THE EFFECTIVENESS OF THE AFRICAN GROWTH OPPORTUNITY ACT (AGOA) IN FOSTERING ECONOMIC GROWTH IN LEAST DEVELOPING COUNTRIES: THE CASE OF ZAMBIA FROM 2005 TO 2015

BY

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ABSTRACT

The study evaluates the effectiveness of the African Growth Opportunity Act (AGOA) on fostering economic growth in Least Developed Countries particularly on Zambia from 2005 to 2015. The study accounts for the economic benefits and terms of trade under AGOA. It examines the challenges and shortcomings that are limiting non-reciprocal preferential trade agreement between Zambia and the United States (US). The study makes use of the available sources such as electronic documents, books, journals and articles. Instruments to gather information from key informants such as interviews and questionnaires were used. The study reveals that AGOA has not been effective on fostering economic growth in Sub-Saharan Africa (SSA) considering high rate of poverty that is prevailing in Zambia. Challenges are also highlighted in the study. The research tender recommendations to policy makers and SSA countries governments on how best African countries can harness the economic benefits of AGOA. The study is expected to add to the available body of knowledge on the role of AGOA on fostering economic growth in SSA countries.

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DEDICATION

The dissertation is dedicated to my late father who inspired me to undertake studies in the domain of Political and Administrative Studies. My wife Moreblessing Taruvinga for being there for me throughout the study. My two children Tawananyasha, Shannon and others to come: please be inspired, hope you will follow the same path.

ACRONYMS

ACP	African Caribbean Pacific
AGCI	African Global Competitiveness Initiative
AGOA	African Growth Opportunity Act
AIF	Africa-India Forum
APHIS	Animal and Plant Health Inspection Services
EPAS	Economic Partnership Agreements
EU	European Union
FDI	Foreign Direct Investment
FOCAC	Forum for China-Africa Cooperation
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GSP	Generalised System of Preference
IMF	International Monetary Fund
KCM	Konkola Copper Mine
LEDCs	Less Economically Developed Countries
MCM	Mopani Copper Mine

MEDCs	More Economically Developed Countries
MMD	Multi Movement for Democracy
NSC	National Security Council
PF	Patriotic Front
PRA	Pest Risk Assessment
PTA	Preferential Trade Agreements
SSA	Sub-Saharan Africa
TCB	Trade Capacity Building
TICAD	Tokyo International Conference on African Development
TPSC	Trade Policy Staff Committee
TTIP	Translantic Trade Investment Partnership
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNEC	United Nations Economic Commission
UNIP	United National Independence Party
US	United States
USADF	United States African Development Foundation

USAID	United States Agency for International Development
USFCS	United States Foreign Commercial Services
USGAO	United States Government Accountability Office
USOPIC	United States Overseas Private Investment Corporation
USTDA	United States Trade and Development Agency
USTIC	United States International Trade Commission
USTR	United States Trade Representative
WB	World Bank
WTO	World Trade Organisation
ZCSO	Zambia Civil Society Organisations
ZCTU	Zambia Congress of Trade Union
ZDA	Zambia Development Agency
ZEITI	Zambian Extractive Industries Transparency Initiative
ZPA	Zambia Privatization Agency

Chapter 1
Introduction

1.0. Introduction

The study seeks to evaluate the impact of African Growth Opportunity Act (AGOA) in promoting economic growth in Least Economic Developed Countries (LEDCs) in Sub-Saharan Africa (SSA), particularly focusing on Zambia from 2005 to 2015. The research will assess the economic benefits, if any, of the preferential trade agreement for Zambia and evaluate their impact on improving economic growth in the country during the aforementioned period. It examines challenges limiting the potential of the non-reciprocal trade preference program (AGOA) in promoting export-led growth and economic development in SSA thereby improving U.S. economic relations with the region. The study will employ mixed methods of research in which both qualitative and quantitative methods of data collection, presentation and analysis will be utilized. Both primary and secondary sources of data including available documents such as policy statements and legal policy instruments as well as data gathered through interviews and questionnaire surveys will be used. In the concluding analysis this study will put forward some recommendations on the alternatives for LEDCs to improve on economic growth at the same time harnessing the economic benefits of preferential trade agreement such as AGOA. The study will also add to existing body of knowledge on trade relations between the United States (US) and LEDCs.

1.1. Background to the problem

After the colonial era most of the less developed countries were not making any progress on economic development. A myriad of Least Economically Developed countries engaged in trade partnership with the European Union (EU), more economically developed countries such as US, United Kingdom (UK), Japan and with other fast growing economies such as India; China and

Brazil and amongst themselves. During the 1990's after the cold war EU dramatically forged trade relations with the African Caribbean and Pacific countries (ACP). The Trade resulted on the formation of Economic Partnership Agreement (EPAS). Intention of creating EPAS was to create free trade between the EU and ACP countries to increase economic growth, Rommel (2012:3)

Beside the engagement of the less developed countries with institutions such as European Union they also engaged with states such as Brazil, China, Russia, India, and Japan. Brazil began as vocal advocate of south-south cooperation ogling for African markets in quest of raw-material for its industry. China crafted most aggressive economic approach for Africa identified as Forum for China-Africa Cooperation (FOCAC) that served to promote cooperation and economic growth to the Sub-Saharan African countries. Its main mandate was to enhance south-south cooperation, Brown and Chun (2009:11). Russia has established keen though formless concern in Africa by signing mining and oil extraction contracts with several African countries. On the same note India created Africa-India Forum (AIF) that was tabled between African and Indian leaders to deliberate modalities to foster cooperation based in economic growth, Chutha and Kimenyi (2011:12).

Japan implemented the Tokyo International Conference on African Development (TICAD) in 1993 soon after the cold war. The Japan cooperation with Sub-Saharan African countries was aimed at social development, economic development for economic growth and good governance with the idea of conflict prevention and post conflict recovery, TICAD (2013:1). The engagement between Africa and above mentioned countries played a mammoth role by re-establishing Africa as a source of valuable commodities for the global market. On the other hand the engagement of Brazil, China, Russia and India was viewed as way of siphoning cheap and abundant raw materials to their countries. The countries also supported cooperation programs in African countries without conditions.

Other than the mentioned countries forging trade relations with Africa the United States also forged trade partnership with Africa through AGOA which marked the foundation of US trade and investment policy with the Sub-Saharan African countries. According to Naumann (2015:3) AGOA marked a significant change in US-Africa relations towards trade and economic development through market preferential access. In the past the relations between two regions were on emergency programs such as poverty alleviation and emergency. In 2000 the United States Congress passed the African Growth Opportunity Act (AGOA), a US trade preference program to assist on the market led economic growth and progress in Sub-Sahara and extend U.S trade and investment ties with the region, Paez et al (2010:3). AGOA offers trade preferences and other economic benefits to Sub-Sahara African countries that exercise progress towards a market economy, respect of the rule of law and human and worker rights. The country considered eligible should also not implement policies that are against U.S foreign policy and should not support international terrorism, Jones and William (2012:15).

According to Naumann (2015:2) AGOA entrusts U.S sitting President to decide the country to benefit from the legislation. The facility is open to SSA countries under the Generalized System of Preference (GSP) recipient states. Every year there is an annual review to determine if individual states still qualify for the eligibility conditions and if not the state will be withdrawn from the preferential trade agreements. Several African countries have suffered this providence such as South Sudan, Swaziland, Eritrea, Central African Republic, The Gambia and Democratic Republic of Congo, Government Accountability Office (2015:15). They were deemed not eligible due to gross violations of human and labour rights, political violence, armed conflicts and coups. Countries such as Madagascar, Mali, Mauritania, Niger, Guinea, Cote d'Ivoire and Guinea-Bissau have lost and subsequently regained their eligibility. Countries such as Somalia, Zimbabwe and Northern Sudan have not been eligible and have not conveyed any official interest to AGOA, United States Accountability Office Report (GAO:2015:14).

Currently 35 countries are eligible to AGOA and these are namely: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Republic of Congo, Djibouti, Ethiopia, Gabon, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Togo, Uganda and Zambia, Paez et al (2010:4)

Zambia became one of the SSA countries to be eligible to AGOA since its inception in 2000. Since the inception to 2006 the Zambian economy has grown at an average rate of over 4.5 percent annually, Comprehensive Report on U.S. Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity Act (2006:134). The economic growth assisted to bring down both interests and inflation rates. Favourable policies and macroeconomic stabilization have attracted significant new flows of investment especially in the mining sector. The trade between the US and Zambia is under General System of preference. Zambia export floriculture and horticulture products such as cut flowers and high valuable vegetables such as mange, baby corn, carrots and cowpeas, Zambian Development Agency (2013:2). AGOA have assisted Zambia's trade to raise from $361,000 in 2006 to $10, 9 million in 2008, ZDA (2013:3). However the export of vegetables into the U.S. market have short comings, entrance of vegetables into U.S market requires an accomplishment of Pest Risk Assessment (PRA) which takes 18 to 24 months or years to be processed due to bureaucratic processes and procedures. The procedures are becoming an impediment for Zambia to penetrate the AGOA market. Inadequate penetration to AGOA market by Zambia also resulted to poor utilization of AGOA. On the mining sector there is no value addition since the mineral ores are not purified in Zambia, ZDA (2013:3).

Naumann (2015:1) stipulates that AGOA is non-reciprocal since it requires little from SSA beneficiary countries apart from compliance with set of eligibility criteria crafted by the U.S. AGOA can be regarded as a mechanism facilitated by the U.S to inject its political and economic interests in Africa. During the engagement, African countries have expressed hope that AGOA was going to facilitate economic growth in Africa.

Despite the efforts by AGOA to foster economic growth among African countries Zambia remained poor considering its eligibility since the inception. With this background the researcher seeks to evaluate the impact of AGOA on economic development of Zambia between the years 2005 and 2015.

