Monitoring Report 2005 and the G-8 Gleneagles summit have turned global attention to Africa’s development. The “Year of Africa” offers an important opportunity to demonstrate the development community’s commitment to African growth. In the medium- to long-run, the prospects for substantial increases in aid to Africa and expanded debt relief look promising. But complementary initiatives, including the expansion of trade opportunities for African producers and the promotion of investment in the sub-continent, are also critical elements.

Improving Market Access for African Exports

Over the last three decades, Africa has been marginalized in world trade. Africa’s share of world exports has dropped from 3.5 percent in 1970 to less than 2 percent in 2003. This dramatic decline in Africa’s market share represents a staggering income loss of about $70 billion annually. Openness to trade is vital to the generally small sub-Saharan economies: on average, total exports and imports account for 29 percent and 34 percent of GDP, respectively. Export competitiveness would bolster per capita growth and reduce poverty in Africa. The fastest growing economies in the region exhibit far stronger trade performance—with trade flows
accounting for 75.3 percent of GDP—than the slowest growing ones—where trade accounts for an average of 57.3 percent of GDP.

Not only has Africa as a whole lost competitiveness and market shares in traditional exports, but it has also witnessed little progress in export diversification. Many African countries still rely on two or three products for more than half of their export revenues, a situation that leaves them quite vulnerable to fluctuations in world commodity prices.

There is now a broad consensus that export expansion and diversification are essential for strong per capita growth and poverty reduction in Africa. The prospects for boosting and diversifying Africa’s exports depend on improved market access, as well as the elimination of protectionist tariffs and subsidies in foreign markets. Africa would benefit from the opening of foreign markets to African crops, such as cotton, sugar and groundnuts, as well as processed agricultural products. Africa would also profit from barrier-reduction in non-agricultural sectors, especially in trade with other developing countries (the so-called “South-South trade”). For example, some countries in Latin America heavily protect their own garment manufacturers and other labor-intensive manufactures, restricting the access of African products to their markets. Similarly, tariffs in many East Asian countries are far more protectionist than in the European Union (EU) or the United States.

At the same time, multilateral liberalization by the United States and the EU would erode the benefits of preferential access that many African countries already enjoy; reductions in agricultural subsidies could hurt about thirty net food importers in Africa, including Burkina Faso, Nigeria and Rwanda.

Africa’s current preferential access arrangements have presented some palpable benefits for African countries. In particular, the African Growth and Opportunity Act (AGOA) has proven itself very propitious for some countries such as Lesotho, Kenya, Mauritius, Malawi and Swaziland. Still, AGOA’s gains could be improved considerably. The benefits of preferential access would be far greater if they were not precarious, not subject to onerous “rules of origin,” and applied to the entire sub-Saharan Africa. This would occur only if significant changes were made to AGOA and the EU’s Everything But Arms (EBA) initiative. More specifically, the following reforms to these programs would prove especially benign: (i) an expansion of preferential access to countries that do not qualify as “least developed countries;” (ii) a relaxation of the rules of origin; (iii) greater product coverage; (iv) the establishment of binding preferential treatment agreements to increase market confidence; and (v) the standardization of various preferential treatment agreements. The World Bank has strongly advocated such reforms, which we call a “Super AGOA/EBA” approach to Africa. This approach was recently echoed by the Commission for Africa’s report.

Similarly, despite the promising potential of the proposed EU Economic Partnership Agreements (EPAs), many African countries would end up as net losers if EPAs diverted trade from more efficient providers.
Developing an African Private Sector

Developing the African private sector is crucial both for growth and for fostering a national consensus around growth-oriented reforms. Africa’s overall 3.8 percent GDP growth in 2004 was largely driven by higher oil and commodity prices, rather than private sector expansion. Indeed, the GDP share of manufacturing ranges from 5 to 20 percent in sub-Saharan Africa (excluding South Africa). Gross capital formation in Africa’s private sector is only 18 percent of GDP and has remained virtually unchanged since 1999.

Improving the investment climate and fostering African entrepreneurship are central to Africa’s economic progress. Africa remains a high cost, high risk place to do business. As estimated by the World Bank, the cost of doing business in Africa is 20 to 40 percent above that of other developing regions. This is the result of high regulatory costs, insecure property rights, ineffective judicial systems, irresolute policies and corruption. It is also due to unfair competition in concentrated industrial structures, where large firms hold very dominant market shares. On average, large firms in Africa have twice the market share of those in China, India and Morocco. Costly and deficient infrastructure services present an additional challenge: if the Zambian and Kenyan power systems were of the same quality of their Chinese counterpart, the cost savings for Zambian and Kenyan firms would be equivalent to nearly their entire wage bill.

In the past, Africa did not attract foreign investors because the prevailing business environment failed to attract even domestic investments. Today, the tangible and credible steps taken by many African leaders toward improving the region’s economic prospects have drawn international awareness to the investment opportunities it offers. To be sure, fundamental problems remain; yet the view of Africa as an entirely inhospitable investment region is mistaken. The International community should try to debunk this misconception by providing information about attractive investment opportunities in Africa. Events such as the June 2005 Africa Economic Summit in Cape Town have been helpful in publicizing these opportunities, as have various initiatives by the New Partnership for Africa’s Development Business Group.

