CHAPTER 5
Industry Sector Profiles

This chapter provides information and analysis on production, trade, and investment for various industry sectors in SSA. The sectors include agriculture, fisheries, and forest products; chemicals; petroleum and energy-related products; minerals and metals; textiles and apparel; and certain transportation equipment.[1] These sectors account for the major items traded between the United States and SSA. Each sector discussion provides overview information, including sector production, industry and sector issues, and economic and trade policy developments. Trade information is also provided, including U.S.-SSA trade and global SSA trade. Investment information includes major SSA sector policy developments, U.S. foreign direct investment position in SSA, major investments, and investment issues. The information and analysis generally focus on developments that occurred during 2003 and early 2004.[2]

Data on SSA industry sector production were compiled from numerous sources, including the U.S. Department of Commerce, the U.S. Department of Energy, the U.S. Geological Survey, the United Nations, various U.S. and international industry trade associations, and various industry-specific statistical publications. Data on SSA global trade were compiled from statistics of the United Nations. Data on U.S.-SSA trade were compiled from official statistics of the U.S. Department of Commerce. Data on U.S. foreign direct investment in SSA were compiled from statistics of the U.S. Department of Commerce, Bureau of Economic Analysis. Unless otherwise indicated, "AGOA" trade data includes its GSP provisions.

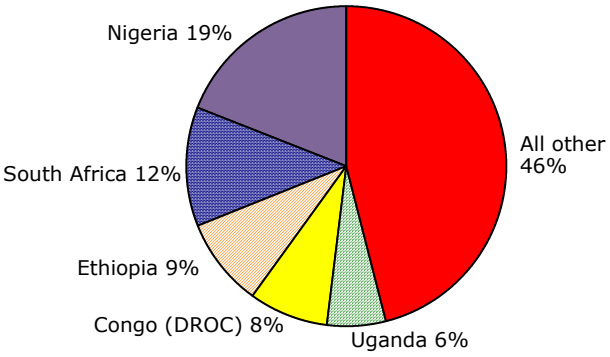
[1] The sectors generally are in the order of the chapters of the Harmonized Tariff Schedule of the United States (HTS). Sector coverage may have changed somewhat from last year's report.

[2] In some cases, the latest available data are for 2002.

AGRICULTURE, FISHERIES, AND FOREST PRODUCTS[1]

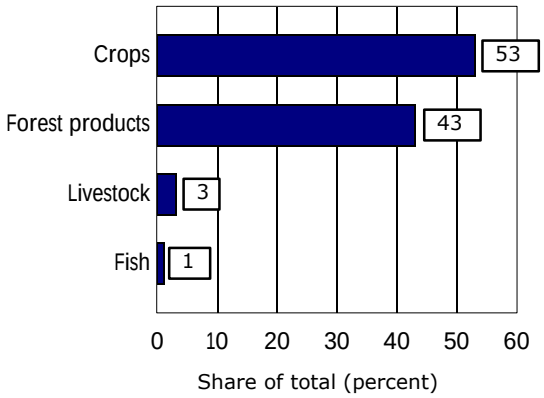
OVERVIEW

SSA sector production, by country, 2002
(948 million metric tons)



Source: United Nations, FAOSTAT database.

SSA sector production, by product, 2002
(948 million metric tons)



Source: United Nations, FAOSTAT database.

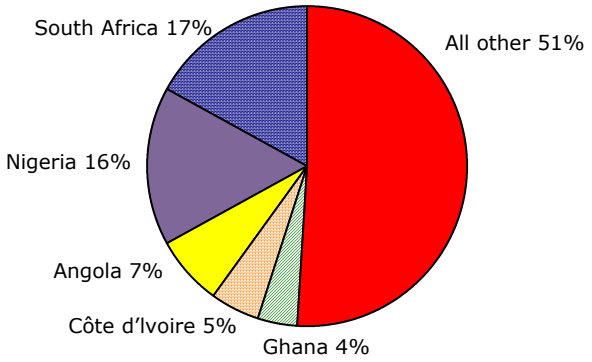
- Although the agriculture, fisheries, and forest products sector is a major component of the SSA economy, its relative importance has been gradually declining. In 2002, the value added by this sector accounted for 18 percent of SSA GDP, down from 19 percent in 1998.[2]
- Sector production rose moderately in 2002, increasing about 1 percent, by quantity, over the previous year. Nigeria and South Africa accounted for 31 percent, and the top five SSA countries accounted for 54 percent of the total quantity of SSA production in 2002.[3]
- Agricultural crops again accounted for the largest share of sector production, about 53 percent of the total, by quantity, in 2002. The leading crops produced in SSA during 2002 included cassava, sugar cane, yams, corn, plantains, and sorghum. Forest products production was the second-leading sector category, accounting for about 43 percent of the total. Fuel wood accounted for 86 percent of forest products production, by quantity, and 37 percent of total sector production in SSA.[4] Livestock and fishery products accounted for the remaining 4 percent of sector production.[5]
- Food security continues to be a concern in SSA. The United Nations identified 24 countries facing food emergencies as of April 2004, owing to civil strife, drought, widespread hunger, economic disruption because of government policies in Zimbabwe, and civil unrest in western Sudan. In 2003, an estimated 59 percent of the population (381 million people) in SSA were inadequately nourished. Countries in SSA with the largest food needs during 2003 included DROC, Ethiopia, Somalia, Tanzania, Uganda, and Zimbabwe.[6]
- The economy of Zimbabwe continues to suffer from government land redistribution policies that have lowered agricultural productivity, caused shocks to the financial system, and created a black market for goods. The United Nations estimates that more than one-third of the population (4.8 million people) will need food aid during 2004.[7]
- Many farmers in Zimbabwe who have lost their lands under the government's controversial land redistribution program are relocating to other countries in SSA. The Governments of Mozambique, Nigeria, and Zambia, among others, have encouraged these farmers to relocate with the hope that increased commercial farming will support food security and economic development. Zimbabwean farmers in Nigeria reportedly are signing 25-year leases on 1,000-hectare plots in central Nigeria's state of Kwara.[8]
- Sugar production in Zimbabwe increased by more than 3 percent in marketing year (MY) 2003/04 because of favorable weather conditions. To obtain foreign currency through the export of certain goods such as sugar, the Government of Zimbabwe has instituted daily currency auctions that are permitted to trade freely and are not pegged to the official exchange rate. However, estimates are that Zimbabwe did not fill any of its U.S. sugar quota in MY 2003/04.[9]
- Swarms of desert locusts affected many areas of northwest Africa during the 2004 growing season, particularly Chad, Mali, Mauritania, Niger, and Senegal, and extending into Sudan. The expected outbreak is considered to be the most serious locust plague in the region since 1987-89, when agricultural damage and pest control costs totaled $300 million and affected 28 countries.[10]
- Cereal food aid pledges to SSA totaled about 2.1 million metric tons (mmt) for MY 2003/04, down from 2.3 mmt in MY 2002/03. Principal recipients included Zimbabwe (17 percent), Mozambique (15 percent), Angola (11 percent), and Ethiopia (7 percent). Principal donors included the World Food Program of the United Nations (51 percent of the total), the United States (40 percent), and the EU (5 percent).[11]
- Although biotechnology in agriculture (e.g., genetically modified organisms) has yielded benefits for producers around the world in terms of greater yields and new crops, farmers in only a few developing countries are employing such technology. In general, few biotechnology research funds are spent on basic food crops such as cassava, potato, rice, wheat, cowpea, millet, and sorghum. Inadequate regulatory procedures, complex intellectual property issues, and poorly functioning markets also inhibit biotechnology progress in most developing countries of SSA.

OVERVIEW-Continued

- Commodity prices for certain major SSA export commodities such as coffee, sugar cane, and cotton increased in 2003. In particular, the price of cotton, as represented by the Cotlook A Index, rebounded from 46 cents per pound in 2002 to 63 cents per pound in 2003. However, continuing civil strife in Côte d'Ivoire, a major cocoa, coffee, cotton, and sugar cane producer, is expected to dampen that country's cotton production and exports. Cocoa prices declined in 2003 after record prices the previous year, although the average annual price for cocoa in 2003 was only slightly below the average cocoa price in 2002.[12]
- HIV / AIDS continues to adversely affect the SSA agriculture sector, with an estimated 3 million newly infected people and 2.2 million AIDS-related deaths in SSA during 2003. Botswana and Swaziland have HIV-infection rates of 37.3 percent and 38.8 percent, respectively; Lesotho, Zimbabwe, South Africa, and Namibia have HIV-infection rates over 20 percent. The epidemic has contributed to a food crisis in parts of southern Africa. Vulnerability assessments conducted during 2002 and 2003 showed that farming families with adults that have chronic illnesses such as HIV / AIDS suffer from lower agricultural production and lower incomes.[13]

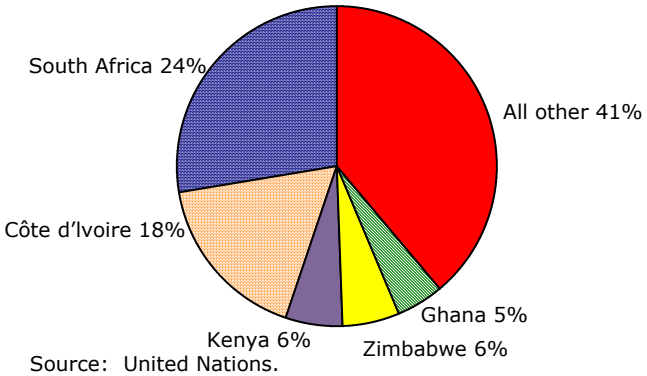
TRADE

SSA sector global imports, by country, 2002
($9.9 billion)



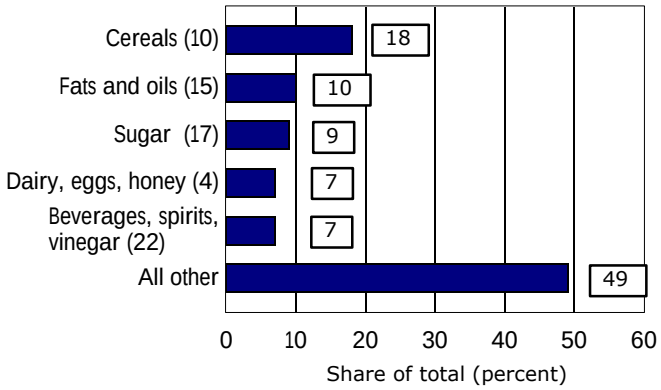
Source: United Nations.

SSA sector global exports, by country, 2002
($16.3 billion)



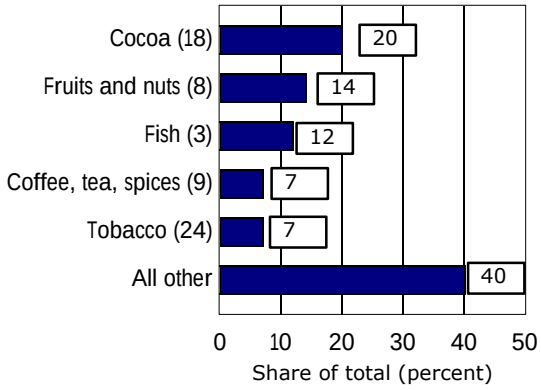
Source: United Nations.

SSA sector global imports, by HTS chapter, 2002
($9.9 billion)



Source: United Nations.

SSA sector global exports, by HTS chapter, 2002
($16.3 billion)



Source: United Nations.

Major Import Source (2002)	Share of Total (percent)	Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	39	Wheat, not durum (1001.90)	8
United States	9	Cane or beet sugar (1701.99)	6
South Africa	8	Semi-milled or milled rice (1006.30)	5
Brazil	7	Cigarettes (2402.20)	4
India	4	Palm oil (1511.90)	4
Argentina	4	Corn (1005.90)	3

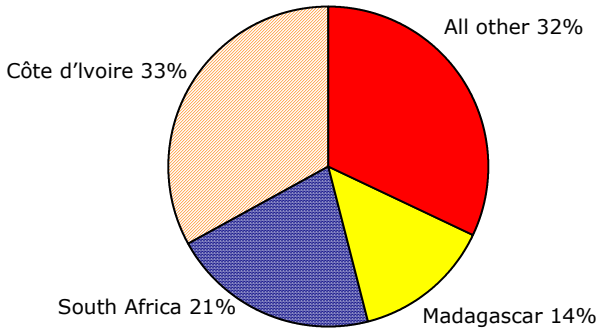
Source: United Nations.