1.2. Statement of the problem

LEDCs worldwide have engaged in various trade partnerships with the European Union, More Economically Developed Countries (MEDCs) such as the U.S, U.K and Japan, other fast growing economies such as India, China and Brazil as well as among themselves with the intention to improve on economic growth. Despite the steady increase in trade as a result of these trade and economic partnerships, most LEDCs in the SSA have failed to realize the greatly anticipated economic benefits that come with international trade. SSA countries have remained characterized by rampant poverty, slow of economic growth, poor infrastructure, slow technological development and stunted growth of industries mostly primary industries which are largely into extractive processes. Zambia is one of the LEDCs in SSA and a beneficiary of AGOA. Zambia has been a member since enactment of AGOA into law on May 18, 2000. The inception AGOA was received by many with great anticipation for LEDCs in SSA to enhance on economic growth.

Despite these gains, considerable economic benefits for Zambia from trade preferential terms under AGOA remained insignificant to give an uplift for economic growth to the Southern African nation. Such a scenario is not limited to Zambia but several other SSA countries who are beneficiaries of the AGOA including Liberia, Malawi, Mozambique, Niger, Seychelles, Togo and Uganda. The aforementioned state of affairs calls for a revisit of the US-Africa trade and economic preferential terms under AGOA. This study therefore seeks to evaluate the impact of AGOA on economic development of Zambia between the years 2005 and 2015. The study seeks to identify the challenges limiting the potential of AGOA to foster economic growth for LEDCs.

1.3. Objectives of the study

The overall objective of the study is to evaluate the impact of AGOA in promoting economic growth in LEDCs in SSA, particularly focusing on Zambia from 2005 to 2015. Derived from this main objective are these sub objectives.

1. To examine the terms of trade under AGOA paying attention on how it impact the potential of Zambia to benefit economically.
2. To identify and assess the economic benefits of the preferential trade agreement to Zambia.
3. To examine challenges limiting the potential of the non-reciprocal trade preference program in promoting export-led growth and economic development in Zambia
4. To proffer recommendations on the alternatives for LEDCs to improve on economic growth at the same time harnessing the economic benefits of preferential trade agreement such as AGOA

1.4. Research questions

2. What are the terms of trade under AGOA and what does it mean for Zambia to be a beneficiary under such terms.
3. What are the economic benefits of the preferential trade agreement to Zambia?
4. What are the challenges limiting the potential of the nonreciprocal trade preference program in promoting export-led growth and economic development in Zambia?
5. What alternatives are available for LEDCs to improve on economic growth at the same time harnessing the economic benefits of preferential trade agreement?

1.5. Hypothesis

The study assumes that failure of most LEDCs in SSA to reap the economic gains that come with international trade in the case of AGOA lie in policy structure specified in the non-reciprocal trade agreement.

1.6. Justification of the study

Trade remains key determinant for economic growth of any country on the globe considering no country is self-contained and at some point in its existence exchange of goods and service is surely bound to happen. Through this study I will gain deeper insights into the USA-Africa Preferential Trade Agreement (PTA). This research will also contribute to the discourse on trade partnerships world over. In addition this research will raise awareness about the policy changes and alternatives available for LEDCs to improve on economic growth at the same time harnessing the economic benefits of preferential trade agreements.

1.7. Methodology

The researcher will apply qualitative approach of data collection and the analysis will apply both qualitative and quantitative. Qualitative approach is most appropriate since it provides information about the human side of the issue that is contradictory behaviors, beliefs, opinions, emotions and relationships of individuals. The researcher shall make use of instruments such as in-depth interviews with key informant and questionnaires to be distributed to those beyond borders and those that are not easily accessible. Interviews and questionnaire will be used to triangulate the findings of the research. Purposive sampling is going to be applied on the selection of key informants for in-depth interviews and those that are going to fill in questionnaires. Inductive and deductive approaches to data analysis are to be applied on the analysis of texts, documents and figures that are going to be provided by respondents.

1.7.1. Sampling Procedure

Sampling refers to the process of selecting a subset called sample of a population of interest for the purpose of making a reflection, interviews or statistical references about that population, Bhattacherje (2012:65). The researcher will adopt purposive or judgmental and convenience sampling when selecting participants to be interviewed. According to Patton and Cochran (2009:9) purposive sampling will allow the researcher to select participants that are going to generate useful information to the study. To guarantee that the sample is reliable maximum variation sample should applied. This incorporates choosing key demographic variables that are likely to have deportment on participant's views of the topic. The reason being that those who are well conversant with the subject will have equal chance to contribute .The drawback is mostly that only a few respondents will have the knowledge which is not the true reflection of the whole population.

1.7.2. Data collection Methods

1.7.3. In-depth interviews with key informants

The researcher will make use of in-depth interviews to gather information. Patton and Cochran (2002:11) asserts that in-depth interview allow the respondent's to apply his or her perceptions and explanations. Ten interviews are going to be conducted by the researcher. The researcher selected the participants using purposive sampling that entailed that the participants are selected due to the knowledge they have in the area under study. Diplomatic staff and Political analysts are to be interviewed since the researcher assumes that they have vast knowledge on the area of study.

1.7.4. Questionnaires

The researcher made use of questionnaires. According to Bhattacherje, (2012:74) questionnaires are designed in a way that the researcher capture all the responses from respondents in a consistent manner. The questions may be structured or unstructured. Unstructured questions they are open ended and respondents they can use their own words. While the structured are closed ended the respondent have to choose answers from a set of answers. The researcher will select respondents to administer questionnaires using purposive and judgmental sampling. The sample will be of those people that have vast knowledge on the area that is under study. The respondents will be drawn from those countries that do not have embassies in Zimbabwe such as Uganda and other influential people abroad that have vast knowledge and experience on the area of study.

1.7.5. Documentary search

The research will apply documentary search to gather information pertaining the study. Documents that the researcher is going to use might be electronic documents, hard copy books, journals and articles. The documents will be containing information that is of paramount importance to the area of study. The researcher will use various sources to gather the information.

1.8. Data presentation and analysis

On data analysis the researcher used inductive content analysis. According to Zhang (2009:1) inductive content analysis encompasses the subjective interpretation of data in a systematic way through classification, coding themes and patterns. The methods involves examining raw information, coding and arranging data into groups to have a comparative analysis.

1.9. Delimitations

The study focused on evaluating the impact of AGOA in fostering economic growth in Zambia between the years 2005 and 2015.

1.10. Limitations

The researcher was unable to travel to Zambia and to United States to conduct in-depth-interviews and to distribute questionnaires to key informants. To counter such stated challenges the researcher made use of telephone interviews, emailing the questionnaires and also visited the embassies of the countries under study.

CHAPTER 2
Literature Review and Theoretical Framework

2.0. Introduction

This Chapter discusses the theories which were used as reference points for this study. In light of this, dependency theory was examined exploring its relevance to the study. Available publications on economic trade partnerships and the role of AGOA in fostering economic growth in LEDCs with reference to Zambia were reviewed in this chapter. Key terms and concepts used in the study such as economic growth, preferential trade agreement, market-based economy and reciprocity were defined.

2.1. Theoretical framework

This study was based on dependency theory. Dependency theory attempts to explain the present underdeveloped state of many LEDCs in the world through examining the patterns of interactions among nations by arguing that variations among nations are based on the exploitative relationships between states. Relevance of dependency theory was examined in detail in the discussion below.

2.1.1. Dependency Theory and Economic Growth

Dependency theory was developed in 1960s after realizing that the economic growth in the advanced industrialized countries did not lead to growth in the poor countries with the example of the development between Latin America and North America. The theory was advanced by various proponents such as Raul Prebisch, Andre Gunder Frank and Theotinos Dos Santos. Dos Santos cited in Chilcote (2006:4) explains dependency as condition in which the economy of a state relies to another state. The relations between the two states will be dependent and the dominant. The dominant states are strong economically. Dependent states are those states that rely on dominant sates economically. The development of dependent states is conditioned by dominant states. Inter-dependence between the two states create a situation of dependence that can be negative or positive. In addition, Sunkel cited in Ferraro (1996:2) defines dependency as economic growth and development of a country conditioned by external influences such as economic, cultural and political. Polices of national development are also determined by the dominant countries. The above definitions are marked with three characteristics of dependency that are:

- The global relations is made up of two states of countries that are the dominant and the dependent.
- External forces from the dominant countries control and manipulate economic activities of dependent states.
- The relationship between dominant and the dependent they are unfair.

Dependency theorists are not a homogeneous school, but they however share some common assumptions. Foremost, dependency theorists suggest that dependent countries have resources but these resources are actively used in a way that benefit dominant states, Chilcote (2006:12). Dominant states dictates the dependent states politically and economically and lastly the general populace of the dependent country remains poor. In view of Ferraro (1996:3) developed states extract minerals at low cost, obtain agricultural commodities and exploit cheap labour in the least developed countries as a result the LEDCs serve as a sources of excess capital, dumping ground of obsolete technology as well as market of goods manufactured from MEDCs. These functions position the economic benefits of dominant countries, and not by the economic comforts of dependent state. Such an argument by Ferraro is buttressed by the Zambian case.

Zambia have vast resources as noted in ZDA (2013:8), be it mineral resources or agricultural commodities but is not fully benefiting from the trade interactions under AGOA. Zambia supplies agricultural commodities and minerals to the US markets, however little is realized from that trade to foster economic growth in Zambia, ZDA (2013:6). US import horticulture products from Zambia under Pest Risk Assessment which is cumbersome to acquire that clearly shows that the U.S. implement policies to condition its trade with the LEDCs. The LEDCs export raw materials to the developed world such as minerals and agricultural commodities that result in the LEDCs realizing less from their resources

Dominant states have a tendency to dominate the dependent states in various ways that ranges particularly from political to economic. AGOA was created as a U.S policy for preferential treatment of exports from Africa as a way to attract investment to African states and also encouraging economic growth, Paez et al (2010:3). However the eligibility criteria for AGOA act was used as a measure to control dependent countries in the Sub-Saharan Africa. Politically countries under AGOA should exercise rule of law, should have a system that combat corruption, exercise the protection of internationally recognized labour rights and not to engage in activities that undermine U.S foreign policy and not to support international terrorism, Naumann (2015:2). Economically the dependent country to AGOA should have a market based economy that eliminate all barriers to the U.S. trade and investment and also to have policies that are aimed at reducing poverty while exercising rule of law, GAO (2015:4). Zambia since the inception of AGOA was implementing all the requirements stipulated under AGOA but did not harness much that can reflect economic growth.

