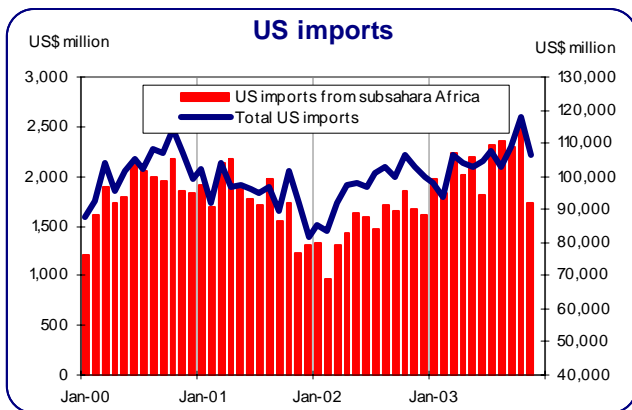


AGOA update: weak dollar threatens AGOA exports

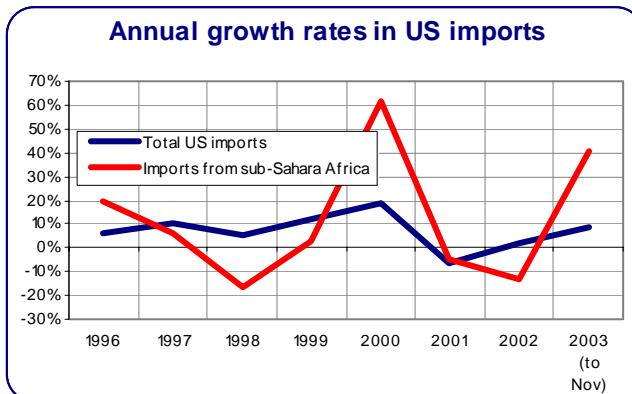
January 2004

AGOA exports depend on US demand and the US\$ exchange rate

Import trends by the United States (US) from sub-Saharan African countries largely mirror changes in total US imports despite the fact that growth rates may vary.



The general slowdown in US imports in the second half of 2000 and the subsequent acceleration in the aftermath of the September 2001 terror attacks translated into lower imports from sub-Saharan countries, as was the case with imports from other regions of the world.

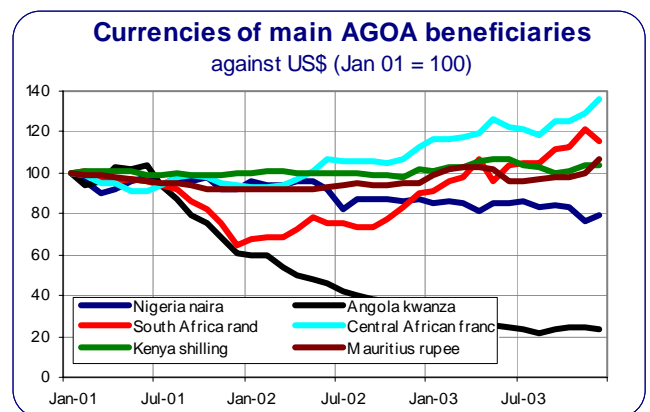


The recovery in US imports since the beginning of 2002 resulted in growing imports from sub-Saharan Africa. However, recovery in imports from sub-Saharan Africa lagged those of the rest of the world and it was not until 2003 that growth in imports from this region outpaced those from the rest of the world thus compensating for the slow recovery in 2002.

US imports continued to remain strong despite the gradual weakening of the dollar on global currency markets giving rise to concerns about the expanding US current account deficit. However, trade data released for November 2003 showed a decline in imports which many commentators believe might be a sign that the weaker dollar is finally curbing import demand, which bodes well for a shrinking US current account deficit. While no meaningful conclusion can

and should be drawn from a single month's data it does, however, raise doubts about the sustainability of the strong import growth recorded in trade with sub-Saharan Africa in 2003. Should the dollar weakens further against major currencies in 2004 (which some believe is a prerequisite for the US economy to address its budget and current account deficits) it may affect imports from sub-Saharan Africa (including AGOA imports) negatively.

The impact might be twofold. Lower demand from the US brought about by the weaker dollar may result in a slowdown in imports from sub-Saharan Africa. A weaker dollar may also see further appreciation in the currencies of some of the main AGOA beneficiary countries, which could render the products from these countries less competitive globally. This may again cause a slowdown in imports from these countries.



Among the main AGOA beneficiaries the most at risk, as far as the exchange affect is concerned, are Gabon¹ whose currency has strengthened significantly in recent years. However, Gabon's exports to the US mainly consist of crude oil and products that may be less price sensitive. The South African rand, and to a lesser extent the Mauritian rupee and Kenyan shilling, have also appreciated against the US\$ which exposes these countries' products to the exchange rate effect.

In contrast, the Angolan kwanza and the Nigerian naira have depreciated against the US\$ over the outlook period which may have protected their competitiveness.

It is therefore clear that the pace of US economic recovery and developments in the US\$ exchange rate will dictate the benefits qualifying African countries will enjoy under AGOA in 2004.

Angola qualifies as AGOA beneficiary while others are dropped

President Bush included Angola on the list of countries eligible for trade preferences under AGOA in 2004. Angola also qualified for "lesser-developed beneficiary sub-Saharan

¹ Gabon is part of the CFA franc zone that uses the Central African Franc. The franc is pegged to the euro at CFA655.95.