Major Export Market (2002)	Share of Total (percent)	Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	60	Cocoa beans (1801.00)	16
United States	6	Tobacco (2401.20)	6
Japan	4	Cotton (5201.00)	5
India	2	Cane sugar (1701.11)	4
Russia	2	Coffee (0901.11)	3
Hong Kong	2	Tuna (1604.14)	3

Source: United Nations.

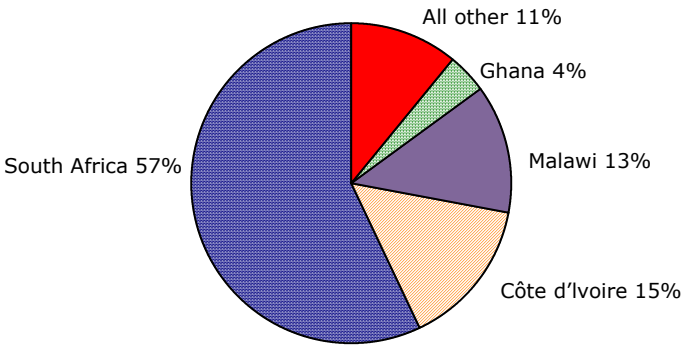
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($1.3 billion)



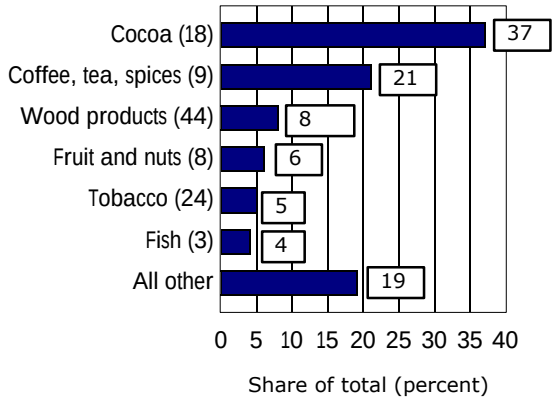
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($274 million)



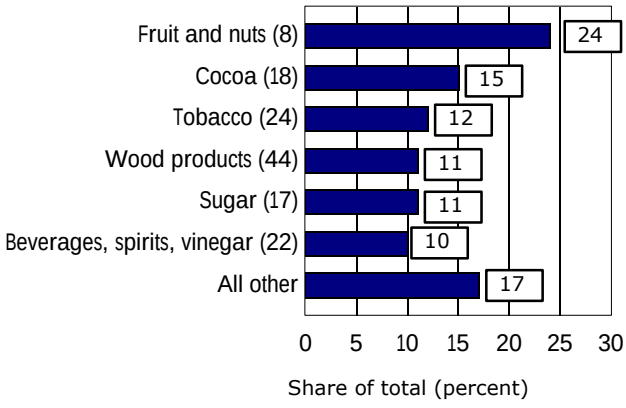
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS chapter, 2003
($1.3 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

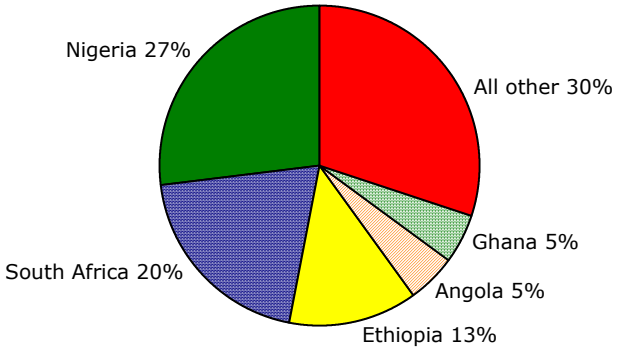
U.S. sector imports under AGOA (including GSP), by HTS chapter, 2003
($274 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

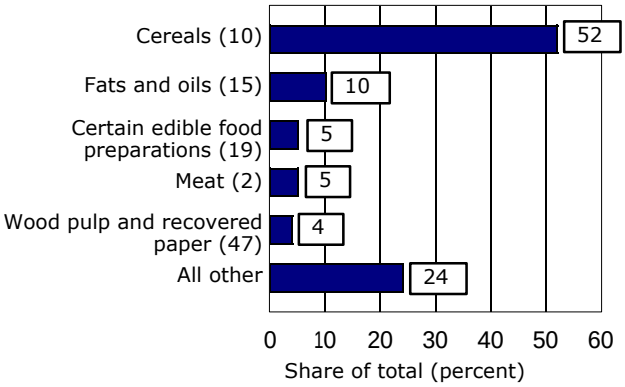
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($1.2 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector exports to SSA, by HTS chapter, 2003
($1.2 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- U.S. sector imports from SSA totaled $1.3 billion in 2003, up 30 percent from the previous year. SSA accounted for about 1 percent of total U.S. sector imports in 2003, the same share as in the previous year. Large shipments of cocoa during 2003 were the primary contributor to the increase in import value. The sector accounted for about 5 percent of total U.S. imports from SSA in 2003, down from 6 percent the previous year.
- In 2003, the top five import commodities at the 6-digit HTS level accounted for 57 percent of total imports, by value. Cocoa beans (HTS 1801.00) accounted for 30 percent; vanilla beans (HTS 0905.00), 16 percent; stemmed and stripped tobacco (HTS 2401.20), 5 percent; coffee beans (HTS 0901.11), 4 percent; and cocoa paste (HTS 1803.10), 3 percent.
- Côte d'Ivoire and South Africa supplied 54 percent of all U.S. sector imports from SSA in 2003, up from 51 percent in 2002. Sector imports from Côte d'Ivoire are highly concentrated, with 82 percent accounted for by cocoa beans (HTS 1801). Imports from South Africa are more evenly distributed, with major items including fresh citrus (HTS 0805, 14 percent of the total value); wine (HTS 2204, 8 percent); wood doors (HTS 4418, 7 percent); fruit juices (HTS 2009, 7 percent); processed fruits and nuts (HTS 2008, 5 percent); leather (HTS 4113, 4 percent); and sugar (HTS 1701, 4 percent).

Key AGOA Trade Developments

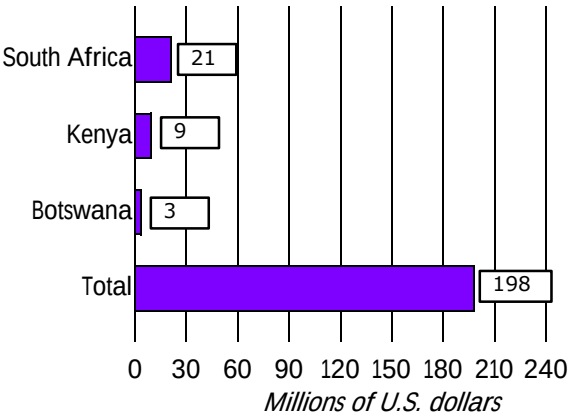
- In 2003, the value of U.S. sector imports under AGOA was $274 million, an increase of 13 percent over the previous year. Such imports accounted for about 2 percent of total AGOA imports and 21 percent of total sector imports from SSA in 2003. South Africa was the largest source for sector imports under AGOA in 2003, accounting for 57 percent of such imports. In aggregate, South Africa, Côte d'Ivoire, and Malawi supplied 85 percent of all AGOA sector imports from SSA in 2003, up from 82 percent in 2002.
- The principal AGOA products in 2003 were fresh citrus (HTS 0805), at $37 million, representing 14 percent of the total; unmanufactured tobacco (HTS 2401), $30 million, or 11 percent; raw cane sugar (HTS 1701), $30 million, or 11 percent; certain nuts (HTS 0802), $24 million, or 9 percent; and cocoa powder (HTS 1805), $24 million, or 9 percent.
- AGOA imports of raw cane sugar decreased by $14 million, or 31 percent, in 2003. The major supplier was South Africa (33 percent by value). Virtually all U.S. imports of sugar from AGOA-eligible countries entered under the U.S. quota program. The quota for these suppliers was only about 66 percent filled in FY 2003, leaving room for future expansion.[14] U.S. imports of sugar are subject to a prohibitive over-quota tariff rate.
- Other major AGOA products that showed substantial import growth in 2003 include cocoa paste (HTS 1803), up $6 million, or 65 percent; wood doors (HTS 4418.20), up $6 million, or 40 percent, almost entirely from South Africa; and undenatured ethyl alcohol (HTS 2207.10), up $4 million, or 45 percent.

Key U.S. Export Developments

- U.S. sector exports to SSA totaled $1.2 billion in 2003, up 17 percent from the previous year. SSA accounted for about 1 percent of total U.S. sector exports in 2003, approximately the same share as 2002.
- The agriculture, fisheries, and forest products sector accounted for about 19 percent of total U.S. exports to SSA in 2002, up from 18 percent the previous year. The primary SSA markets for U.S. sector exports in 2003 continued to be Nigeria (27 percent by total value) and South Africa (20 percent). The share of U.S. exports accounted for by these markets declined relative to the previous year.
- In 2003, the leading four export commodities at the 6-digit HTS level accounted for 55 percent of total exports, by value. These included wheat other than durum (HTS 1001.90, 40 percent), milled rice (HTS 1006.30, 6 percent), frozen chicken cuts and offal (HTS 0207.14, 5 percent), and certain food preparations (HTS 1901.90, 4 percent).
- U.S. cereal exports to SSA countries totaled about $642 million in 2003, an increase of 16 percent over 2002. Nigeria was the primary SSA market, accounting for 42 percent of total U.S. cereal exports to SSA. Other markets included Ethiopia (15 percent), South Africa (11 percent), and Mozambique (5 percent). About 82 percent of the value of U.S. grain exports to the region in 2003 consisted of wheat, 11 percent was rice, and the remainder was mostly corn and sorghum.
- The SSA export markets for cereals showing the largest annual percentage increases included Ethiopia (2,718 percent), Mauritania (475 percent), Uganda (407 percent), Central African Republic (291 percent), Sudan (211 percent), and Tanzania (166 percent). Annual shifts in U.S. cereal exports to SSA largely reflect patterns in food aid.

INVESTMENT

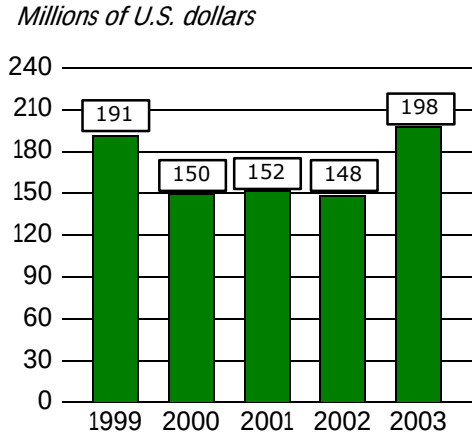
U.S. sector SSA FDI position, by country, 2003



Note.—Data for some countries are not disclosed owing to confidentiality. U.S. FDI position may be negative for some countries. Industry classification basis changed from SIC to NAICS in 2002.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Food."

U.S. sector SSA FDI position, 1999-2003



Note.—Industry classification changed from SIC to NAICS in 2002; data from 1999 to 2001 have been converted to NAICS. Data for 2001 and 2002 have been revised from previous estimates.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Food."

- The U.S. FDI position in the SSA food sector totaled $198 million in 2003, up from $148 million the previous year. South Africa continued to be the primary SSA destination for U.S. FDI in the sector, accounting for 11 percent of the regional total. The food sector accounts for a minor share of the total U.S. FDI position in SSA, and SSA continued to host a minor share of the global U.S. FDI position in the food sector.[15]
- Privatization efforts appear to be slowing in South Africa. The South African government announced in June 2004 that, with the possible exception of forestry operations, it is no longer planning to sell off several large, state-owned companies. A proposal by the Ministry of Agriculture and Land Affairs would ban the sale of land to foreigners in South Africa; if implemented, foreign investors in South Africa's high-value fruit, vegetable, and flower export sectors would be unable to expand operations.[16]
- The International Finance Corporation (IFC), part of the World Bank Group, developed a new initiative during 2003 to aid small businesses in SSA. As part of this effort, IFC created commercial microfinance institutions in Chad and Mali to provide loans to small businesses in many sectors, including agriculture, forestry, and fisheries. IFC also invested in a fishing operation in Namibia and provided technical assistance to help Ghanaian agricultural producers increase sales to a major European grocery chain.[17]

ENDNOTES

[1] This sector includes items classified in Harmonized Tariff Schedule chapters 01 through 24, 35, 41, 43, 44 through 49, 51, and 52.