The general populace in most of the dependent countries are poor. According to Shareia (2015:81) dependency weakens the economic development and increase the rate of inequality on the economy with a negative impact on welfare of the people. This state of affairs is resembled in most of the Sub-Saharan African countries under AGOA. Countries such as Nigeria and Angola are rich in oil but the general populace in such nations is poor despite trading under AGOA. As highlighted above, Zambia has been a member to AGOA since its inception in 2000, however, to date the economic growth is moving at a snail pace resulting on the negative impact on the welfare of majority people. The LEDCs continued dependency on the MEDCs increase the likelihood that LEDCs will continue to be poorly developed because their resources will also continue being tapped by the MEDCs under the guise of international polices such as AGOA and multinational corporations resulting in nothing left for investment and development, Ferraro (1996:1). It also applies to the case of trade relations between The U.S and Zambia. Zambia-US trade is exploitative in nature and the U.S controls all the machinery of trade including formulation of selective policies which then impede economic development in LEDSs

From the above discussion dependent states are those states of Latin America, Asia, and Africa which have low Gross National Product per capita and rely heavily on the export of a single commodity for foreign exchange earnings. Other Sub-Saharan African countries such as Zambia are subordinates to the US and are encouraged to open their borders for the U.S to exploit the natural resources in return not bringing any economic growth. The theory have short comings that it concentrate much on exploitative relations. Taking into consideration the four Asian Tigers that are Taiwan, Hong Kong, Singapore and South Korea they have developed through aid from the U.S. Currently they experience massive economic growth. The developing world lag behind simply because they want to be behind taking into consideration that there is rampant corruption and policies that are anti-development.

2.2. Literature review

2.2.1. Overview of trade between LEDCs and MEDCs

A review of available literature indicates that trade remains to be the most reliable way of incorporating the LEDCs countries into the world economy and to foster economic growth in their economies. United Nations Conference on Trade and Development, UNCTAD (2013:1) focused on how the LEDCs were integrated into the world economic system. The integration aimed at improving economic efficiency amongst the developing countries. The article highlights how the General Agreement on Tariffs and Trade (GATT) was established to facilitate trade between the developed and the developing countries through trade liberalization. The report also gives an overview of how the LEDCs engaged with the MEDCs as a way to attract Foreign Direct Investment (FDI). The research largely shows how developing countries were integrated into the international trading system as a way to foster economic growth, however, little have been realized through the integration.

Akhtar and Jones (2014:2) focuses on how the U.S have engaged in mega trade Partnership with the European Union (EU) and Asian countries. They also give an overview of U.S's current trade agreements with the EU and Asia such as Transatlantic Trade and Investment Partnership (TTIP) in assisting economic growth. Trade between the U.S and EU has grown with investment amassing to $3, 7trillion in late 1990s that was based on preferential trade, Akhtar and Jones (2014:4). The article also gives the relations between the two regions which is based on open markets. Challenges faced in the trade between the two regions were also highlighted, among them, slow economic growth rate, job creation and increased completion for emerging markets such as China. These publications mainly centered on preferential trade relations between the US and EU. US trade relations with SSA countries under AGOA were excluded from the analysis.

Nouve and Staatz (2003), Shapouri and Trueblood (2003:1) and the UNCTAD Report (2003:7) stressed on how the AGOA was implemented by the US and how it has benefited SSA countries. The aforementioned articles indicate that AGOA was implemented to ensure that SSA countries access US markets under the non-reciprocal trade agreement. The three articles emphasize that AGOA aimed to improve economic policies, political and economic stability as a way to foster economic growth amongst the beneficiary countries in SSA. Naumann (2014:1), Shapouri and Trueblood (2003:2) argue that the trade between LEDCs in SSA countries is non-reciprocal citing that the Act was created for the exploitation of resources in Africa. Paez et al (2010:4) also supported the above view that the trade is non reciprocal by highlighting that trade between the US and Africa was based on offering incentives to African countries as a way to open up their markets to siphon resources from Africa such as oil, mineral resources and agricultural commodities.

A thesis written by Duru (2012:1) gives a history of how AGOA was implemented in 2000. It also highlights that the policy was created for the liberal access to the US markets and was marked as a free market access agreement between African countries and the US. The research focused more on the analysis of South African and Nigerian economies before and after AGOA was implemented. The study identified the benefits of AGOA to the two SSA countries with the aim to urge SSA countries to harness the benefits of trading with the U.S. Commodities that were exported to US from the two countries were oil from Nigeria, textile and apparel from South Africa, Duru (2012:11). Countries with other commodities such as minerals and agricultural produce produced by countries such as Zambia were not part of this study. The thesis is a useful source of raw material to this study since it provides an overview of AGOA which will be used to develop an overview of non-reciprocal trade agreement.

US Trade Representative USTR Reports of (2006:1), (2001:1), (2008:13) and the U.S. Government Accountability Office (GAO) of (2015:1) gives how the AGOA was implemented to facilitate economic growth, investment and debt, economic reforms, and how the African continent was integrated in the US economy and markets. The reports identify the eligibility criteria for member countries and specifies the checks and balances conducted to review the membership of countries in AGOA. The reports gives a summary of each and every country in the Sub-Saharan African countries on how they are performing if they are members and the reasons for being non-members for countries such as Zimbabwe, Equatorial Guinea and Democratic Republic of Congo. The reports are of great importance since they give an overview of all the countries but they do not give much detail on the economic performance of each and every country under AGOA.

Zambia's trade engagement with the U.S under AGOA is reported in the Zambian Development Agency Report ZDA (2013:4). The report outlines that Zambia export floriculture and horticultural products to the US. However Zambia is failing to realize the benefits of being part of AGOA that resulted in low economic growth. Most of the exports from Zambia to the US lack value addition resulting in reduced benefits from trade.

The preceding discussion indicates that some of the published works focused on an overview of the world economic trade partnerships. Such accounts cannot be exhaustive on all economic trade partnerships and countries since they focus on a global level where there are many countries to consider. The studies on AGOA in Southern Africa mostly focus on South Africa which is a regional economic power house. It is in the backdrop of this availability of limited studies and publications on AGOA specifically focusing on Zambia that this study seeks to evaluate the effectiveness of AGOA in fostering economic growth in LEDCs paying particular attention to Zambia. The study seeks to add more on the existing body of knowledge bringing in new dimension of economic development with reference to Zambia.

2.3. Definition of Key Terms

2.3.1. Economic growth

Economic growth is when the nation's wealth is adequate to solve its social problems. It can be viewed in terms of improved worker knowledge, better conditions for jobs and condition for business and there is greater democracy, Saubbotina and Sheram (2000:22). The growth can also be positive or negative depending with the state under examination. When it is negative the economy will be shrinking. Since the inception of AGOA Zambia was supposed to report economic growth on trade but due to non-reciprocity trade relations economic growth moved at snail pace.

2.3.2. Preferential Trade Agreement

According to Damuri (2012:1) Preferential Trade Agreements (PTA) are "trade related agreements that are regional or bilateral involving two or more states with significant trade activities". Snorrason (2010:10) stipulates that "PTA are regional treaties between nations to reduce or eliminate policy imposed barriers and they are enshrined in the World Trade Organization (WTO) and they are found in three types that are

- Customs unions and free trade agreements sanctioned under Article XXIV of the WTO.
- Agreements between developing states formed under the enabling clause that allow partial preferential treatment.

- Agreements under the GSP that allow developed states to grant preferential treatment to developing states".

PTA are based on principles that they create trade among the nations, increase the welfare of a given country in terms of international trade and lower the proportion of trade among non-member states. Countries that share boarders have high proportion of trade than those that are far from each other. The study argues that there is PTA between the SSA countries and the US and is aimed at fostering economic growth to the African countries. However the LEDCs in Africa have opened their boarders for trade with the US but are not realizing much from the trade.

2.3.3. Market-based Economy

Ison and Wall (2007:9) stipulate that market based economy is "when the allocation of resources is determined by the independent decision and actions of individual consumers and producers in markets guided by price signals". The definition does not include the interference of the states to determine the markets and is also regarded as one of the eligibility criteria of countries to AGOA. Zambia as a country met the criteria under AGOA however it failed to harness the benefits of AGOA.

2.3.4. Reciprocity Trade

Kuwahara cited in Yani (2001:2) stipulates that "reciprocal relationship can be explained as a balanced condition in which one side give the other certain treatments while the other returns the equivalent treatments". Keohane also cited in Yani (2001:2) argues that reciprocity implies to "actions that are contingent on rewarding reactions from others and in that ceases when these expected reactions are not forth coming". The study also seeks to understand how reciprocal is the relationship between the US and the Sub-Saharan African countries paying particular attention to the case of Zambia.

2.4. Conclusion

Theories and publications of authors are not conclusive. Dependency theory reveals that there is a gap between the developed and developing world that is based on economic power and is exploitative in nature. AGOA was implemented to foster economic growth to Sub-Saharan African countries and the African countries are failing to harness the benefits of AGOA since it is non-reciprocal. Chapter 3 has an overview of AGOA in Sub-Saharan African countries.

CHAPTER 3
Overview of AGOA

3.0. Introduction

The chapter examines the historical background of AGOA, its institutional framework, legislation and eligibility criteria. U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum and the AGOA trade capacity building was also analyzed. The chapter gives an analysis of trade relations between the U.S. and the Sub-Saharan African countries and how it assisted the economic growth of the African countries. Zambia and a myriad of countries in SSA became eligible to AGOA since its inception in 2000. They are conducting trade with the US on commodities that ranges from minerals and agricultural commodities. The chapter analyses the effectiveness of AGOA in facilitating trade between the U.S. and the Sub-Saharan Africa. It reviews economic development in the Sub-Saharan African countries.

3.1. Historical Background of AGOA

The U.S. trade policy to the SSA countries started in the early 1990s following the end of apartheid in South Africa. During that period the U.S. regime was trying to find a harmonious way to assist African countries on issues to do with economic development and how the U.S. can increases trade and investment in the SSA Region, Jones and Williams, (2012:1). Beside the end of apartheid in South Africa before the end of Cold War the U.S. relations with the SSA countries was based on donor–recipient. The aid to the African countries was mainly for poverty alleviation and emergency relief. After the cold war the U.S minimized aid to Africa and developed a strategy that was aimed at engaging SSA countries to conduct trade amongst themselves and the U.S. as a way of stimulating economic development and to reduce poverty, Schneidman and Lewis (2012:1). The above mentioned events marked countless debates on how to assist Africa economically.