African country” status, which gives it more benefits and greater freedom.

Angola’s inclusion into AGOA means that it will be the second largest beneficiary after Nigeria, replacing South Africa which will move to third position.

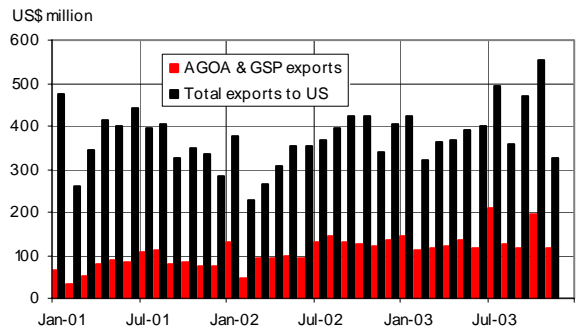
As is the case with Nigeria and Gabon, Angola’s exports to the US largely consist of energy related products. This means that energy related products, which before Angola’s inclusion already accounted for more than 80% of AGOA exports, will grow in importance.

The Central African Republic and Eritrea were removed from the eligible list due to non-compliance to eligibility requirements. The eligibility of countries is based on criteria which include progress toward a market-based economy, reforms, and their embrace of democratic principles.

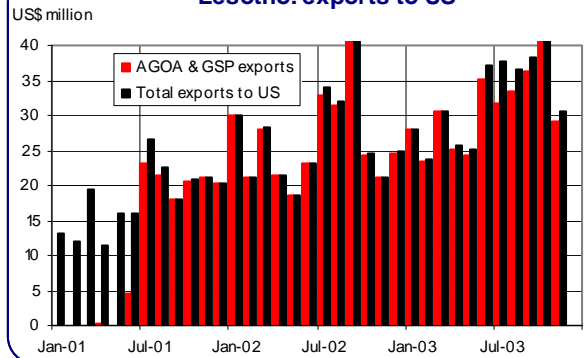
The exclusion of these two countries are not likely to materially impact on their trade with the US as exports under AGOA has been minimal. However, if producers in those countries were hoping to benefit in the future they have been dealt a blow.

AGOA trade performance of selected beneficiary countries

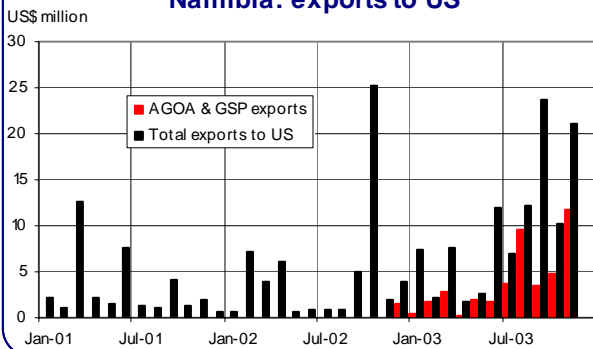
South Africa: exports to US



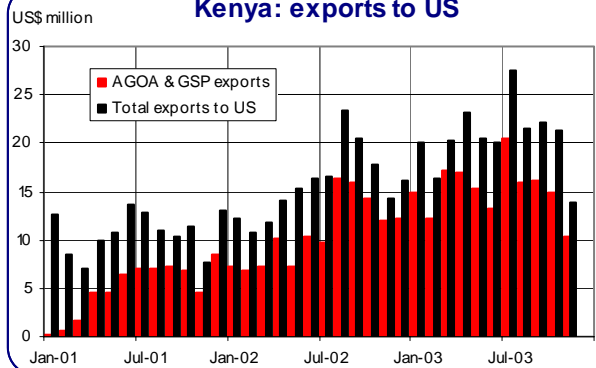
Lesotho: exports to US



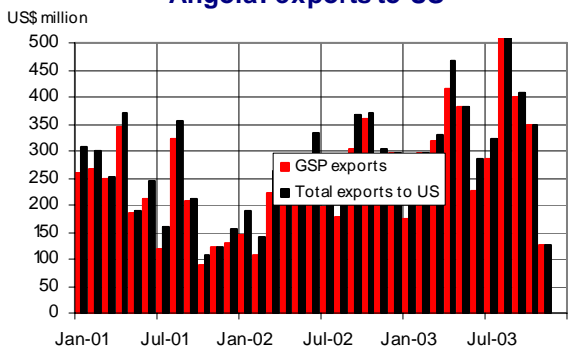
Namibia: exports to US



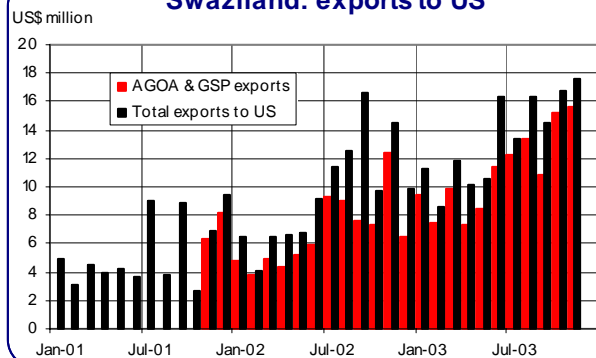
Kenya: exports to US



Angola: exports to US



Swaziland: exports to US



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