[2] The World Bank Group, "Sub-Saharan Africa Data Profile," found at Internet address *http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=SSA&CCODE=SSA&CNAME=Sub Saharan+Africa&PTYPE=CP*, retrieved July 27, 2004.

[3] Based on data of the Food and Agriculture Organization (FAO) of the United Nations.

[4] Ibid.

[5] Ibid.

[6] Stacey Rosen, "Sub-Saharan Africa (SSA)," U.S. Department of Agriculture (USDA), Economic Research Service (ERS), Food Security Assessment, GFA-15, May 2004, p. 14; FAO, Global Information and Early Warning System on Food and Agriculture, Food Supply Situation and Food Prospects in Sub-Saharan Africa, No. 1, Apr. 2004, p. 2, found at Internet address *http://www.fao.org*, retrieved July 26, 2004; and Shahla Shapouri and Stacey Rosen, "Global Food Security: Prospects and the Role of Food Aid," USDA, ERS, Food Security Assessment, GFA-15, May 2004, p. 3.

[7] "The method behind Mugabe's madness," *The Economist*, June 24, 2004, pp. 1-2, found at Internet address *http://www.economist.com*, retrieved July 28, 2004.

[8] "White Zimbabweans strike deal to farm in Nigeria," *South China Morning Post*, July 29, 2004, pp. 1-2, found at Internet address *http://www.scmp.com*, retrieved July 29, 2004.

[9] USDA, Foreign Agricultural Service (FAS), Zimbabwe, Sugar Report Update, 2004, GAIN Report #RH4002, May 5, 2004, pp. 1-2.

[10] FAO, "Locust swarms invade West Africa," July 5, 2004, found at Internet address *http://www.fao.org*, retrieved July 26, 2004.

[11] FAO, Global Information and Early Warning System on Food and Agriculture, Food Supply Situation and Food Prospects in Sub-Saharan Africa, No. 1, Apr. 2004, p. 9, found at Internet address *http://www.fao.org*, retrieved July 26, 2004.

[12] The World Bank Group, "Commodity Price Data," July 2004, found at Internet address *http://www.worldbank.org/prospects/pinksheets/pink0703.pdf*, retrieved July 22, 2004; and USDA, FAS, Côte d'Ivoire, Cotton and Products Annual, 2004, GAIN Report #IV4009, May 14, 2004, pp. 4-5.

[13] WTO, Committee on Agriculture, WTO Negotiations on Agriculture, Poverty Reduction: Sectoral Initiative in Favour of Cotton, TN/AG/GEN/4, May 16, 2003; and "African Countries Agree To Negotiate Cotton in WTO Agriculture Talks," *Inside U.S. Trade*, July 23, 2004, found at Internet address *http://www.insidetrade.com*, retrieved July 23, 2004.

[14] In FY 2003, 10 countries held U.S. raw sugar import quotas totaling 119,593 mt, of which they exported 78,477 mt, valued at $38 million. *Sugar and Sweeteners Yearbook*, 2003, table 23c, found at Internet address *http://www.ers.usda.gov/Briefing/Sugar/Data/data.htm*, retrieved July 20, 2004; and *Sugar and Sweeteners Outlook*, Jan. 2004, table 10, found at *http://ers.usda.gov/publications/so/view.asp?f=specialty/sss bb/*, retrieved July 29, 2004.

[15] USDOC, BEA, Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, provided to USITC staff, Sept. 16, 2004.

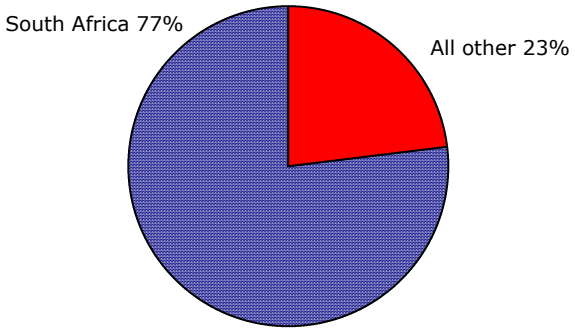
[16] "On hold?" *The Economist*, June 24, 2004, pp. 1-2, found at Internet address *http://www.economist.com*, retrieved July 28, 2004.

[17] International Finance Corporation, IFC Regional Reports, "Sub-Saharan Africa: Seeking Sustainable Economic Growth," pp. 31-33, found at Internet address *http://www.ifc.org*, retrieved July 29, 2004.

CHEMICALS[1]

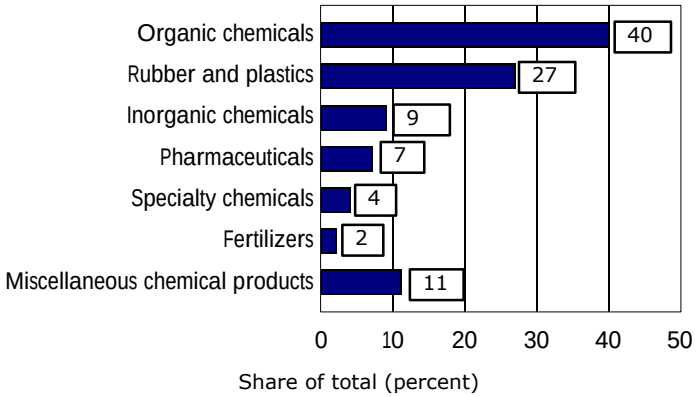
OVERVIEW

SSA sector production, by country, 2003
($15.0 billion)



Source: USITC estimates based on information from Mbendi, *Chemical & Engineering News*, Statistics South Africa, and U.S. Department of Commerce.

SSA sector production, by product, 2003
($15.0 billion)

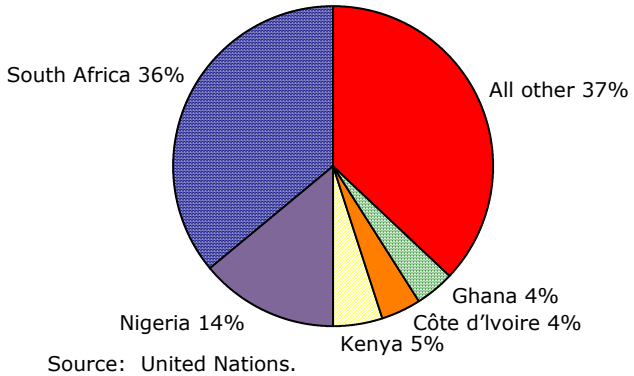


Source: USITC estimates based on information from Mbendi, *Chemical & Engineering News,* Statistics South Africa, and U.S. Department of Commerce.

- The South African chemical industry accounted for approximately 77 percent of SSA chemical production in 2003. The South African chemical industry remains among the largest manufacturing sectors of the South African economy, maintaining its 5-percent share of the gross domestic product. The sector is composed of the four petroleum refineries, producers of agricultural chemicals, pharmaceutical manufacturers, and various small firms producing chemical products for the domestic and regional markets.[2]
- There are approximately 70 producers of plastics products in Kenya, most located in Nairobi and Mombasa. Increased domestic production of these materials resulted from both technological advances and a general shift in demand to the use of plastics products in lieu of more traditional materials. The Kenyan industry produces PVC pipes and fittings, polyethylene packaging, and miscellaneous plastics products such as shoes, crates, floor tiles, household plasticware, and containers. Its products are marketed predominantly within COMESA. Most of the inputs are imported, mainly from European and Asian sources.[3]
- Dow Chemical has a major presence in the SSA plastics industry, with its primary facility in Sasolburg, South Africa producing polypropylene and polyethylene base materials. These materials are used for pipe fabrication, packaging, and other industrial applications. Other major plastics base materials are imported from global Dow sites. Dow also produces agricultural chemicals in South Africa at the former Sentrachem and Sanachem facilities, which Dow purchased in 1997 (the purchase was effective in 2000).[4]
- A significant development in the SSA chemical industry during 2003-04 has been the development of pharmaceutical production capacity and the ability to produce active pharmaceutical ingredients (APIs) for use in generic pharmaceutical products. Aspen Pharmacare, the largest pharmaceutical manufacturer in Africa, received clearance from South Africa's Competition Commission to integrate vertically with the recently purchased Fine Chemicals Corp. facility. Aspen released a statement assuring the public that it would use the plant to produce APIs, specifically the anti-retrovirals that treat HIV / AIDS.[5]
- Other SSA pharmaceutical companies include Eli Lilly, which operates in South Africa and Kenya, and Thembalami, a joint venture between Ranbaxy, India's largest producer of pharmaceutical products, and Adcock-Ingram, a South African health care firm. Thembalami also is registered to produce five anti-retrovirals and is actively trying to register an additional seven HIV / AIDS medications.[6]
- Recent changes in the SSA chemical industry include a restructuring of Sasol's chemicals portfolio.[7] Changes in product mix and plant operations include a new Sasol acrylates complex at Sasolburg, South Africa, from which Sasol has already begun exporting some acrylic products.[8] However, Sasol has delayed plans to build a propylene oxide plant utilizing new technology; company officials stated that they needed available capital for other investment opportunities.[9] Sasol also plans to build two new polymer plants to produce low density polyethylene (scheduled for startup in late 2005) and polypropylene (scheduled for startup in early 2006).[10]
- Growth in plastics exports bolstered Uganda's exports, which increased by nearly 12 percent in 2003, primarily because of increased exports to EAC and COMESA member countries. An evaluation by the Ugandan government states that structural supply-side inadequacies pose challenges, because Ugandan exporters often cannot guarantee consistent supplies and are unable to adjust rapidly to changing technical quality and standards requirements.[11]

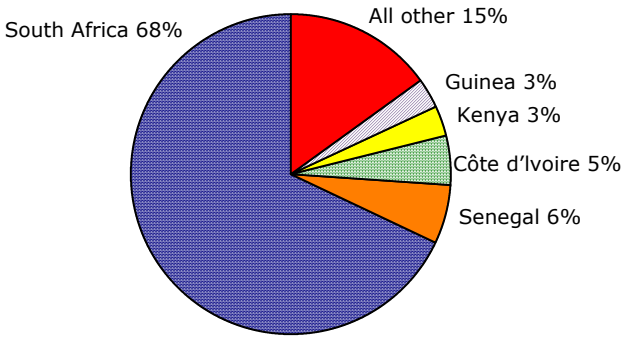
TRADE

SSA sector global imports, by country, 2002
($9.9 billion)



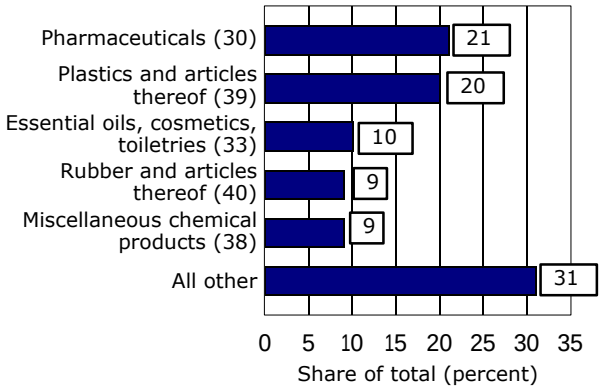
Source: United Nations.

SSA sector global exports, by country, 2002
($3.5 billion)



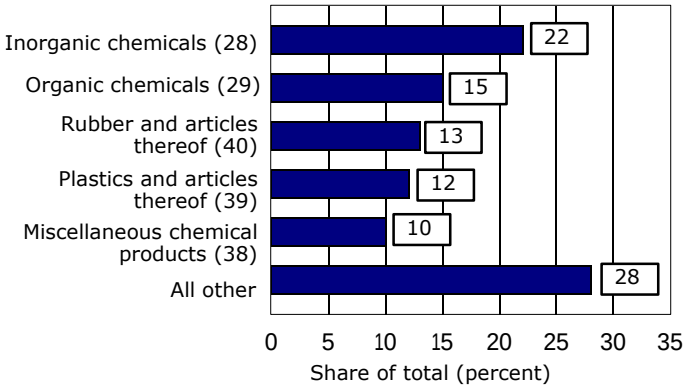
Source: United Nations.