AGOA legislation was initially introduced in February 1999 in the House of Representatives as Bill H.R. 434, Naumann (2015:1). The bill attracted an overwhelming support from both houses which are the Congress and the House of Representatives and become formally recognized under Public Law 106-200 and in 2000 it was ratified into law by the then President of US Bill Clinton, Neumann (2015:1) . In the early 1990s the trade rate between U.S. and SSA was very low due to unavailable policy that governs trade between the two regions. After 2000 AGOA became a document that directed trade between the two regions with the idea of fostering economic growth among the SSA countries.

The introduction of AGOA noticeably made an essential move in the US strategy towards its engagement with SSA countries. US-Africa relations previously were mainly affected by the cold war. Cold war was an ideological conflict between the U.S. and the Soviet Union that erupted soon after the Second World War. The U.S. supported capitalism while the Soviet Union followed socialism resulting in many countries in various regions engaged in proxy wars fighting for those ideologies, Leffler and Painter (1994:1). The cold war was a hot war in the African region resulting in lesser attention on trade and economic development between the U.S. and SSA countries. Relations were based on poverty alleviation, ad-hoc measures and emergency relief. Through AGOA US- Africa relations were realigned towards economic development and trade by offering unique preferential access to US markets Neumann (2015:1). The relations between U.S. and SSA countries since the inception of AGOA were mainly based on economic cooperation. AGOA grants, quota free and duty free to selected products such as oil, minerals and agricultural commodities that are listed under the GSP according to Paez et al (2010:3). The Act was crafted to enhance cooperation between the two regions through facilitating trade for economic development.

3.2. Institutional Framework of AGOA

AGOA's institutional framework is based on Implementation Subcommittee of the Trade Policy Staff committee. The committee is chaired by the US trade Representative (USTR) and have other committee members from various agencies such as Council of economic advisors, Department of commerce, Department of Agriculture, Department of State, Department of labor, US Agency for international Development, National Security Council (NSC) and the Department of the Treasury GAO (2015:8). All the agencies listed above prepare and provide information related to departments of progress on each and every SSA country in relation to the eligibility criteria and submit to USTR. When the USTR receives the information from various agencies it compiles the information and have some further discussions with the subcommittee making recommendations on how to engage SSA countries into AGOA basing on the eligibility criteria, GAO (2015:8).

After the discussion of the USTR with the Subcommittee all the recommendations made are presented to the full committee of the Trade Policy Staff Committee (TPSC) and after the full council reaches consensus the USTR staff compiles a document that is sent to the USTR for further review and when they are done with the review it is further sent to the President of the U.S. for consideration and approval. The sitting President of the U.S. is the one with the final say on the countries' eligibility status to AGOA, GAO (2015:8). All the agencies in the committee play a mammoth task to make a review of AGOA objectives if it is corresponding with the eligibility criteria. The review will make an analysis of all the countries in SSA if they are implementing market based economy, eliminating all barriers to US trade and investment, protection of internationally recognized labour rights, rule of law, political pluralism, human rights, combating corruption and working towards poverty reduction GAO (2015:8). From the definition AGOA is an act towards Africa but implemented and monitored by the U.S President and different government agencies that are more concerned on fostering economic development and eradicating poverty. It is chaired by the U.S Trade Representative working with representative from other agencies that mean it does not have a clear established institutional Framework.

3.3. AGOA Legislation and Eligibility Criteria

The AGOA legislation entrust the US sitting president to determine which countries are eligible and not eligible to the legislation. Trade related benefits specified under AGOA such as free access to U.S. markets were meant for all 48 countries in the Sub-Saharan Africa however those 48 countries did not automatically receive benefits. AGOA trade benefits were only extended to those countries that met the exact eligibility criteria. In 2015, 39 countries were qualifying for AGOA benefits, Neumann (2015:3). The criteria constituted policies and practices that attracted trade and investment resulting on economic growth and poverty reduction.

The eligibility criteria was based on conditions that are economic, political and developmental. For a country to be eligible on the economic, it should have a market based economy that have open based trading system that have no interference with the government regulations such as price controls and government ownership on economic assets, GAO(2015:4). A country deemed eligible to AGOA should not provide subsidies to its producers. The country should also have an environment that is favorable to foreign and domestic investment. Any government deemed eligible should have a system that combat corruption, mostly which involves Public officials when conducting international business transactions, GAO (2015:4).

Governments of the member countries to AGOA should observe the internationally acknowledged labour rights such as right to collective bargain, right of association, prohibition of forced labour, occupational safety health, and minimum age of employment and acceptable conditions of work. Countries that are deemed eligible to AGOA should not engage in activities that support acts of international terrorism and should not engage in activities that undermine US national security or foreign policy rather member states should cooperate with other states and the US to eliminate all forms of human rights violations and all worst forms of child labour. On issues to do with development, countries that are members to AGOA should encourage the formation of capital markets, have economic policies that are aimed to reduce poverty, enable the availability of health and educational facilities, promote private enterprises and expand infrastructural development, GAO (2015:4). All these eligibility conditions mentioned above are determined by U.S. government as a condition to membership of SSA countries to AGOA without their contribution.

After considering the countries that are making progress towards the eligibility criteria the U.S. sitting President determines countries that are eligible and not eligible to the trade preferential system. Sub-Saharan countries designated as eligible must undergo an annual review process. Countries may be added to the preferences or can be withdrawn from the preference during the annual review conducted by the U.S. government, Paez et al (2010:3). The countries that are deemed not eligible to AGOA are withdrawn in absentia by the U.S. President with the assistance of U.S. government agencies that monitor the operations of AGOA.

3.4. AGOA Trade Capacity Building

AGOA Act section 122 directed the U.S. sitting President to assign the U.S. government to offer technical support on Trade Capacity Building (TCB) to AGOA eligible countries. The support is offered through governments and the civil society of the recipient countries. The main idea behind technical assistance is to open trade and exports, synchronize laws and regulations with

WTO member countries, engage in fiscal and financial reforms and encourage larger agribusiness relations, Williams (2014:6). According to the Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2008:43) TCB supports the developing countries on development of relations between trade and development as a way to shape their corporal, institutional and human capability essential to accrue full benefits of trade opportunities as a way to reduce poverty and increase economic growth. The idea of TCB is mainly aligned on assisting AGOA beneficiary states to increase their capacity on trade by making them able to harness the opportunities and benefits offered under AGOA. For AGOA to achieve all its TCB efforts it works with various agencies mentioned below:

3.4.1. United States Trade Representative (USTR)

U.S. Trade and Representative (USTR) is the administrative division engaged in the trade between the US and the SSA. The primary function of the USTR is also to make yearly determinations as to which countries are eligible for the AGOA benefits, Jones and Williams (2012:29). The USTR also coordinates US government agencies closely that are involved in the TCB to ensure that the US's assistance is comprehensive and receptive to both African requirements and US Trade Policy goals, Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2008:44). This agent can also be regarded as the executive arm of AGOA

3.4.2. United States Agency for International Development (USAID)

U.S. Agency for International Development (USAID) is the key implementer of TCB activities in SSA. The Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2007:39) notes that USAID seeks to nurture U.S.-Africa trade relations as a way to build Africa's capabilities on issues to do with trade and to assist bilateral and regional trade through African Global Competitiveness Initiative (AGCI) that was introduced by President Bush in 2006. The AGCI was implemented to expand Africa-U.S trade and investment through improving abilities of SSA countries. USAID is also tasked to create and improve private sector-led investment business environment as a way to support SSA countries' private sector entities to grab market opportunities, improve their investment opportunities and improve their financial services related to investment and infrastructure, Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2007:40).

USAID funded and managed trade related programs throughout Africa, and between Africa and the U.S. All the programs are coordinated with regional trade hubs located in Gaborone Botswana, Nairobi Kenya, Accra Ghana and Dakar Senegal, Williams (2014:8). The hubs assist the African governments and donor organizations as the source of information on trade and investment opportunities, they offer technical assistance on trade related issues and also assist regional organizations to facilitate regional economic integration as a way to reduce barriers that are trade related. USAID missions also supported a myriad of programs in various countries such as Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Uganda and Zambia. The programs includes agricultural production, promoting small and medium enterprises, business practices and capacity building of the private and public sector Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2007:40). The capital to African countries from USAID is meant to boost the SSA countries' economies to conduct trade with the U.S. and the world at large.

3.4.3. United States Foreign Commercial Services (USFCS)

The U.S. Foreign Commercial Services (USFCS) have the primary function of providing export advancement services such as trade analysis, market intellect, business opportunities and commercial tact to assist the U.S. in exporting abroad, Jones and Williams (2012:30). The agency is more into developing initiatives that are more centered on identifying best U.S export prospects in the region, identify tariff and non-tariff barriers that impedes U.S. exports to Africa and to make initiatives with African governments to intensify market accessibility of goods and services.

3.4.4. United States Department of Agriculture

U.S Department of Agriculture conducts a variety of technical assistance and training programs in SSA countries. The department offers advisory role on Pest and Risk Assessment (PRA), Animal and Plant Health Inspection Services (APHIS) to USAID. Advisors under this department operate with U.S plant health and fortification authorities to implement PRAs for fruit and vegetable crops and APHIS for animals, Comprehensive Report on U.S. Trade and Investment Policy Towards Sub-Saharan African and Implementation of the African Growth Opportunity Act, (2007:44). The department assist in various trainings to SSA countries such as food safety, pest risk assessment, animal diseases surveillance, food quality standards, plant health systems analysis, agricultural and insect pest database maintenance, agricultural and trade policy development, and post harvesting technologies. All these trainings were funded by the USAID targeting participants from Zambia, Uganda, Kenya, Ethiopia Niger, Mali, Rwanda and Tanzania, Comprehensive Report on US Trade and Investment Policy towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2007:45). All the initiatives aimed to produce best quality of agricultural products from the SSA countries to the U.S markets.