Micro, Small and Medium Enterprises (MSMEs) dominate the African private sector. However, their contribution to growth and employment is constrained by limited access to finance, a restrictive business environment with strong incentives for informality, poor management and technical capacities and difficulty obtaining market-related information. These are complicated issues that will require innovative approaches from both African governments and their development partners. We believe that the development community must address the special needs of African enterprises. The Bank Group is already assisting in the development of credit bureaus throughout Africa, so that firms—especially small start-ups—can establish records of business performance and qualify for credit.

In fact, the World Bank Group—the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment
Guarantee Agency (MIGA)—is fostering private sector development in Africa on several fronts. The Bank Group helps countries devise investment climate strategies and corresponding reform priorities. To this end, the Group offers a comprehensive and complementary set of diagnostic products. These include the Investment Climate Surveys, which have been carried out in fourteen African countries; the Doing Business indicators, which benchmark the impact of cross-cutting investment climate issues in 150 countries around the world, including thirty-three African countries; and value chain analyses done jointly by the World Bank and IFC, which are critical to identifying the binding constraints on growth in any given industry, including important and often-overlooked industry-specific policy issues.

The World Bank also provides assistance to African countries in designing solutions for their business sector challenges, especially by fostering public-private partnerships in infrastructure sectors. In addition, the IFC, through the Private Enterprise Partnership for Africa (PEP-Africa), assists with the actual implementation of investment policy reforms; MIGA is rolling out a program to provide political risk insurance to investors in post-conflict countries; and together, the IDA, IFC and MIGA offer direct support to African MSMEs in acquiring essential business and technical skills and accessing financial and export markets.

Domestic Trade-Related Reforms

Global trade has experienced unprecedented growth over the last three decades, and the world marketplace has become more competitive than ever. In line with this trend, average tariffs in Africa have fallen by one-third over the last decade. Still, most African countries can do more to bind tariffs at lower levels: while the bound average tariff in agriculture is 70.4 percent and 29 percent in manufacturing, the applied average rates are 17.7 percent and 12 percent, respectively.

In this regard, along with opening market access abroad, further tariff liberalization would help improve Africa’s trade performance. But perhaps an even greater challenge for African countries would be taking concrete measures to create a world-class investment climate, where exports can be expanded and diversified in the context of a very competitive global market. Options include the East Asian model of diversifying manufactured exports—as Mauritius has done; the Chilean and Brazilian model of processing natural resource-based exports—as Botswana has done; and the Indian model of expanding service exports, such as back-office services—as Senegal is currently doing.

In fact, some of the key reasons for Africa’s poor trade performance—as indicated by a variety of diagnostic studies undertaken by the Bank and others—are internal. The most salient impediments identified are:

• Weak inter-enterprise competition;

• Lack of effective property rights protection and commercial dispute resolution mechanisms;
• Inadequate trade-related infrastructure, including roads and ports;

• Anemic trade-related institutions, including customs controls; and

• Constrained access to finance.

A growing number of African countries recognize this reality and, with the international community’s support, advance domestic reforms that complement changes in formal trade policy regimes. Infrastructure development and trade facilitation, in particular, have drawn considerable support in sub-Saharan Africa. Accordingly, the G-8 announced at Gleneagles the creation of an Infrastructure Consortium, in which the Bank Group will be a key participant.

A number of factors—the small scale of most African economies, the fact that many are landlocked, and the high levels of regional fragmentation—emphasize the importance of joint regional efforts. African countries should cooperate in building and maintaining infrastructure in key trade corridors, developing solutions to trans-border problems, and creating common institutional and legal frameworks to regulate customs administration, competition, and common property resources. Conscious of these challenges, NEPAD has set regional integration as a core objective.

Conclusion

The opportunity afforded in recent months to support better economic and trade performance throughout Africa with increased—and more effective—development assistance must not be missed. Of course, the forty-seven countries that comprise sub-Saharan Africa constitute a heterogeneous group. As a result, each faces different opportunities and constraints. Some countries are rich in resources; some are resource-scarce but have coastal access; some are both resource-scarce and landlocked; while others still are emerging from conflict. Although such a broad typology may well over-simplify the complexity and diversity in the region, it is instructive in illustrating the challenges before us all. For this reason, it is important that we in the development community engage with Africa appropriately, avoiding a “one-size-fits-all” approach.

We at the World Bank Group and the broader development community are committed to helping every African country accelerate its growth, enabling the underprivileged to benefit from new opportunities and reaching as many of the Millennium Development Goals as possible by 2015. Ultimately, we hope to turn the “Year of Africa” into the “Decade of Africa.”
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LESSONS LEARNED, CHALLENGES AHEAD

THE AFRICAN GROWTH AND OPPORTUNITY ACT

Presentations Made at a Conference held on September 14, 2005