SSA sector global imports, by HTS chapter, 2002
($9.9 billion)



Source: United Nations.

SSA sector global exports, by HTS chapter, 2002
($3.5 billion)



Source: United Nations.

Major Import Source (2002)	Share of Total (percent)
EU15	46
South Africa	8
United States	7
India	6
China	6

Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
Pharmaceuticals (3004.90)	13
Flavorings (3302.10)	5
Bus and truck tires (4011.20)	3
Insecticides (3808.10)	2
Miscellaneous chemical mixtures (3824.90)	2

Source: United Nations.

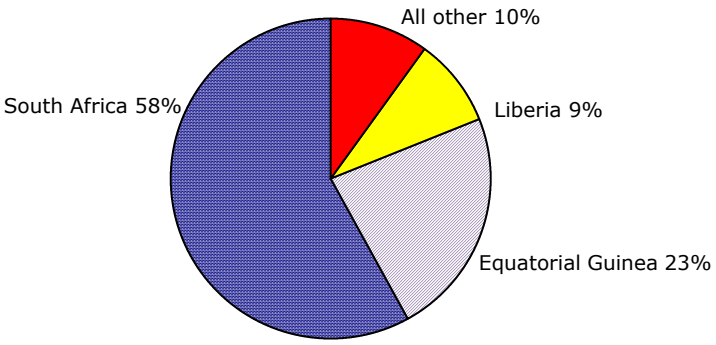
Major Export Market (2002)	Share of Total (percent)
EU15	24
United States	12
Zimbabwe	10
India	10
Zambia	5
Swaziland	4

Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
Phosphoric and polyphosphoric acids (2809.20)	8
Natural rubber (4001.22)	3
Acyclic hydrocarbons (2901.29)	3
Aluminum oxide (2818.20)	3
Nonspecific metallic compounds (and amalgams) (2843.90)	2
Supported catalysts with metal components (3815.12)	2

Source: United Nations.

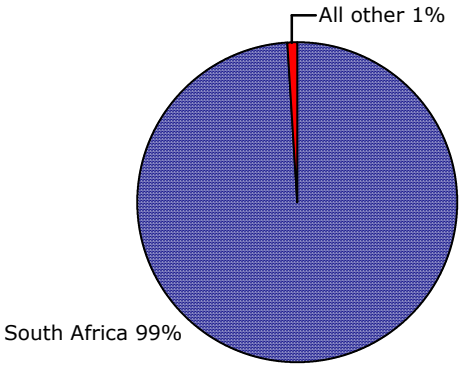
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($598 million)



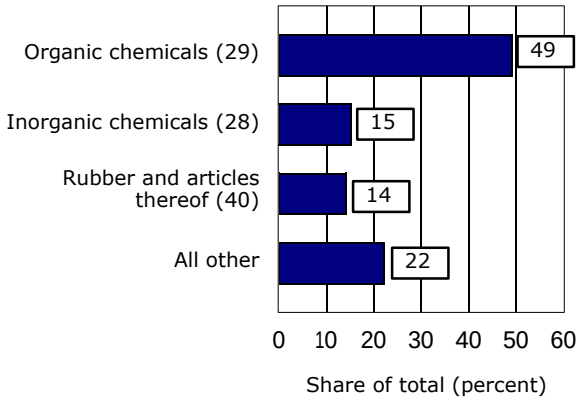
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($177 million)



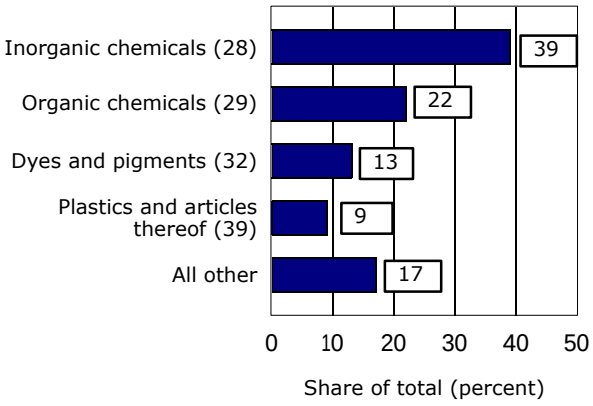
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS chapter, 2003
($598 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

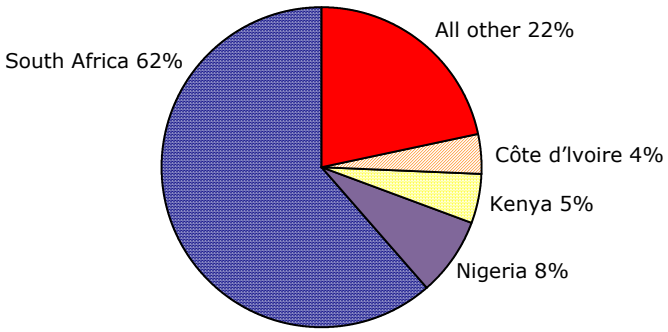
U.S. sector imports under AGOA (including GSP), by HTS chapter, 2003
($177 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

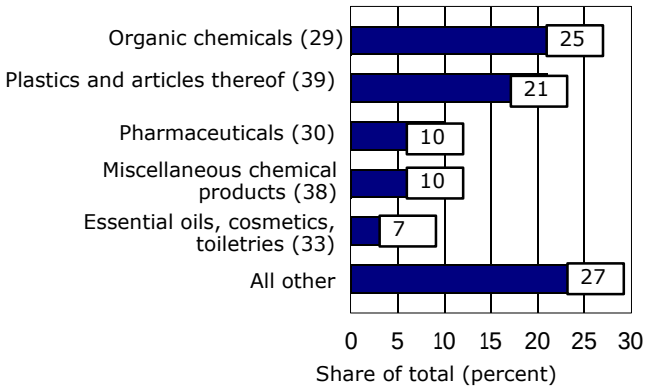
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($717 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector exports to SSA, by HTS chapter, 2003
($717 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- U.S. chemical sector imports from SSA reached $598 million in 2003, up one-third from the previous year. U.S. sector imports from SSA accounted for less than 1 percent of total U.S. chemical imports in 2003. Principal SSA sources included South Africa (58 percent of the total), Equatorial Guinea (23 percent), and Liberia (9 percent). These shares shifted slightly from the previous year, when South Africa, Equatorial Guinea, and Liberia accounted for 60 percent, 16 percent, and 10 percent, respectively.
- The three largest U.S. sector imports from SSA in 2003 were methanol (HTS subheading 2905.11, 16 percent of the total); organic chemicals used as feedstocks for producing chemical intermediates and chemical products, including unsaturated acyclic hydrocarbons (HTS subheading 2901.29, 12 percent); and natural rubber (HTS subheading 4001.10, 9 percent).
- The leading U.S. chemical imports from individual SSA nations are unsaturated acyclic hydrocarbons (HTS subheading 2901.29), uranium (HTS subheading 2844.10), and titanium dioxide pigments (HTS subheading 3206.11) from South Africa; and methanol (HTS subheading 2905.11) and propylene (HTS subheading 2901.22) from Equatorial Guinea.

Key AGOA Trade Developments

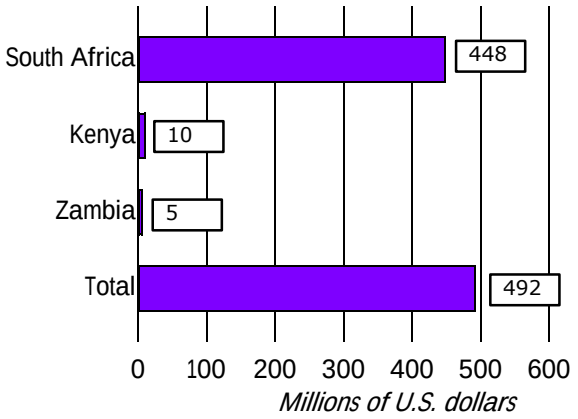
- In 2003, U.S. chemical sector imports under AGOA totaled $177 million, an increase of 30 percent over 2002. Nearly all U.S. chemical imports under AGOA came from South Africa.
- The principal sector items imported under AGOA in 2003 included silicon (HTS subheading 2804.69, 18 percent of total sector imports under AGOA), titanium dioxide pigments (HTS subheading 3206.11, 8 percent), carbides (HTS subheading 2849.90, 7 percent), and car tires (HTS subheading 4011.10, 5 percent).
- Despite the fact that U.S. sector imports under specific AGOA provisions (excluding GSP) more than doubled in 2003, such imports accounted for just 5 percent of the AGOA (including GSP) total in 2003.
- None of the non-AGOA-eligible SSA countries has significant chemicals production.

Key U.S. Export Developments

- In 2003, U.S. chemical sector exports to SSA totaled $717 million, an increase of nearly 3 percent compared with 2002. SSA accounted for less than 1 percent of total U.S. sector exports in 2003.
- The top three SSA markets for U.S. chemical exports in 2003 were South Africa, which accounted for 62 percent of U.S. chemical exports, followed by Nigeria (8 percent), and Kenya (5 percent). These shares were similar to those in 2002.
- The United States exported a diverse selection of chemical items to SSA in 2003; the leading exports items – fertilizers, other nonspecified medicaments, and isocyanates – each only accounted for 4-5 percent of total U.S. sector exports to SSA.

INVESTMENT

U.S. sector SSA FDI position, by country, 2003

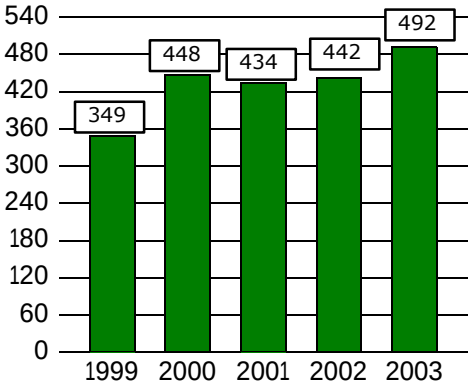


Note.-Data for some countries are not disclosed owing to confidentiality. U.S. FDI position may be negative for some countries. Industry classification basis changed from SIC to NAICS in 2002.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Chemicals."

U.S. sector SSA FDI position, 1999-2003

Millions of U.S. dollars



Note.- Industry classification changed from SIC to NAICS in 2002; data from 1999 to 2001 have been converted to NAICS. Data for 2001 and 2002 have been revised from previous estimates.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Chemicals."

- The U.S. FDI position in the SSA chemicals sector totaled $492 million in 2003, up from $442 million the previous year. South Africa continued to be the primary SSA location for U.S. FDI in the sector, accounting for 91 percent of the regional total. The chemicals sector accounted for 4 percent of the total U.S. FDI position in SSA, and SSA accounted for less than 1 percent of the global U.S. FDI position in the sector during 2003.[12]
- A major goal of the South African government is to increase foreign investment in its already strong chemical industries. Since 2002, there have been extensive efforts to reform tariffs, increase trade and investment promotion, and implement regulatory reforms including incentives to establish new businesses.[13]
- Although Kenya currently imports all of its industrial chemicals, primarily from suppliers in Belgium, Switzerland, and Germany, it plans to encourage U.S. investment in chemical production facilities to supply growing eastern and central African markets.[14]

ENDNOTES

[1] This sector includes items classified in Harmonized Tariff Schedule chapters 28 through 40.

[2] U.S. Department of Commerce (USDOC), U.S. & Foreign Commercial Service (USFCS), *South Africa Country Commercial Guide FY 2004: Investment Climate*, found at Internet address *http://buyusainfo.net/info.cfm*, retrieved July 15, 2004.

[3] Republic of Kenya, Ministry of Trade and Industry, *Sector Profile: Plastics Sub-sector,* found at Internet address *http://www.tradeandindustry.go.ke/downloads.asp*, retrieved July 25, 2004.

[4] Dow Chemical Company, found at Internet address *http://www.dow.com/facilities/africa/southsfrica/index.htm*, retrieved July 13, 2004.