3.4.5. United States Trade and Development Agency (USTDA)

U.S Trade and Development Agency (USTDA) is responsible for advancing economic partnership development with LEDCS and Semi-periphery countries. The agency is responsible for funding various technical forms such as trainings, feasibility studies, orientations, and a myriad of workshops that support modern infrastructural development and free market environment, Comprehensive Report on U.S Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2007:46). USTDA initiatives support AGOA activities by making the environment conducive for U.S-Africa trade and investment platform and also support public-private Sector Corporation through grant funding. Initiatives of USTDA also support AGOA eligible SSA countries on critical planning phase of important infrastructure and manufacturing projects and sponsored a myriad of projects such as Nzilo 2 Hydropower in the Democratic Republic of Congo, Burkina Faso Fruit and vegetable processing, Angola Particle Board and Burkina Faso Sanitary and Photo sanitary, Comprehensive Report on U.S Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2008:56). USTDA activities are aimed at expanding Africa's capacity and maximize SSA countries' economic growth through enhancing U.S interests.

3.4.6. United States-African Development Foundation USADF)

The United States-African Development Foundation (USADF) is a U.S government cooperation that funds the development of micro and small-medium sized businesses in Africa. USADF's Trade and Investment (TI) program also facilitated the integration of African farmer's processors and manufactures into the global economy. USDAF provide financial assistance directly to Africa business entrepreneurs and help to build their capabilities. In 2006 Financial year the agency provided assistance to countries such as Zambia, Senegal, Cape Verde, Chad, Nigeria, Uganda, Swaziland, Niger, Liberia, Tanzania, Botswana, Namibia, Rwanda, Mali and Benin, Comprehensive Report on U.S. Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT(2007:48).

3.4.7. United States Export-Import Bank

Export-Import Bank (Ex-Im Bank) is the official export credit agency of the U.S. government. It upholds finance and insurance programs to facilitate U.S. exports to developing countries. The primary functions of the bank are loan guarantee, working capital guarantee and credit insurance and direct loans all supported by the U.S. government under AGOA, Jones and Williams (2012:29). The bank also plays a mammoth task of offering advisory services to the U.S. government as a way of fostering economic cooperation between the U.S. and SSA countries.

3.4.8. Overseas Private Investment Cooperation

The U.S. Overseas Private Investment Corporation (USOPIC) is the U.S. development finance agency that seeks to support economic growth in LEDCs and emerging economies and seeks to expand U.S. exports to the SSA countries by providing political risk insurance, project financing, investment fund support and other services of the U.S Business in those countries, in support of U.S. foreign policy goals. OPIC programs are intended to promote U.S. private investment by mitigating risks such as political risks, terrorism and currency inconvertibility, Comprehensive Report on U.S. Trade and Investment Policy towards Sub-Saharan Africa and Implementation of the African Growth Opportunity ACT (2008:70).

3.5. U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum

On annual basis the U.S. conduct U.S. Sub-Saharan African Trade and Economic Cooperation Forum. Section 105 of AGOA act allow the institutionalization of high level dialogue between officials of the US and AGOA beneficiary countries. The forum is a paramount platform to articulate and advance US trade and economic policy towards Africa and with the aim of fostering closer economic ties between the US and SSA region, Comprehensive Report on U.S trade and Investment Policy towards Sub-Saharan Africa and Implementation of African Growth Opportunity Act (2006:68). Since its inception in 2000 up to 2015 about 14 conferences where held with different themes. The forums engaged business community, civil society organizations and took 2-3 days comprised of plenary sessions as well as workshops. Participants are high level U.S. - SSA government officials. Representatives of organizations such as the African Union (AU) and the United Nations Economic Commission (UNEC) and the African Cotton and Textile Industries Federation also participate on the forums, GAO (2015:17).

Themes that are discussed change year after year but they are all centered on strengthening the economic ties between U.S and SSA countries, GAO (2015:16). The Forums also look on the eligibility criteria that include good governance, health care and labour rights. SSA leaders are engaged on forums but the decisions of AGOA lies in the hands of the U.S. government mostly the sitting President of U.S. Below is the table showing forums conducted and the themes discussed.

Table 1: Location, Date and Theme of AGOA Forums 2001-2014

U.S location and date	**Theme**	**Sub-Sahara Africa Location and Date**	**Theme**
Washington DC (October 2001)	Enhancing Democracy and combating HIV/AIDS	**Port Luis, Mauritius (January 2003)**	Trade and Investment: Tool for Growth and Development
Washington DC (December 2003)	Building Trade, Expanding Investment	**Dakar, Senegal (July2005)**	Expanding and Diversifying Trade to Promote Growth and

			Competitiveness
Washington DC (June (2006)	Private Sector and Trade Powering Africa's Growth	**Accra, Ghana (July 2007)**	As Trade Grows, Africa Prospers Optimizing the Benefits under AGOA
Washington DC (July 2008)	Mobilizing Private Investment for Trade and Growth	**Nairobi, Kenya (August 2009)**	Realizing the Full Potential of AGOA Through Expansion of Trade and Investment
Washington DC and Kansas City (August 2010)	AGOA at 10: New Strategies for Changing the World	**Lusaka, Zambia (June 2011)**	Enhanced Trade Through Increased Competeiveness, Value Addition and Deeper Regional Integration
Washington DC (June 2012)	Enhancing Africa's Infrastructure for Trade	**Addis Ababa, Ethiopia (August 2013)**	Sustainable Transformation Through Trade and Technology
Washington DC August (2014)	Investing in the next Generation	**Libreville, Gabon(August 2015)**	Invest in the energy continent

Source: Government Accountability office (GAO 2015:17)

3.6. U.S. Trade Relations with Sub-Saharan African countries under AGOA

The trade between the U.S. and SSA countries is mainly based on imports and exports of various commodities that ranges from oil, minerals, agricultural commodities, textiles and apparel. In 2005 the U.S imported commodities worth $60.6 billion while the exports worth $10, 3 billion were recorded due to increased sales of oil field equipment and parts, air craft, vehicles, wheat and electrical machinery, Comprehensive Report on United States Trade and Investment Policy towards Sub-Saharan Africa and the Implementation of AGOA (2006:12). The U.S imports were mainly crude oil since there was high demand of oil and also platinum contributed to the imports of U.S from the SSA countries. The Comprehensive Report on United States Trade and Investment Policy towards Sub-Saharan Africa and the Implementation of AGOA (2007:22) notes that imports increased to $67, 4 billion while the exports increased to $14, 4 billion. The reports shows that there was an increase on the trade between the U.S and the SSA countries but mainly concentrated on imports.

The period between 2008 and 2009 the U.S imports from the SSA countries decreased due to financial crises. In 2011 the U.S imported goods worth $74 billion from SSA countries that recorded an increase after the financial crisis of 2008-2009, Jones and Williams (2012:8). Comparing the U.S and Chinese trade with Africa, in 2009 the trade between China and the SSA was at $70, 4 billion and rose to $127, 3 billion in 2011. China is more into imports to Africa while the SSA countries export raw material to the U.S, Jones and Williams (2012:7). The U.S trade with SSA countries is concentrated on small number of countries such as Nigeria, Angola, South Africa and the rest of the countries contributed 6 percent of the U.S trade. Focusing on the period under study 2005 to 2015 the imports of the U.S from the SSA countries are based on oil products and they have large value compared to exports, Naumann (2015:9). The figures highlighted above shows that there is an increase of trade between the U.S. and SSA countries but it is more concentrated on oil producing countries.

3.7. AGOA Economic Growth in Sub-Saharan Africa.

Before the implementation of AGOA, SSA counties experienced economic stagnation and the introduction of AGOA marked the economic growth of the SSA countries and was aimed at increasing U.S trade relations with the region. Scholars such as Duru (2012:1), Paez et al (2010:3) and Naumann (2015:6) concur that economic development was noticed in the SSA countries. Several countries including Mozambique, Uganda and Ghana have made key economic reforms such as liberalizing markets and trade, improve economic management and promote private sector activity which have resulted in notable growth rates, increased incomes and declining poverty, Comprehensive Report on United States Trade and Investment Policy towards Sub-Saharan Africa and the Implementation of AGOA (2003:15).

Economic growth within SSA countries is mainly concentrated on oil exporting countries to the U.S such as Nigeria, Angola and Sudan. Growth of east African countries such as Tanzania, Kenya and Uganda under AGOA is mainly based on tourism, transport communication, agriculture, mining and construction. Before the inception of AGOA most SSA countries experienced inflation due to continued progress with macroeconomic stability and reforms in most countries helped keeping inflation relatively stable for example Zambia, Comprehensive Report on United States Trade and Investment Policy Towards Sub-Saharan Africa and the Implementation of AGOA (2008:29). Economic growth of West African countries under AGOA was relatively strong due to agricultural recovery, positive performance in the industrial sector and strong export growth since the countries were weaker due to drought related crop failures, Comprehensive Report on United States Trade and Investment Policy Towards Sub-Saharan Africa and the Implementation of AGOA (2007:22). Paez et al (2012:11) notes that countries such as Madagascar, Rwanda, Tanzania, Botswana and Ethiopia also trade with the U.S. under AGOA on goods such as apparel, chemical products and fruits. This shows that AGOA is facilitating trade between the two regions U.S and the African region.

Despite all the achievements recorded with the SSA countries under AGOA, the sticking issues is that just a limited number of countries are recording significant progress mostly oil producing countries, Paez et al (2010:4) and Williams (2014:13). This can also be noticed with non-oil producing countries with their development moving at snail pace. Non-oil producing countries are not recording much progress except South Africa that is more into manufacturing, Williams (2014:13). This clearly shows that the U.S. is more into harnessing raw materials from SSA countries thereby under-developing Africa. The manufacturing sector of the most countries under AGOA concentrated on less skills especial on apparel that resulted on the underdevelopment of AGOA beneficiary countries. Through the beneficiary eligibility criteria the U.S created and maintained political and economic influence of the beneficiary countries. Unlike China's trade with the SSA countries does not have any political influence to the SSA countries but only based on imports and exports, Williams (2014:13). In this regard just few countries are able to harness the benefits of AGOA while the majority are not benefiting fully. Zambia is one of those countries that is not harnessing fully the benefits of AGOA, ZDA (2013:6).

