Excerpt: 2004 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act Prepared by the Office of the United States Trade Representative
http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Southern_Africa_FTA/asset_upload_file666_3453.pdf?ht

LESOTHO

Status: AGOA eligible, including apparel and textile benefits.

AGOA Trade And Investment: Lesotho's 2003 exports under AGOA and its GSP provisions were valued at over $373 million, representing 95 percent of the country's total exports to the United States. A $100 million denim rolling mill began operations in early 2004, creating 2000 new jobs when fully operational. Construction of a $40 million yarn-spinning mill should be completed by the end of 2004. Four new factories opened in Lesotho in 2003, bringing total employment in the garment sector to approximately 50,000. Apparel manufacturing is the largest formal sector employer in Lesotho.

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade : Lesotho has been a vigorous participant in the ongoing negotiations for a Free Trade Agreement between SACU and the United States. Lesotho has also been a valuable interlocutor in WTO negotiations. Prudent economic policies combined with improved financial management and oversight by the government helped reduce the country's inflation rate to 9.1 percent in FY 2002/2003, down from 11.3 percent in FY 2001/2002.

Rule of Law/Political Pluralism/Anti-Corruption: Lesotho has 19 political parties, 10 of which hold seats in the National Assembly. Challenges to the 2002 national elections have been directed to the courts and proceeded without any political violence. Peaceful by-elections in August 2003 were free and fair. The government is proceeding with preparations in 2004 for its first-ever local elections. Since 2001, the government has spent over $4 million to prosecute offenders in a major bribery scandal involving the former head of the Lesotho Highlands Water Authority. The new and independent Directorate on Corruption and Economic Offenses began operations in 2003 and has numerous cases under investigation. To increase accountability for public funds, the Public Accounts Committee of the National Assembly has aggressively examined government budgets over the past several fiscal years.

Poverty Reduction: The government's incremental introduction of free primary education expanded to include grade five in early 2004. The initiative will continue until grade seven is covered in 2006. In September 2003, the Ministry of Education launched a World Bank-assisted program under which government- financed stocks of textbooks are loaned to secondary students at a minimal charge. A similar program exists at the primary school level.

Labor/Child Labor/Human Rights: Workers have the right to join or form unions without prior government authorization and exercised this right in practice. Labor

conditions in Lesotho's garment industry have improved in recent years as a result of the cooperative efforts of local unions, more progressive elements of Lesotho's two employers associations, and pressure from U.S. buyers worried about consumer boycotts and bad publicity. According to the ICFTU, foreign employers in the industrial zones pay wages below the statutory minimum and refuse to pay sickness benefits. Although there is legislation to prevent this, enforcement has been la x. Large companies observe minimum labor standards and seem prepared to negotiate collective bargaining agreements with unions, although small companies regard unions with more skepticism. In November, police fired into a crowd of strikers, allegedly for marching on an unauthorized route; two people were killed. A police investigation is being conducted. Lesotho has ratified ILO Conventions 138 and 182. Although child labor is not a problem in the formal sector, it is reportedly increasing in the informal sector, including child prostitution. In 2003, the Lesotho police, with the assistance of UNICEF, established Child Protection Units in Maseru to provide enforcement, reporting, and refuge points in the city. There were allegations of torture by security forces and credible reports that the police at times used excessive force against detainees.