[5] InPharma.com, *Africa's Top Pharma Buys API Facility,* July 15, 2004*,* found at Internet address *http://www.inpharma.com/news/printnews NG.asp?id=53561*, retrieved Aug. 3, 2004; and "Aspen Buyout of FCC Approved," *Business Day* (Johannesburg), found at Internet address *http://www.bday.co.za/bday/content/1,3523,1657318 6078 0,00.html*, retrieved Aug. 3, 2004.

[6] Eli Lilly and Company, found at Internet address *http://www.lilly.co.za/About/index.html*, retrieved July 29, 2004; and "Merck, Thembalami in AIDS Tie-up," *Business Day* (Johannesburg), July 14, 2004, found at Internet address *http://www.journ aids.org/reports/20040714c.htm*, retrieved July 29, 2004.

[7] "Sasol Begins Restructuring," *Chemical & Engineering News*, Nov. 3, 2003, p. 16.

[8] "Sasol Starts Up Acrylates Complex," *Chemical Week*, Apr. 7/14, 2004, p. 40.

[9] "Sasol Shelves PO Project in South Africa," *Chemical Week*, Apr. 7/14, 2004, p. 41.

[10] "Sasol Invests in Polymers," *European Chemical News*, Mar. 22, 2004, p. 28.

[11] Uganda Export Promotion Board, *Export Policy Review 2003,* found at Internet address *http://www.ugandaexportsonline.com/export_review.htm*, retrieved Aug. 2, 2004.

[12] USDOC, BEA, Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, provided to USITC staff, Sept. 16, 2004.

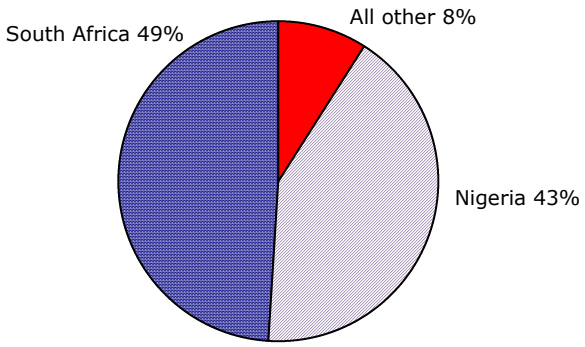
[13] USDOC, USFCS, *South Africa Country Commercial Guide FY 2004: Investment Climate*, found at Internet address *http://buyusainfo.net/info.cfm*, retrieved July 15, 2004.

[14] USDOC, USFCS, *Kenya Country Commercial Guide FY 2004: Leading Sectors for U.S. Exports and Investment*, found at Internet address *http://buyusainfo.net/info.cfm*, retrieved July 15, 2004.

PETROLEUM AND ENERGY-RELATED PRODUCTS[1]

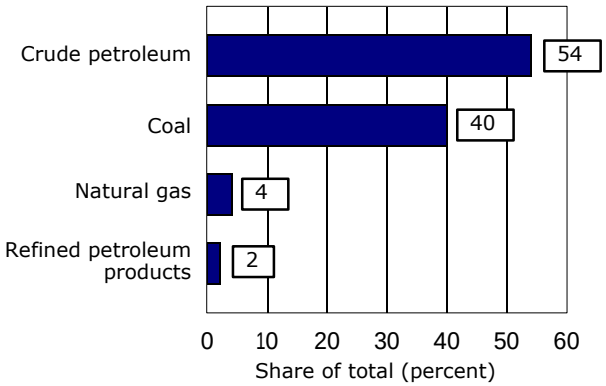
OVERVIEW

SSA sector production, by country, 2003
($76.6 billion)



Source: U.S. Department of Energy and the American Petroleum Institute.

SSA sector production, by product, 2003
($76.6 billion)

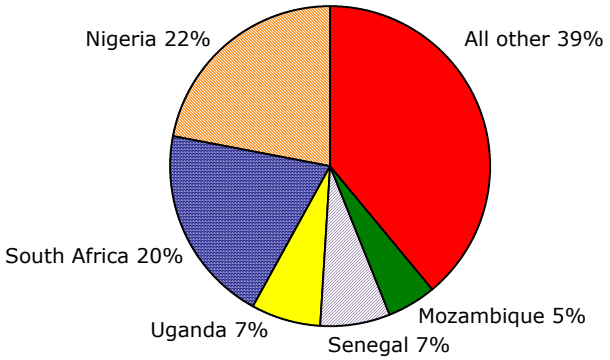


Source: U.S. Department of Energy and the American Petroleum Institute.

- Crude petroleum in Nigeria and Angola, as well as coal in South Africa, continue to be the primary petroleum and energy-related products produced in SSA. All three countries have recoverable reserves of the products and have developed export-oriented industries.
- Nigeria's economy remains heavily dependent on the petroleum sector, which accounted for nearly 80 percent of government revenues, 90 to 95 percent of export revenues, and over 90 percent of foreign exchange earnings in 2003. In 2003, Nigeria, a member of OPEC, accounted for about 2 percent of the world's total recoverable reserves of crude petroleum and 3 percent of the world's reserves of natural gas. Nigeria accounted for 3 percent of the world's production and 8 percent of OPEC's production of crude petroleum in 2003; crude petroleum production averaged 2.12 million barrels per day. [2]
- Nigeria's four state-owned refineries have a combined capacity to refine 438,750 barrels of crude petroleum per day, or less than 1 percent of the world's total refining capacity.[3] During 2003, sabotage, fire, and lack of maintenance resulted in sharply decreased production. Repair work scheduled for completion in 2003 has yet to begin.[4]
- Nigeria's reserves of natural gas ranked ninth in the world in 2003; however, it flares, or burns onsite, 75 percent of its natural gas and uses most of the remainder to reinject into wells for enhanced oil recovery. Nigeria accounted for 12.5 percent of the world's total gas flared. Despite President Obasanjo's announcement that Nigeria would cease the flaring of natural gas in 2004, it is unlikely that the practice will stop in the near term because Nigeria lacks the necessary infrastructure (e.g., pipelines, separators, and storage facilities) to utilize the gas.[13] However, in the long term, the situation could change if proposed liquified natural gas projects come onstream.[14]
- Production from joint ventures with multinational petroleum companies accounts for 95 percent of Nigeria's crude petroleum production. The largest joint venture, operated by Shell (with a 45-percent share) and the Nigerian National Petroleum Corporation (NNPC) (55-percent share), accounts for nearly 50 percent of Nigeria's total crude petroleum production. The other joint ventures, in which the NNPC holds at least a 60-percent share, are operated by ExxonMobil, ChevronTexaco, AGIP, and TotalFinaElf.[15]
- Nigeria's energy sector faces significant obstacles, such as insufficient government funding of its joint ventures and political and ethnic strife in the Niger Delta region, including violence, kidnapping, sabotage, siphoning of fuel products, and seizure of petroleum facilities. This instability has resulted in major disruptions in the production of crude petroleum. ChevronTexaco, Shell, and TotalFinaElf suspended production and removed nonessential personnel from the Niger Delta region beginning in March 2003, which resulted in a loss of 817,500 barrels per day of crude petroleum production.[16] Although some of the personnel have returned, facilities reportedly remain substantially understaffed.
- Coal continues to be the primary fuel produced and consumed in South Africa and is its largest source of foreign exchange. South Africa accounts for about 4 percent of the world's recoverable reserves of coal and is the world's second-largest net exporter of coal to the world, with the EU as its principal market.
- South Africa is the second-largest refining center in SSA, with a total capacity of 519,547 barrels of crude petroleum per day. In 2003, the capacity expansion at the South African Natref refinery came onstream, producing low-sulfur diesel fuels.[17]
- South Africa has a highly developed synthetic fuels industry, which takes advantage of the abundant coal reserves and offshore natural gas and condensate production. Rising crude petroleum prices have benefited Sasol, the world's largest manufacturer of oil from coal, as consumers turn to alternative energy sources.[18]
- Angola is the region's second-largest producer of crude petroleum, accounting for 6 percent of the region's reserves and less than 1 percent of the world's reserves. Angola has one small operating refinery that primarily produces diesel fuels. The Angolan economy is highly dependent on its crude petroleum sector, which accounts for 50 percent of GDP and over 90 percent of total export revenues.[19]
- Crude petroleum is the primary export product from SSA. Nigeria is a major exporter of crude petroleum. Angola was the second-largest SSA exporter and the ninth-largest world supplier of crude petroleum. In 2003, the United States was the primary market for SSA exports of petroleum and energy-related products, while the EU accounted for most of the remainder.[20]
- Refined petroleum products are the major sector products imported into the SSA region, followed by crude petroleum. The United States and western Europe are major sources of refined petroleum product imports, particularly diesel fuels and other bunker fuels. Most refineries in the region are small facilities that do not produce these products.

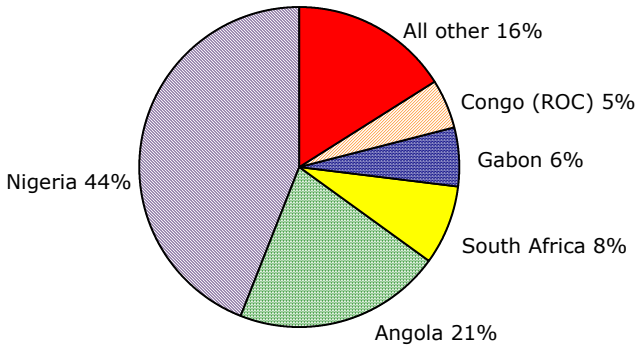
TRADE

SSA sector global imports, by country, 2002
($2.6 billion)



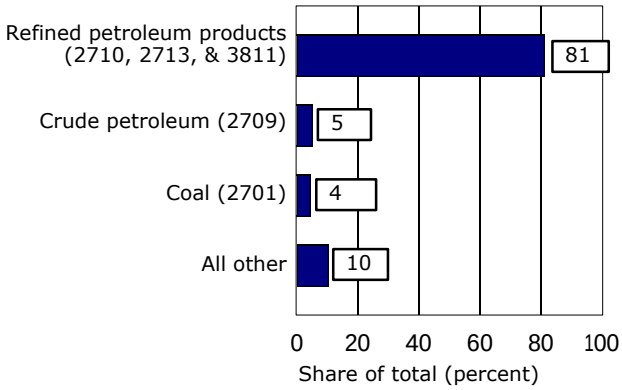
Source: United Nations.

SSA sector global exports, by country, 2002
($34.8 billion)



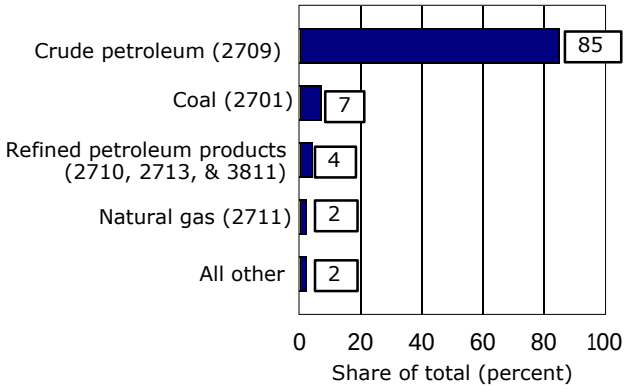
Source: United Nations.

SSA sector global imports, by HTS heading, 2002
($2.6 billion)



Source: United Nations.

SSA sector global exports, by HTS heading, 2002
($34.8 billion)



Source: United Nations.

Major Import Source (2002)	Share of Total (percent)	Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	39	Refined petroleum products (2710.00, 2713.12, & 3811.21)	78
South Africa	15	Crude petroleum (2709.00)	5
Kenya	12	Coal (2701.12 & 2701.19)	4
United States	7		
Brazil	7		

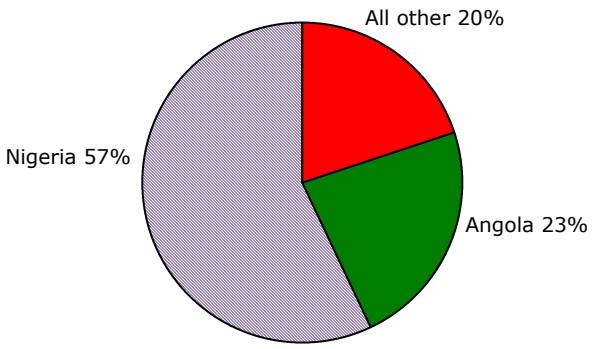
Source: United Nations.