3.8. Conclusion

AGOA was established in 2000 as strategy to strengthen economic relations between the U.S and the SSA countries. The act has incorporated the eligibility criteria and set up sub-committees that make reviews and recommendations to SSA countries that are making progress in economic growth. The act has incorporated various agencies to strengthen its trade capacity. However the African countries are failing to harness fully the benefits of AGOA. Most of the countries have vast resources but they are still poverty stricken and the trade is benefiting few countries mostly oil producing countries. The act clearly shows that there is no reciprocity since the U.S determines various decisions. With all the information laid in this chapter the next chapter examine US- Zambia relations under AGOA citing challenges and proffer recommendations on how Zambia can harness the benefits of these relations.

CHAPTER 4

US-Zambia Relations under AGOA 2005-2015

4.0. Introduction

This chapter assesses the impact of AGOA in stimulating economic growth in LEDCs of Sub-Saharan Africa, particularly focusing on Zambia from 2005 to 2015. Zambia used to conduct trade with the U.S way before the inception of AGOA. To date there are bilateral trade agreements between the U.S and Zambia. This chapter explored events that led Zambia to join AGOA, trade relations between the U.S and Zambia, terms of trade under AGOA, economic benefits of preferential trade agreements to AGOA. Challenges that were encountered by Zambia under the trade preference in trying to address export growth and economic development were also highlighted. This chapter also examined the relevance and effectiveness of AGOA on addressing economic growth in SSA countries focusing on Zambia using instruments such as in-depth interviews and questionnaires.

4.1. Historical Background of Zambia

Zambia is a Southern African land-locked country, sparsely populated with a population of over 15.7 million spread over 752 614 square kilometres, Bertelsmann Stiftung's Transformation Index (BIT, 2016:2). The country is divided into nine provinces which are further divided into seventy two districts, H.M. Consultancy (2005:7). The country is rated as one of the poorest country in the region with the population of 86, 6 percent living below the poverty datum line, BIT (2016:12). Inhabitants composed of Bantu ethnic groups with the Bemba being the largest and politically utmost influential. The Bemba comprise 18 percent of the Zambian total population. Other cultural groups include the Lozi, Luwale, Nyanja, Tonga, Lunda and Kaonda. The official language used for law, education and commerce is English, United Nations Conference on Trade and Development (UNCTAD 2014:7). Since Zambia is a landlocked country it shares borders with eight countries namely Zimbabwe, Namibia, Mozambique and Botswana to the south, Democratic Republic of Congo to the north, Angola to the west, Malawi to the east and the United Republic of Tanzania to the north east, Dr Hampwaye et al (2014:6). The map below shows the neighbouring states that shares borders with Zambia.

Map 1: Zambian map

www.nationsonline.org/oneworld/map/zambia-political-map **Accessed on 22 May 2016**

Zambia has absurd natural beauty, rich soils and abundant mineral resources. Over thirty percent of Southern African region ground water is under Zambia. Twenty percent of the Zambian total area constitutes surface water, Country Development Corporation Strategy (USAID/Zambia)

(CDCA 2011-2015:7). The Zambian land is best for agriculture with a mammoth potential for irrigation while abundant water serves for high production of hydroelectric power, UNCTAD (2011:7). The country have a myriad of natural fascinations that includes pristine landscape and assorted game and wildlife of over 3,000 different types in the bionetwork. Temperature conditions of Zambia are of sub-tropical and temperate ecosystem comprised of temperatures between 15 and 33 degrees Celsius, UNCTAD (2011:7).

During the colonial era Zambia was named Northern Rhodesia under the British rule from 1894-1964. Zambia got its independence from the British rule in 1964, H.M Consultant (2005:7). Kenneth Kaunda became Zambia's first President and ruled for twenty seven years. In 1972 Kaunda instituted one party state that led to the formation of Movement of Multi-party Democracy (MMD) in 1990 under leadership of Fredrick Chiluba. Opposition political parties were legitimate in 1990. In 1991 subsequent election, Fredrick Chiluba, won the election defeating Kaunda and he became the second President of Zambia, UNCTAD (2011:7). In 2001 Levy Mwanawasa of MMD was elected to be the Zambian President and his term of office ended after his death in August 2008. Rupiah Banda who was the Deputy President to Mwanawasa assumed the presidency and in the elections held in October 2008 Banda was elected to be the President of Zambia, UNCTAD (2011:7). In 2011 Presidential elections were held Rupiah Banda of the MMD was trounced by Patriotic Front (PF) contender, and populist Michel Sata that led to a second transfer of power through the ballot, Bertelsmann Stiftung's Transformation Index (BIT 2016:2). President Sata's capability to transfigure the country during his tenure was hindered by ill health and he died on October 2014. His death allow presidential by-election to be held in January 2015 under the leadership of Edgar Lungu. Lungu who was once a defence leader in the

Sata regime defeated the MMD Nevers Mumba and Hakainde Hichilema of United Party for National Development (UNDP), BIT (2016:2).

4.2. Economic Background of Zambia

In the 1964 after independence Zambia was viewed as a middle income country with a potential to achieve economic growth. However Zambia failed to achieve economic growth to an extent that it is regarded as the poorest countries in the Southern Africa, Thurlow and Wobst (2004:7). Zambia have conditions favorable for agriculture such as rainfall and climate. The economy of Zambia was dominated by the mineral extraction mainly copper. Copper mining attracted huge investments and assisted to the creation of urbanization in Zambia since 1920s during the British rule, Thurlow and Wobst (2004:7)

Kenneth Kaunda government adopted the idea to nationalize mines as a way to generate foreign currency for the Zambian government and economy in the early 1970s, Bigsten and Kayizzi-Mugerwa (2000:4).The world in the 1970s experienced a recession that resulted on the fall of copper prices on the world market. The government also engaged on price controls on consumer goods and extended subsides to basic goods, Bigsten and Kayizzi-Mugerwa (2000:4). With the control of prices on basic goods most of state owned companies made losses. In 1983 the Word Bank (WB) introduced a variety of measures to serve the Zambian economy such as currency auction, wage freeze, expenditure cuts and marketization of prices, Fraser (2007:19). However the policies did not bring much for the economic transformation of Zambia. The Kaunda regime become unpopular with its economic policies. This resulted with the formation of Zambian Confederation of Trade Unions (ZTU) led by Fredrick Chiluba who later become Zambian president under Multi Movement for Democracy (MMD) in 1991, Fraser (2007:19).

When the MMD attained power in 1991, the Bretton Woods institutions promised better working relations with the Zambian government and offered multifarious credit lines, Fraser (2007:19). Under the leadership of Chiluba Zambia have committed itself politically and legally to establish a free market economy. Privatization was also introduced under the Zambian Privatization Agency (ZPA) in 1992 and it was tasked to sell 280 parastatal companies. In 1996 137 companies had been sold. Most popular mines in Zambia such as Konkola Copper Mine (KCM) and Mopani Copper Mine (MCM) were sold in 2000 under the privatization exercise, Fraser (2007:22). The Zambian government have been offered incentives by the donor world and the western countries for privatizing the economy. After Chiluba regime to date the government was concerned on implementing social democracy and free market polices, Fraser (2007:25)**.** The Zambian economy is mainly based on mining and agriculture. These sector they are also supported by manufacturing and energy.

4.2.1. Mining

Zambia's mining sector plays a crucial role in social and economic development. The Republic of Zambia is predominantly copper producing nation the largest in Africa and the sixth largest in the world and have the highest grade of copper in the world. Zambian copper is marketable to countries such as China. In 2011 mining sector in Zambia have contributed approximately 9.5 percent to the national GDP, Zambia Extractive Industries Transparency Initiative Report (ZEIT 2014:17). Besides having copper Zambia have also other minerals such as gold, zinc, lead, iron, manganese, nickel, platinum, diamonds and emeralds. Industrial minerals such as Feldspar, sands talc, barite, apatite, limestone, dolomite and clay deposits are also found. Energy minerals such as uranium, coal are found ZEIT (2014:21)

From the late 1960s to the early 1990s mining sector was state owned and all the mines were consolidated under Zambia Consolidated Cooperate Mines (ZCCM). ZCCM was established to ensure that the people realize profits through service delivery such as hospitals, schools, housing, electricity and water. The company was more than a company but it was the cornerstone of social and economic development of the copper belt region of Zambia, Extractive Industries Transparency Initiative (EITI) Scoping study for the republic of Zambia (2007:5). The state have privatized the mining sector and offered tax breaks and incentives to the mining companies operating in the country. Due to poor infrastructure, erratic electricity supplies and unreliable transportation mining in Zambia is regarded to be a risk business. Companies remain unwilling to invest in Zambia. On my view the U.S is not willing to invest in the mining sector. This can also be attributed to poor transport infrastructure in Zambia resulting in high cost for the movement of mineral products to nearest ports. Rather the U.S prefer agricultural exports from Zambia

4.2.2. Manufacturing

Manufacturing in Zambia is composed of multifarious activities such as petroleum refining, vehicle assembly and, textile mills production of chemical fertilizers. The sector is also operating below expected since it is mostly affected by liberalization of trade. The removal and lowering of tariffs on textile products result in massive inflows of second hand clothes from the developed countries. This resulted in the closure of the textile industry in Zambia. More than 140 textile firms were closed, Hampwaye et al (2014:10). Senior commentator on the Zambian economy argued that the manufacturing industry is mainly affected by transport coasts. Most of the raw material required in the manufacturing sector comes from South Africa and other overseas countries. Considering that Zambia is land locked country there are high transport charges for the movement of raw materials.

4.2.3. Energy

Energy sector is the other economic sector of Zambia with the main energy coming from hydroelectric resources. Since the country have vast deposit of coal that exceeds 30 million tones 9 percent of its electricity is thermal power, Zambia Investors Guide (2013:6). However the power is not adequate, rural villages are isolated since they widely dispersed throughout the country. The country do not have the appropriate electricity infrastructure that can connect all corners of the country. The U.S is not interested to invest in the Zambian energy sector. A Political Science Lecturer at the University of Zambia argued that the energy sector is not of any value to the U.S economy that is why the federal republic is not willing to invest in the energy sector. On my view there is need to invest in various sectors such as the energy sector for the economic development of Zambia.

4.2.4. Agriculture

Agricultural sector employs about 85 percent of the Zambian working population. Zambia's main agricultural products are maize, sorghum, rice, peanuts, sunflower seeds, vegetables, flowers, tobacco, cotton, sugar cane, cassava, coffee, cattle, goats, pigs, poultry, milk, eggs, and hides. Agriculture is the major economic driver in Zambia and it contributes much on economic development of the country, Independent United Nations Development Organization country evaluation, Republic of Zambia (2013:10). There is a small number of commercial farmers. Zambia's agricultural producers are small scale farmers comprised of small technologies such as hand hoes and oxen for cultivation. The productivity is very low. The small holder farmers mainly produce rain-fed maize, groundnuts, roots and tubers mainly for household consumption, Siegel and Alwang (2005:2). The farmers have constrains such as credit to purchase inputs and they lake markets for timely buying and selling their produces. The farmers also lack implements to expand their agriculture resulting in the farmers utilizing just a small piece of land, Siegel and Alwang (2005:4). Zambia Ministry of Agriculture and Fisheries official revealed that Zambia exports agricultural products to U.S that are also condemned under the PRA. He further stressed that there is no value addition to the agricultural products. This research concludes that Zambia have poor transportation infrastructure and the US is not interested to incur transport costs for Zambian agricultural products.

4.3. Trade Relations between U.S and Zambia under AGOA

Zambia have nine destinations of its exports that are United Kingdom (UK), South Africa, United Arab Emirates (UAE), China , India, United States, France Tanzania and Kenya, Intra-SADC Trade Performance Review (2008:193). U.S is regarded as the eight trading partner of Zambia the first being South Africa followed by UK and China, Intra-SADC Trade Performance Review (2008:193). The trade relations between the U.S. and Zambia under AGOA are mainly based on exports and imports supported by the eligibility criteria stipulated under the AGOA ACT.

The Republic of Zambia joined AGOA during its inception in 2000 and currently is still member to AGOA. Comprehensive Report on the U.S Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity Act of (2005:134) notes that Zambia managed to conduct exports worth $119 000 to U.S under AGOA. The same report (2006:129) also highlighted that the exports were at $369 000. Comprehensive Report on the U.S Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity Act of (2007:140) revealed that exports were at $230 000. These reports were compiled by the U.S government showing trade trends between SSA and U.S. The reports are also revealing that the trade is just a drop in the ocean considering the vast resources found in Zambia. The trade cannot sustain economic growth resulting in Zambia being poor since inception of AGOA to date.

Most Zambian exports reaches preferential market of the U.S through the third part agreement which involves South Africa. The products include floriculture, horticultural products, tobacco, leather products, sugar and cotton, Intra-SADC Trade Performance Review (2008:193). The exports to the US are mainly textile and apparel and there is no diversification of exports considering that Zambia have a myriad of natural resources, Paez et al (2010:13). Ninety percent of the interviewees revealed that countries such as Nigeria and South Africa are the power houses of the Sub-Saharan Africa economy. Nigeria is an oil producing state that attract lots of export earnings from the preferential trade with the U.S. South Africa have manufacturing industries that trade very well with the U.S markets same as Kenya. Zambia trade with the U.S is mainly on Agricultural products with their entry into U.S markets controlled by Pest Risk Assessment (PRA) and Animal and Plant Health Inspection Services (APHIS), ZDA (2013:6). Ten percent of the interviewees have the view that the African countries are failing to diversify considering that they have vast resources. For example Zambia have the ability to diversify considering that they have a myriad minerals such as iron, diamonds and many more.

Senior Economic analyst to the Economist argued that the trade between U.S. and Zambia have not much to admire considering the resources that Zambia have. The trade between the countries is not all that lucrative that Zambia can harness full benefits of preferential trade agreement. Since Zambia have vast deposits of minerals the trade between the U.S and Zambia was supposed to be multifaceted with multifarious products that ranges from agricultural products to minerals such as diamonds, iron copper and many more. In my view the trade relations between the U.S. and Zambia are non-reciprocal. They do not yield economic growth to the Zambian Economy resulting in the state lagging behind other countries on economic development.

4.4. Terms of Trade under AGOA and how Zambia relates with the U.S under such terms.

AGOA allows the sitting President of the U.S to choose countries that are eligible to receive duty free treatment on certain goods entering the U.S markets. The legislation stipulates that for a country to be eligible it should:

- establish a market based economy and have eliminated all barriers to trade
- exercise the rule of law
- have the economic policies that are meant to eradicate extreme poverty and hunger
- have mechanisms in place to combat corruption, crime and should observe workers' rights.
- not engage in activities that undermine the U.S national security and foreign policy.
- not also support international terrorism, Schneidman and Lewis (2012:3)

Zambia implement all the requirements that are specified under AGOA, Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of The African Growth Opportunity Act (2005:119). In 2005 the Zambian government was more concerned on implementing good governance polices such as free and fair elections. Polices that were aimed at increasing the availability of basic services and also on removing constrains to sustainable diversification growth were introduced, Comprehensive Report on US Trade and Investment Policy Towards Sub-Saharan Africa and Implementation of The African Growth

Opportunity Act (2005:119). On the same note Zambia continued to implement international recognized labour laws such as abolishing child labour. Comprehensive Report on U.S trade and Investment Policy towards Sub-Saharan Africa and Implementation of the African Growth Opportunity act (2003:116) reported that the media was still free with some of the Zambians that were self-imposed exiled during the Kaunda regime returning home and there is rule of law.

The Government of the Republic of Zambia also made immense measures to implement policies that were aimed at eradicating poverty and hunger. In 2013 the government of Zambia released a budget that was focusing on poverty reduction through an increase of resources availability on health and educational sectors. Reduction on income taxes and eliminating taxes on savings were also implemented, USAID (2013:66). On international terrorism Zambia was never engaged in activities that support international terrorism and continued not to be a threat to U.S foreign policy as noted by the reports on Comprehensive Report on U.S trade and Investment Policy Towards Sub-Saharan Africa and Implementation of the African Growth Opportunity act of (2006:129), (2005:134) and (2007:140).

The eligibility criteria that is being regarded as the cornerstone of AGOA encouraged beneficiary countries of the SSA to implement market based economy that is buttressed by strong democratic rule based systems, Outlining Africa's position on the AGOA Review Process (2014:22). Supporting the above statement Zambia have achieved the implementation of democratic institutions. All the interviewees pertaining the study were aware about the terms of trade under AGOA. They also support that Zambia maintained the eligibility criteria but it is still the poorest country in the Sub-Saharan Africa meaning the trade to a greater extend is non-reciprocal. Rather

Zambia is implementing the interests of the U.S that are not beneficial to economic growth of Zambia. On my own view Zambia is implementing democratic institutions required under AGOA Act whilst benefiting little from the preferential trade agreements.

4.5. Economic benefits for the Preferential trade Agreements to Zambia

Since early 1990s Zambia‘s trade policy was mainly focused on liberal trade at national and international level, Zambia Civil Society Organizations Position (ZCSO) on AGOA (2013:1). The idea was also enshrined in the vision 2030 of Zambia becoming an export driven, competitive and viable sector which was also supported by the Ministry of Commerce, Trade and industry (MCTI), Zambia Civil Society Organizations Position (ZCSO) on AGOA (2013:1). The objective of the government was to escalate the volumes of exports in the region and international markets through safeguarding and enabling better market access for locally produced goods and services, Zambia Civil Society Organizations Position (ZCSO) on AGOA (2013:1). AGOA benefits are based on the Act that grants duty free and largely quota free access to the U.S. markets for almost 7,000 products. These products range from agricultural goods, footwear and apparel, minerals, oil and metals. The full participation in AGOA is seen as the opportunity for Zambia to further its trade relations with the U.S. and realizing its potential economic benefits at global level.

However exports from the Sub-Saharan region are dominated by countries such as South Africa Nigeria and Kenya while Zambia is far below as indicated below, Paez et al (2010:8). The table below shows how Zambia, Nigeria, South Africa and Kenya traded with the US under the preferential trade agreements:

Table 2: U.S. imports from Sub-Saharan Africa from 2005 to 2010

COUNTRY	2005	2006	2007	2008	2009	2010
KENYA	272.131	264.838	249.450	252.243	204.982	84.267
NIGERIA	17.162.652	14.127.186	15.715.178	15.174.498	7.176.939	4.3.17.594
SOUTH AFRICA	330.515	385.818	608.964	1.699.046	1.016.314	519.715
ZAMBIA	0	8	73	5	20	0

Source: International Trade commission in Paez et al (2010:7) figures in (1000 dollars)

The table above illustrates that the trade between the U.S and Zambia does not have much to desire. Countries such as Nigeria, Kenya and South Africa dominate the preferential trade of AGOA while Zambia is lagging behind. Nigeria is an oil producing country with trade that mounts up to US$5.7 billion that is 70 percent of the SSA trade with the U.S under AGOA, Nouve and Staatz (2003:7). South Africa also traded with the U.S on machinery items, aircraft spares and chemicals that is being contributed by Zambia's resources to South Africa, Naumann (2015:11). On apparel since 2005 to 2010, only in 2006 Zambia exported apparel worth US$ 7,000 and all the other years nothing have been exported to the U.S, Paez et al (2010:9)

Zambia exports figures to the U.S under AGOA rose steadily from US$ 361 000 in 2006 to US$ 10,9 million in 2008 it plummeted to a value of just US$ 121 000, in 2009 due to effects of global financial crisis. The figures went up again to US$ 14.4 million in 2010 and then fell to US$ 221 000 in 2011, ZCSO (2013:2). These figures clearly shows that Zambia has not taken full advantage of the AGOA process as compared to other countries in Africa such as Ghana with US$ 778 million and Lesotho US$ 348 million, ZCSO (2013:2). Zambia is not harnessing fully the benefits of AGOA.

The contribution of AGOA to the Zambian economy have not much to be desired. Major exports of Zambia are in the Southern region of Africa with countries such as Zimbabwe, Tanzania, Democratic Republic of Congo and South Africa. Major exports are on cotton, sugar, scrap metals, copper electrical cables, crude refined copper cathodes, leather products and horticultural products, Intra-SADC Trade performance Review (2008:193). Currently China is also overtaking U.S in trade related issues within the SSA region. Zambia currently is exporting copper, tobacco, sugar and cotton to China, Intra-SADC Trade performance Review (2008:193). From the above discussion and the interviews conducted for the study 80 percent of the in-depth interviewees indicated that the preferential trade between the two countries is non-reciprocal since Zambia is not benefiting much from the preferential trade.