Major Export Market (2002)	Share of Total (percent)	Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
United States	35	Crude petroleum (2709.00)	85
EU15	27	Refined petroleum products (2710.00, 2713.12 & 3811.21)	4
China	8	Coal (2701.12 & 2701.19)	6
Japan	5	Liquefied natural gas (2711.11)	1
Brazil	4		

Source: United Nations.

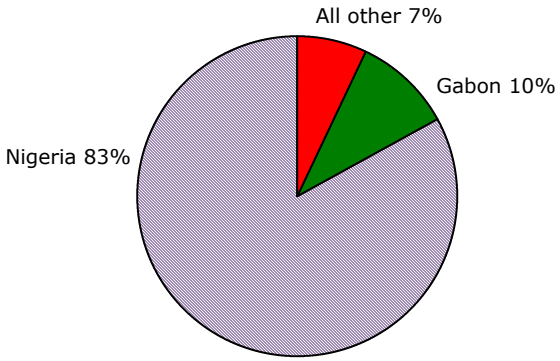
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($17.7 billion)



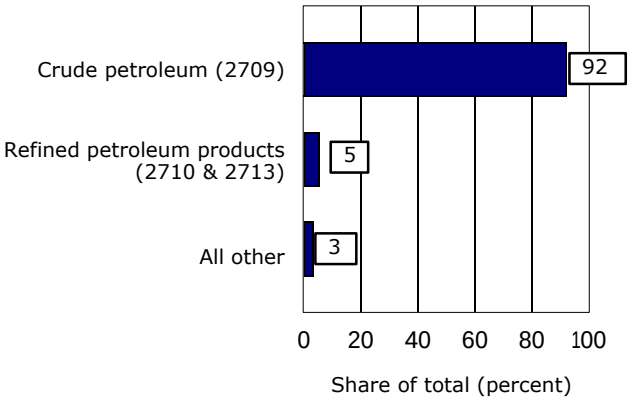
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($11.2 billion)



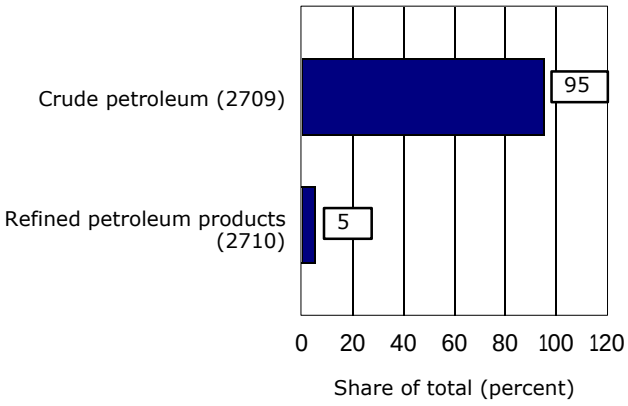
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2003
($17.7 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

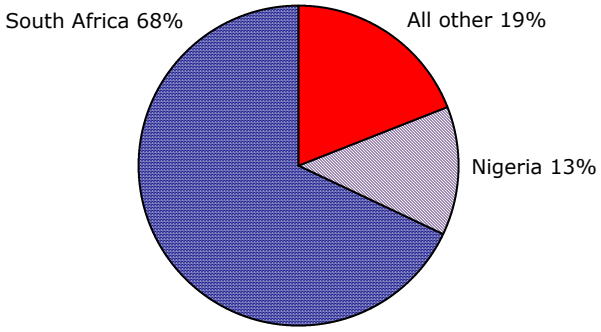
U.S. sector imports under AGOA (including GSP), by HTS heading, 2003
($11.2 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

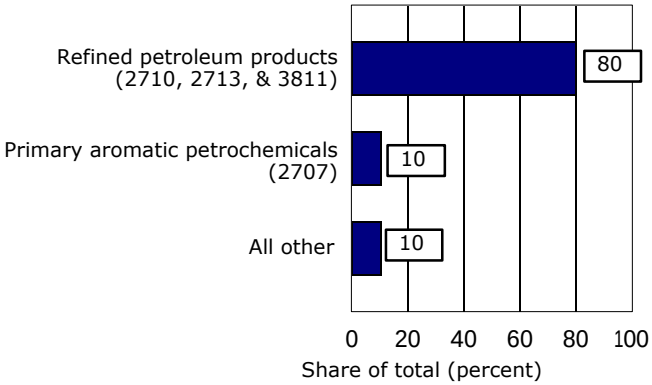
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($166 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector exports to SSA, by HTS heading, 2003
($166 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- U.S. imports of petroleum and energy-related products from SSA accounted for about 10 percent of total U.S. imports of these products from all sources in 2003. Crude petroleum from Nigeria and Angola was the primary U.S. import in this sector from SSA.
- U.S. imports of petroleum and energy-related products from SSA increased from $11.7 billion in 2002 to $17.7 billion in 2003. The increase was primarily because of a $5-per-barrel rise in the price of crude. In addition, the quantity of U.S. imports of crude petroleum from Nigeria increased by about 41 percent, from 215 million barrels in 2002 to 304 million barrels in 2003, as a result of OPEC production quota increases in 2003.

Key AGOA Trade Developments

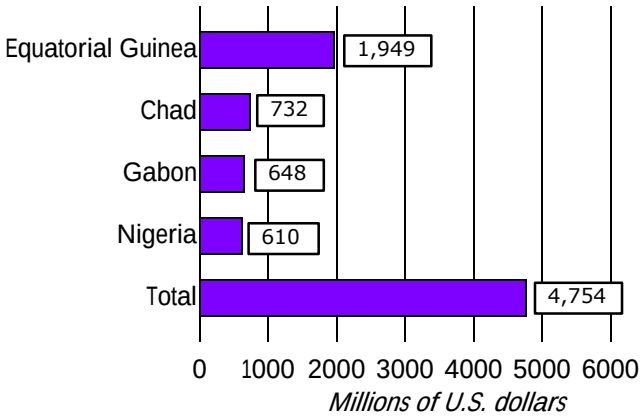
- U.S. imports of crude petroleum from Nigeria accounted for 90 percent of total sector AGOA imports from the region in 2003; the other nations accounted for the remainder of the region's crude petroleum imports.

Key U.S. Export Developments

- The United States is a major world producer and consumer of petroleum and petroleum-related products. It accounts for 2 percent of the world's estimated proven reserves of crude petroleum, 3 percent of natural gas reserves, 26 percent of coal reserves, and 22 percent of the world's refinery capacity.[13]
- SSA accounts for less than 1 percent of U.S. exports of the products in this sector.[14] U.S. exports of petroleum and energy-related products to SSA declined from $193 million in 2002 to $166 million in 2003. This decline is primarily a result of decreased exports of refined petroleum products, particularly distillate and residual fuel oils, to South Africa. Expanded refinery capacity in South Africa in early 2003 negated the need for such imports.[15]

INVESTMENT[15]

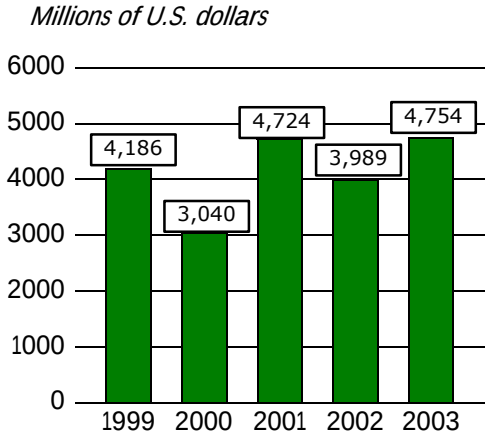
U.S. sector SSA FDI position, by country, 2003



Note.—Data for some countries not disclosed owing to confidentiality. U.S. FDI position may be negative for some countries. Industry classification basis changed from SIC to NAICS in 2002.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Mining."

U.S. sector SSA FDI position, 1999-2003



Note.—Industry classification changed from SIC to NAICS in 2002; data from 1999 to 2001 have been converted to NAICS. Data for 2001 and 2002 have been revised from previous estimates.

Source: Bureau of Economic Analysis, Department of Commerce. Data are for sector defined as "Mining."

- The U.S. FDI position in the SSA petroleum and energy-related products sector[16] totaled $4.8 billion in 2003, up from nearly $4.0 billion the previous year.[17] Equatorial Guinea, Chad, Gabon, and Nigeria were major SSA locations for U.S. FDI in the sector in 2003, together accounting for 83 percent of the regional total. The sector continued its lead, accounting for 41 percent of the total U.S. FDI position in SSA in 2003. However, SSA accounted for only about 5 percent of the global U.S. FDI position in the sector that year.[18]
- Nigeria is one of the world's leading exporters of crude petroleum. Nigeria's existing and potential reserves make it attractive for joint ventures, despite vandalism to pipelines, infrastructure, and production facilities; and the siphoning of fuel products for the black market. As a result, there is the potential to increase its production of crude petroleum significantly in the next few years as recent discoveries come onstream.
- ExxonMobil holds a 56.25-percent share in a deepwater field; Shell is the other partner in the development under a production-sharing contract with NNPC. The $1.1-billion field development is expected to include a floating production storage and offloading vessel, 15 producing wells, 5 water injection wells, and 4 gas injection wells.
- ExxonMobil holds a 40-percent share in the development of a field; NNPC holds the other 60 percent. The $1.2-billion field development is expected to be onstream by late 2004. Associated natural gas will be reinjected in order to maintain field pressure and eliminate the need to flare the gas.
- In February 2003, ChevronTexaco announced a joint venture with NNPC for a $4-billion development of three deepwater crude petroleum and natural gas fields. Production is expected to come onstream by late 2005.
- In March 2003, NNPC announced that repairs to refineries would continue. NNPC signed an agreement whereby Venezuela's state-owned petroleum company (PDVSA) would help maintain Nigeria's refineries; in addition, ChevronTexaco signed an agreement with NNPC to take over the management of the refineries. NNPC will retain ownership with only the maintenance and day-to-day management signed over to PDVSA and ChevronTexaco.
- Angola's production of crude petroleum is predicted to double by 2008 as new deepwater sites are developed. ExxonMobil is the most dominant presence in Angola; it will invest about $4 billion in six new deepwater projects by 2007. Three of the new fields operated by ExxonMobil are expected to begin producing 80,000 barrels per day by the end of 2004.
- ChevronTexaco, which accounts for about 15 percent of Angola's production of crude petroleum, announced a joint venture with the Angolan government that is expected to produce 100,000 barrels of crude per day by 2007.

ENDNOTES

[1] This sector primarily covers crude petroleum, refined petroleum products, natural gas and its components, and coal and coal chemicals (chapter 27 of the HTS). Also included are nuclear fuels (HTS 2844 and 2845) and certain octane-enhancing chemicals (HTS 3403, 3606, 3811, and 3819).

[2] "Worldwide Report," *Oil & Gas Journal*, Dec. 22, 2003, p. 47.

[3] Ibid., pp. 64-70; and official statistics of the U.S. Department of Energy.

[4] "Worldwide Report," *Oil & Gas Journal*, Dec. 22, 2003, pp. 64-70; and official statistics of the U.S. Department of Energy.

[5] Official statistics of the U.S. Department of Energy; and U.S. Department of Energy, *Country Reports - Nigeria*, Mar. 2003.

[6] Economist Intelligence Unit, "Nigeria: Business: Outlook," June 9, 2004, found at Internet address *http://www.viewswire.com*, retrieved Sept. 1, 2004.

[7] Official statistics of the U.S. Department of Energy; and U.S. Department of Energy, *Country Reports - Nigeria*, Mar. 2003.

[8] Official statistics of the U.S. Department of Energy; and U.S. Department of Energy, *Country Reports - Nigeria*, Mar. 2003.

[9] "Worldwide Report," *Oil & Gas Journal*, Dec. 22, 2003, p. 47 and 64-70; official statistics of the U.S. Department of Energy; and U.S. Department of Energy, *Country Reports - South Africa*, Dec. 2003.

[10] U.S. Department of Energy, *Country Reports - South Africa*, Dec. 2003; and "Sasol Out from Under the Barrel," *Financial Times*, July 13, 2004.

[11] Official statistics of the U.S. Department of Energy; and U.S. Department of Energy, *Country Reports - Angola*, Feb. 2004.