For the 20 percent of the in-depth interviewees conducted they indicated that the reason why Africa is not harnessing fully the benefits of AGOA is because of undemocratic institutions found in Africa. A senior economic analyst stipulated that most of the African Governments are undemocratic, corrupt and they prefer unscrupulous economic deals with countries such as China. African countries prefer China because of its non-interference to internal politics of other countries. On my own view Zambia is not benefiting much from AGOA. Zambia have democratic institutions and have a conducive environment for Foreign Direct Investment but the U.S. is not supporting fully the implementation of AGOA in Zambia resulting minimum benefits to Zambia

4.6. Challenges limiting AGOA to promote economic development in Zambia

They are quite a number of factors that are limiting AGOA to promote economic development in SSA countries particularly Zambia such as road and transport infrastructure, diversification of AGOA exports and value addition of Zambian products. The challenges of high transport costs are aligned to land locked countries such Zambia, ZDA (2013:5).

4.6.1. Poor Road and Air transport infrastructure in Zambia

There is high transportation costs encountered by the Zambian Exporters. High transport costs are mainly caused by poor road and air infrastructure, ZDA (2013:5). Zambia does not have a state airline that limits the government to intervene on the movement of goods from Zambia to the U.S markets. Exporters depend on international airlines which are not easy to negotiate charges with, ZDA (2013:5). Since Zambia is a land locked country it also experience high transportation cost to access the U.S markets. 80 percent of the responses cited that the transport infrastructure is dilapidated in such a way it does not meet international standards for the transportation of goods and services in the region and abroad.

4.6.2. Diversification of AGOA exports in Zambia

Most of the AGOA exports are mainly concentrated on oil producing countries while the export of non-oil products are at minimal. AGOA itself is lacking diversification, Jones and Williams (2014:34). Zambia is a country that have a myriad of resources that can contribute more to its exports to the US. Zambia have a wide range of minerals such as iron and diamonds and can contribute much to the Zambian economy. All interviewees contributed that AGOA should diversify since Zambia have a variety of resources.

4.6.3. Lack of Value addition on Zambian Products

Lack of value addition on Zambian products can also be regarded as challenge to trade under AGOA. Due to lack of industries Zambia does not have the capacity to export finished products to other markets not in the U.S but also in countries such as China, South Africa and Italy, ZDA (2013:8). The lack of value addition also contributes to lack of information on the AGOA requirements on various products on the market such as what does your buyer wants, the package required in the U.S, product entry requirements, the supply timelines and that the reliability and consistency, ZDA (2013:8).

4.7. Conclusion

The Zambia economy is multifaceted ranging from mining, floriculture, horticulture, manufacturing and tourism. Soon after independence Zambia was mainly on the extraction of copper and the copper mines were controlled by the government. The inception of AGOA brought market liberalization in 2000. The various governments that come to power in Zambia managed to adhere to the eligibility criteria that resulted on maintaining the trade relations between Zambia and U.S. However Zambia is not harnessing fully the benefits of AGOA. People in Zambia are poor and economic growth is moving on a snail pace. This can be revealed by trade and investment statistic from various scholars. Various interviewees to the study revealed that the trade between the two nations and most of the SSA countries is non-reciprocal since it is in favour of the U.S on the detriment of African states.

Chapter 5
Conclusion and Recommendations

5.1. Conclusion

5.1.1. Terms of trade under AGOA

In conclusion, with reference to trade under AGOA the research established that Zambia have implemented political and economic reforms aiming on fostering economic growth. Since the inception of AGOA Zambia maintained all the requirements to be eligible to AGOA. The development in Zambia is moving at a snail pace and the general populace is poor. This clearly shows that the U.S. government want the African countries to have democratic reforms that suits the interests of U.S foreign policy and not concerned on economic development of Africa

5.1.2. Zambia's economic benefits under AGOA

The study disclosed that AGOA benefits are insignificant considering the abundant resources found in Zambia. AGOA trade agreement proves not to be much beneficial to Zambia. Preferential trade agreements they do not have much to admire since Zambia is not harnessing much from the non-reciprocal trade. Zambia is continuing to be poor meaning is not benefiting anything from non-reciprocal trade.

5.1.3. Challenges limiting the potential of non-reciprocal trade

Challenges limiting the preferential trade agreement were that Zambia and other African countries lack diversity, negotiation skills and value addition. In conclusion the challenges limit the economic benefits to the SSA. These challenges create poor situation to the African countries. The challenges not only applies to Zambia only but to other SSA countries.

5.2. Recommendations

In light of the findings of the study, the following recommendations have been tendered on what can be implemented to strengthen the trade relations under AGOA. The recommendations also proffer what can be implemented by SSA countries to improve their economic growth. The recommendations are also enshrined in the last objective of offering recommendations to the challenges highlighted by the study.

5.2.1. Need to develop trade related negotiation skills

Most of the LEDCs of SSA countries lack negotiation skills resulting on the MEDCs imposing trading terms. Since the continent have talented human capital it should develop competent people who are able to negotiate trade related issues in favour of Africa. They are not supposed to focus only on trade related issues but also to concentrate on issues such as conflicts, HIV/ AIDS, corruption and international terrorism that can be drawbacks of economic development in SSA. African countries should collectively negotiate as a continent and not as an individual country.

5.2.2. Increase intra-Africa Trade

African countries should develop and increase intra-Africa trade. Considering the resources that are found in Africa such as mineral resources, water resources, natural vegetation and wildlife, human capital and favourable conditions for agriculture Africa should conduct its own trade. For example Zambia have copper, Nigeria have oil and Zimbabwe is suitable for agriculture. The countries should trade among themselves before they explore other international markets. African countries should also conduct backward and forward linkages to foster economic development.

5.2.3. Need for alternative trade partnership

Rather than concentrating on the trade with the U.S the African countries should also look for alternative trade partnership agreements. For example the SSA countries can also conduct trade with other multilateral trade partnerships such as Focus on China –Africa Cooperation (FOCAC) and Tokyo International Cooperation on African Development (TICAD). The relations can also be made by other individual countries such as Brazil, India and Russia.

5.2.4. Preferential trade should be reciprocal

The trade should be two-way trade that is aimed at benefiting both sides that is the U.S and the SSA countries. The current trade between the U.S and the SSA is non-reciprocal. AGOA can be viewed as a tool that is being used by the U.S to siphon resources from African, while the SSA countries are failing to access fully the U.S markets. On this note Nigeria also export barrels of oil that worth billions of dollars but the general populace is poor. So there is need for reciprocal trade.

5.2.5. African countries should develop value addition

Most of the resources exported to the U.S are raw materials that attract less income. There is need for value addition to the resources that are found in Africa. For example countries such as Zambia they are supposed to refine copper to final products such as copper cables and other electrical goods. The same should be also be implemented to horticultural products. Value addition attract more income earnings on exporting finished products.

5.2.6. Need for diversification of exports

African countries are supposed to develop diversification of export commodities. Most SSA countries depend on a single commodity for example Zambia specializes much on copper while Nigeria is more into oil. There is need to diversify their commodities on the international markets thereby specializing on other products such as horticulture, floriculture and extraction of other minerals such as diamonds and gold. African countries should also improve the quality of commodities to meet international markets requirements.

5.2.7. Implementation of polices that attract investment

African countries should also develop policies that attract Foreign Direct Investment. This will enable the foreign companies to come and invest in the African continent. Policies such as tax free for certain years. This will also help to create employment and also to eradicate poverty amongst the African countries.

5.2.8. Need to improve transport infrastructure

African countries should improve road and air infrastructure. Roads should be maintained to conduct intra-Africa trade. There is need to have reliable air transport than to relay on international airlines that are expensive. For example Zambia does not have its own airline and it depends on international airlines to transport goods to international markets.

5.3. Conclusion

The study revealed that AGOA was ineffective on fostering the preferential trade related agreements between Zambia and U.S. AGOA was implemented with the idea of stimulating economic growth in SSA countries and Zambia became a member since its inception in 2000 and is a member to date. Considering the mandate of AGOA of fostering economic growth, Zambia remains a poor nation in the Southern part of Africa while trading with U.S. under the preferential trade agreement. The trade is characterized with a myriad of challenges such as lack of negotiation skill, poor transportation infrastructure, lack of diversity on commodities and lack of value addition on commodities traded under AGOA.

It can be concluded that AGOA failed to foster economic growth in the SSA countries particularly Zambia. The act can be regarded as a tool to pursue American foreign policy to SSA countries Zambia became a member since 2000 to date general populace is experiencing high rate of poverty and unemployment. The research tender some recommendations to SSA countries on how they can harness fully the benefits of AGOA or pursue their economic policies without AGOA.

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Appendices

<u>INTERVIEW AND QUESTIONNAIRE GUIDE</u>

1. A: What are the terms of trade under AGOA and why Zambia trade under such terms?

i. ……………………………………………………………………………………….........................

ii. ……………………………………………………………………………………………………..

iii. …………………………………………………………………………………………………….

iv. …………………………………………………………………………………………………….

B: What economic benefits Zambia benefited through trading under preferential trade agreement with the U.S?

i. ……………………………………………………………………………………………………...

ii. ……………………………………………………………………………………………………..

iii. ……………………………………………………………………………………………………

C: What challenges are encountered by Zambia on promoting export led growth and economic growth under AGOA?

i. ……………………………………………………………………………………………………….

ii. ……………………………………………………………………………………………………

iii. ………………………………………………………………………………………………

D: How effective is AGOA on fostering economic development in SSA countries?

i. …………………………………………………………………………………………….

ii. ……………………………………………………………………………………………

iii. ……………………………………………………………………………………….

E: What measures that can be adopted by SSA countries to harness benefits of preferential trade agreements of AGOA?

i. ……………………………………………………………………………………………...

ii. ……………………………………………………………………………………………..

iii. ………………………………………………………………………………………………