[12] Official statistics of the U.S. Department of Energy.

[13] Official statistics of the U.S. Department of Energy.

[14] U.S. exports of crude petroleum have been prohibited since 1973, except as approved by the U.S. government.

[15] Official statistics of the U.S. Department of Energy and industry sources.

[16] Information provided in this section is derived from industry contacts, company websites, and official statistics of the U.S. Department of Energy.

[17] Data are provided by U.S. Department of Commerce, Bureau of Economic Analysis, and are for the sector defined as "Mining."

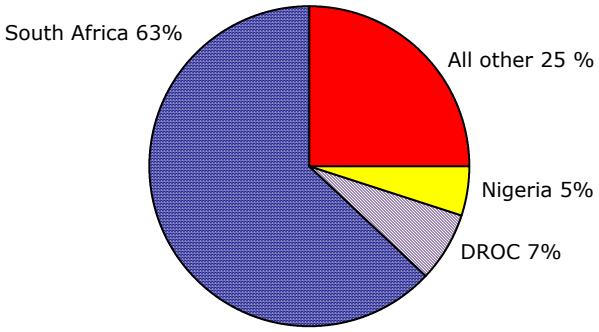
[18] Although this BEA classification covers products not included in this sector, the bulk of the FDI position is believed to be accounted for by sector products such as petroleum, natural gas, and coal.

[19] USDOC, BEA, Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, provided to USITC staff, Sept. 16, 2004.

MINERALS AND METALS

OVERVIEW

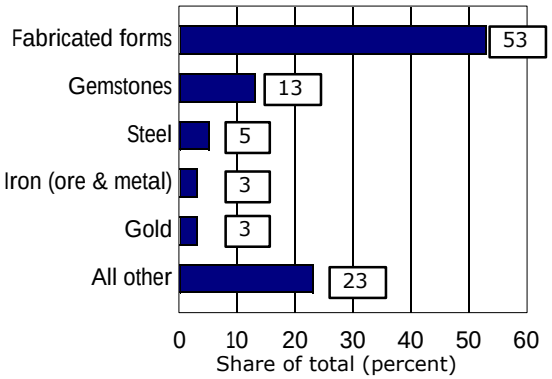
SSA sector production, by country, 2003
($195.1 billion)



Note.—Data are for mining and refining for reporting countries.

Source: Unpublished data and estimates of the U.S. Geological Survey; and MBendi, Infomine Africa, and the Department of Minerals & Energy (South Africa).

SSA sector production, by product, 2003
($195.1 billion)



Note.—Data are for mining and refining for reporting countries.

Source: Unpublished data and estimates of the U.S. Geological Survey; and MBendi, Infomine Africa, and the Department of Minerals & Energy (South Africa).

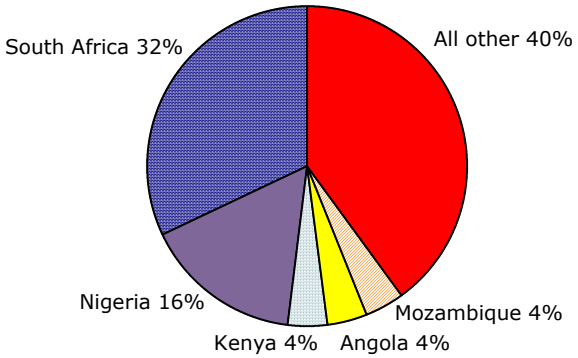
- There are substantial minerals and metals industries in numerous African countries. South Africa, Nigeria, Ghana, Zimbabwe, Tanzania, Zambia, Namibia, and DROC are the largest minerals and metals producers in SSA, and, with many smaller scale producers (e.g., Botswana, Sierra Leone, Mozambique, and Namibia), derive the majority of export earnings from the sector. As a result, the sector constitutes a large portion of the GDP and employment for many SSA countries.[2]
- SSA is a major producer of many of the world's most important minerals and metals, including platinum-group metals (PGMs), gold, diamonds, uranium, manganese, chromium, nickel, bauxite (aluminum raw material), and cobalt. SSA's production of the world's major nonferrous metals (copper, lead, and zinc) is less significant, although copper mining and processing is an important industry for several SSA countries. Silver production is also low because silver is largely a byproduct of processing these metals. Approximately 11 percent of the world's bauxite production comes from SSA, but less than half is converted to alumina (intermediate aluminum oxide material) or aluminum locally.[3] Although underexplored, SSA has about 30 percent of the world's known mineral reserves, including 40 percent of the world's gold, 60 percent of the world's cobalt, and 90 percent of the world's PGMs.[4] SSA also continues to produce much of the world's mine supply of chromite, vanadium, zirconium, titanium, and other specialty metals and ores.
- Gemstones account for a large share of SSA mineral production, with diamonds accounting for 8 percent of the overall sector (and approximately two-thirds of the $24.8 billion in overall gemstone production). Normally, South Africa is the dominant producer, because of its large diamond mining industry. However, according to the International Monetary Fund, DROC ($7.4 billion) outproduced South Africa ($6.2 billion) in diamonds in 2003. Seventy-eight percent of DROC's production total was artisanal and not production by Société Minière de Bakwanga, which is the majority producer historically and is 80-percent owned by the government.[5] As a result of the United Nations' review of DROC's diamond trade, the country was suspended from world trade in diamonds in July 2004.[6] Significant production of other gemstones in SSA includes agate (notably Namibia), amethyst, beryl (including emerald), chrysocholla (primarily in DROC and Zambia), emerald, garnet, rose quartz (from Mozambique and Namibia), tourmaline, and topaz (predominantly Nigeria).
- SSA also produces a large portion of the world's supply of several industrial minerals (IMs), such as fluorspar, vermiculite, and various specialty alumino-silicates. Other major IM production targeted for export includes specialty clays (e.g., kaolin and brickmaking clay), cement, limestone, dolomite, phosphate, and dimension stone (e.g., marble and granite). IM production consumed locally includes all the major construction materials, such as aggregates (e.g., sand and gravel), silica (and some glassmaking operations), and clays. Most production comes from numerous smaller scale facilities geared toward meeting local demand. For example, of South Africa's 707 mines and quarries,[7] 531 produce IMs.[8] Total 2003 IM production in SSA was estimated at $4.1 billion, of which $2.4 billion came from South Africa.[9]
- The iron and steel industry is a significant part of the minerals and metals sector in SSA, largely due to the natural endowment and proximity of major alloying metals, and the existence of a developed South African metals industry that is capable of producing multiple types and forms of steel products, including stainless. South Africa produced 9.5 million metric tons of crude steel in 2003 (81 percent of SSA's total); Zimbabwe, Tanzania, and Nigeria are also notable producers of both ferroalloys and steel mill products.[10] Iron and steel production is estimated to have accounted for 19 percent of the $100-billion minerals and metals manufacturing industry in South Africa in 2003.[11] Including iron making, ferroalloy production, and stainless steel production, approximately 65 percent ($24.3 billion) of SSA's nonmining ferrous industry is in South Africa.

OVERVIEW-Continued

- In mid-2003 and into 2004, prices for several minerals and metals continued to recover from the extreme lows of the 1997-early 2003 period, reflecting declining inventories arising from a combination of worldwide production shutdowns and cutbacks, and rising consumption. In 2003, aluminum, which had declined to $0.62 per pound, averaged $0.67 per pound; gold, which had declined to $294 per troy ounce, averaged $350 per troy ounce; and copper, which had reached a low of $0.59 per pound, averaged $0.82 per pound. The Producer Price Index for steel mill products rose over 6 percent in 2003 and was up almost 8 percent over the 2001 level.[12] These price increases contributed to the improving economies of the metal-producing SSA countries and attracted additional FDI, notably from Australasian (Australian and Chinese) and North American (Canadian and U.S.) sources.[13]
- Prices of most PGMs have increased over the last decade because of strong demand from the transportation equipment sector, which uses these metals in catalytic converters, and also because of uncertainty regarding Russian supplies of these metals.[14] As a major producer of PGMs, South Africa has benefited from the price increases. However, palladium, rhodium, and ruthenium continued their 2-year price decline in 2003, thus negatively affecting South Africa's PGM industry.[15]
- South African gold production decreased by 35 percent in the past decade (from 578 tons in 1993 to 376 tons in 2003), with a corresponding decrease in producing companies (from 50 gold producers listed on the Johannesburg Stock Exchange Securities Exchange to 14). Employment in the sector also declined significantly. Some analysts expect gold output to maintain the current level until 2006, and drop by 25 tons per year thereafter. Because of the long lead time and costliness of discovering and developing new mines, production increases are not predicted for the near future.[16]
- Several SSA countries, such as Botswana, Mozambique, and DROC,[17] are continuing to implement investment-friendly regulatory protocols. However, South Africa's Black Empowerment initiatives, coupled with a new mining law that took effect in 2003 (ceding land ownership back to the state), and the 2004 Mineral and Petroleum Royalty Bill (referred to as the "Money Bill," this legislation instituted royalties of 3 percent on gold, 4 percent on platinum, and 8 percent on diamonds),[18] have created significant valuation and financial risk issues that are delaying sector investment in South Africa.[19] Further, the proposed new Mine Health and Safety Acts are expected to increase production costs.[20] To counteract these effects, a Beneficiation Bill has been proposed to promote South Africa's minerals industry by granting South Africans the opportunity to own basic forms of gold, diamonds, and PGMs, and possibly other minerals as well.[21] This bill is expected to stimulate downstream processing and fabrication of these basic forms in South Africa by providing producer incentives such as remission of mining royalties for locally manufactured products.[22]
- The Geita gold mine in Tanzania became fully operational in late 2002. Owned by Geita Gold Mining Limited and operated by Ashanti Goldfields (Ghana) and AngloGold (South Africa) under a joint-venture agreement, Geita now produces about one-half of Tanzania's gold, making it one of Africa's largest gold-producing mines. Approximately 655,000 ounces of gold were produced during 2003.[23]
- The United States enacted the Clean Diamond Trade Act (Public Law 108-19) on April 25, 2003, which was initiated by Congress in response to the use of diamonds to fund conflict and human rights violations in parts of Africa. The Act bans the importation of rough diamonds from any nonparticipant in the Kimberley Process Certification Scheme (KPCS). Presidential Executive Order 13312, effective July 30, 2003, which amends prior orders on the subject to reflect provisions of the new Act, bans all rough diamonds from Liberia, even if they originated elsewhere, and removes the prior ban on all rough diamonds from Sierra Leone that are controlled through the KPCS.[24] The Central African Republic joined the 61 member-countries of the KPCS in August 2003.[25] As noted above, DROC was suspended by the United Nations from world trade in diamonds in July 2004.[26]
- On July 13, 2004, DeBeers pled guilty to price fixing and agreed to pay $10 million to settle a 10-year-old indictment in U.S. District Court. This settlement is widely anticipated to increase South African diamond exports to the U.S. market by allowing DeBeers to re-establish a direct marketing presence in the United States, which would increase U.S. imports from South Africa, because Anglo-American, the largest South African mining company, is a subsidiary of DeBeers.[27]

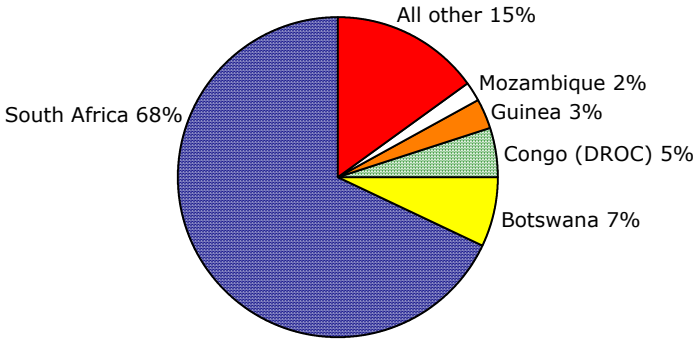
TRADE

SSA sector global imports, by country, 2002
($7.1 billion)



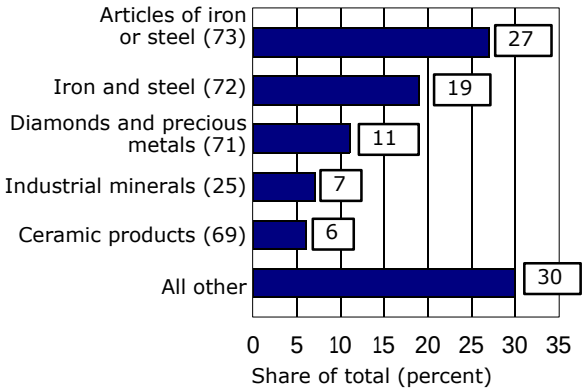
Source: United Nations.

SSA sector global exports, by country, 2002
($22.0 billion)



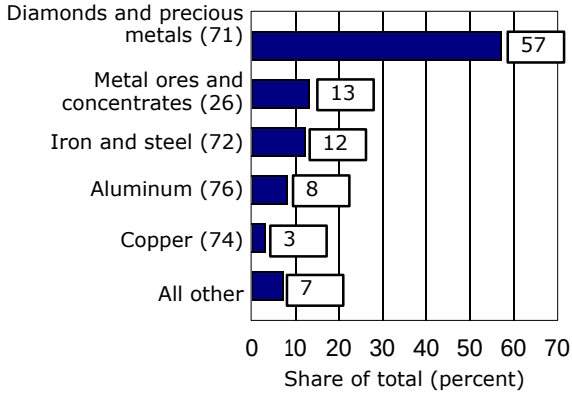
Source: United Nations.

SSA sector global imports, by HTS chapter, 2002
($7.1 billion)



Source: United Nations.

SSA sector global exports, by HTS chapter, 2002
($22.0 billion)



Source: United Nations.

Major Import Source (2002)	Share of Total (percent)	Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	42	Nonindustrial diamonds (7102.31)	7
South Africa	8	Certain portland cement (2523.29)	4
China	7	Iron or steel structures (7308.90)	3
India	5	Refined copper cathodes (7403.11)	2
Japan	4	Glazed ceramic tiles (6908.90)	2

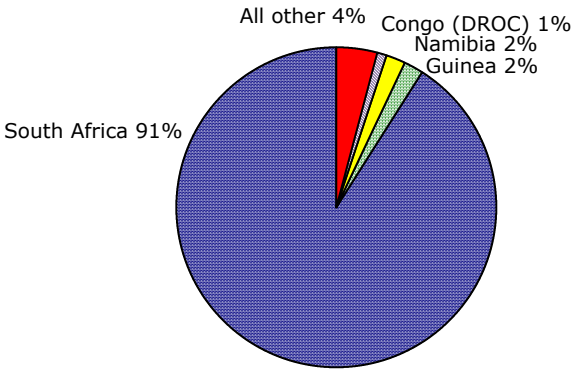
Source: United Nations.

Major Export Market (2002)	Share of Total (percent)	Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	48	Nonindustrial diamonds (7102.31)	26
United States	13	Gold (7108.12)	12
Japan	9	Platinum (7110.11)	9
India	9	Aluminum (7601.10)	6
China	4	Iron ore (2601.11)	4

Source: United Nations.

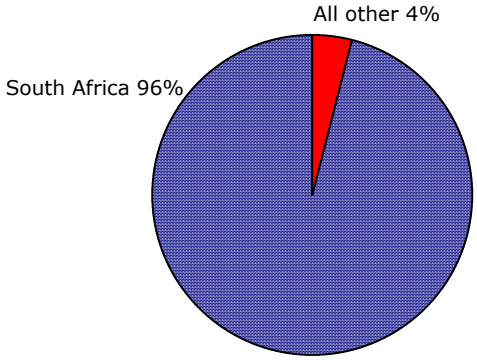
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($3.0 billion)



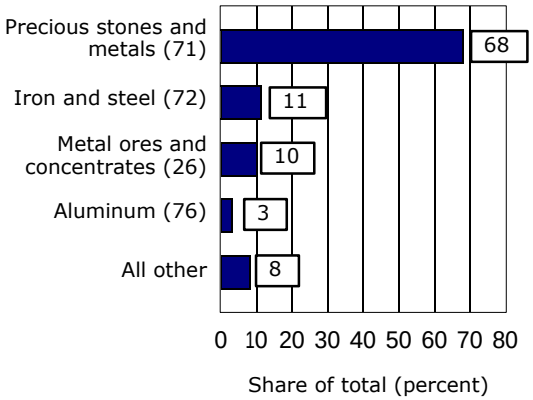
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($413 million)



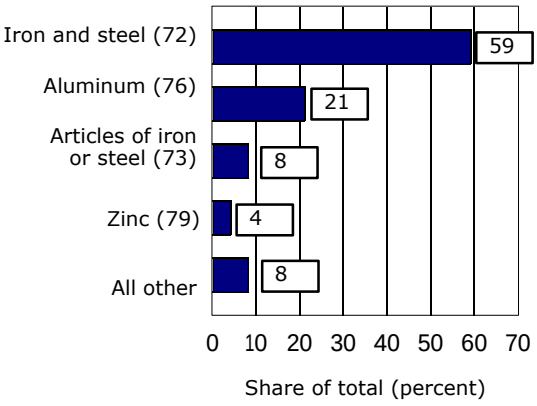
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS chapter, 2003
($3.0 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

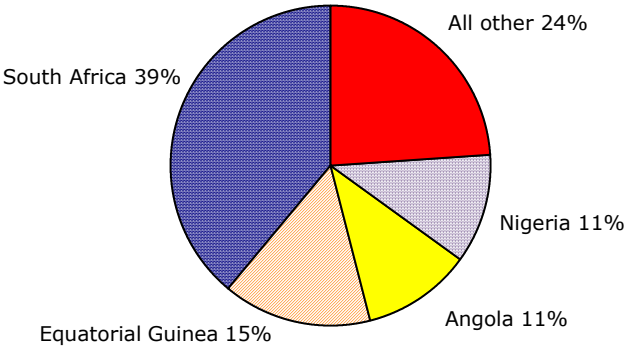
U.S. sector imports under AGOA (including GSP), by HTS chapter, 2003
($413 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

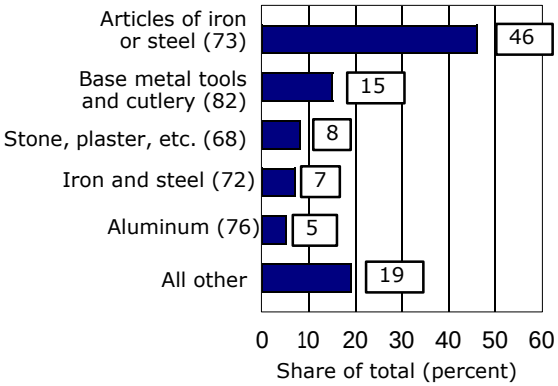
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($269 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector exports to SSA, by HTS chapter, 2003
($269 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- The U.S. trade deficit with SSA in minerals and metals increased $287 million (12 percent) to $2.7 billion in 2003. U.S. imports increased by $290 million (11 percent) to $3.0 billion. South Africa is the leading SSA sector supplier, accounting for 91 percent of U.S. sector imports from SSA in 2003. Almost all PGMs are from South Africa, and the country is the primary mine source for a majority of specialty metals (including PGMs) consumed by the U.S. high-tech and transportation industries. For some of these metals, such as chrome, there are few alternative sources available.
- The largest U.S. import increases, by value, were in diamonds, other gemstones, and precious metals (HTS chapter 71, an increase of $252 million, or 14 percent); and iron and steel (HTS chapter 72, an increase of $24 million, or 8 percent) reflecting the continued growth in the iron and steel industries in South Africa, Tanzania, and neighboring countries). SSA lead, zinc, ceramic, and copper product exports to the United States also rose significantly because of improved metal prices, increased raw material production volume, and increased downstream product manufacturing.
- Sixty-eight percent of U.S. sector imports from SSA in 2003 were PGMs, which are almost all from South Africa, and diamonds, mostly from South Africa, DROC, and Angola. U.S. PGM imports increased to $1.3 billion, 11 percent by value, to 44 percent of all sectoral imports. U.S. imports of diamonds, of which 97 percent were natural gemstones, totaled $735 million in 2003, or 25 percent of the sector import total. Gold and silver imports (which are less than 1 percent of the total U.S. sectoral imports from SSA) decreased by 67 percent, largely in nonmonetary powder and other unwrought forms, offset slightly by increases in semi-manufactured forms.
- The increase in U.S. sector imports in 2003 was largely a result of higher gold, platinum, and diamond prices, and the corresponding production increases. The strengthening U.S. economy increased discretionary income, which likely promoted increased consumption of precious jewelry and increased importation of rough diamonds for finishing. Twelve SSA countries reported increases in sector exports to the United States.

Key AGOA Trade Developments

- U.S. sector imports under AGOA totaled $413 million in 2003, up 11 percent from 2002. Imports under AGOA accounted for 14 percent of total sector imports from SSA in 2003, similar to the previous year.
- The bulk of U.S. imports of minerals and metals under AGOA were supplied by South Africa (96 percent) and Namibia (under 4 percent), totaling $412 million in 2003. Iron and steel products, primarily ferroalloys, accounted for 59 percent of sector imports under AGOA in 2003, with aluminum products increasing 16 percent, by value, to 21 percent of the total. Varied base metal articles (mostly manganese for alloying steel) and zinc products (mostly unwrought forms, largely used for galvanizing steel) recorded the largest percentage increases.

Key U.S. Export Developments

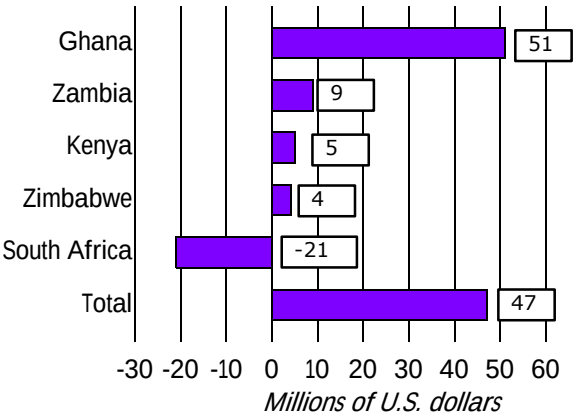
- U.S. sector exports to the region increased by $3 million (1 percent) in 2003. By value, U.S. exports increased markedly to Equatorial Guinea (an increase of $27 million, or 189 percent, largely to support oil and gas production), Angola (an increase of $15 million, or 103 percent, to support oil and gas processing), and South Africa (an increase of $14 million, or 16 percent). On a percentage basis, Lesotho, Madagascar, Djibouti, and Eritrea posted the largest percentage increases in purchases of U.S. products. Several countries recorded double-digit declines, largely as a result of economic problems (e.g., Swaziland, down 92 percent; and Tanzania, down 87 percent) and geopolitical issues (e.g., DROC, down 98 percent; and Chad, down 78 percent). Chad recorded the largest decline, by value, at $22 million.
- U.S. exports reflect the significant oil exploration and oilfield development that is underway in SSA, primarily in Nigeria, Angola, and surrounding areas. U.S. suppliers are heavily involved, and steel mill products are the major exports. However, the drilling operations leveled off in 2002 and began decreasing in 2003, causing the exports of drilling commodities, such as pipe and tube, tools, mesh, and drilling muds, to decline. The iron and steel articles group (HTS chapter 73) recorded the largest dollar-value decline ($4 million), yet remained the largest subsector, accounting for 46 percent of U.S. sector exports to SSA. Structural commodities, which are largely semi-fabricated plate, sheet, and strip products, recorded the largest value increase ($12 million, or 167 percent). In particular, steel structures, towers, masts, as well as lime and cement products, showed significant increases. Most of those were directed toward oil and gas recovery and refining facilities construction.

TRADE-Continued

- U.S. sector exports to South Africa totaled $104 million, or 39 percent of U.S. sector exports to SSA. The largest value increase was in precious metals, up $8 million, primarily semi-manufactured forms of platinum and waste and scrap of all PGMs. Although South Africa has significant precious-metals refining capacity for unwrought forms (e.g., doré, bullion, bars, and grains), it must rely on imports of semi-manufactured forms (e.g., sheets and wire) for the manufacture of downstream products, particularly precious jewelry, coins, and electronic conductors. In contrast, U.S. exports of cut diamonds declined by $6.6 million, or by 97 percent).[28]

INVESTMENT

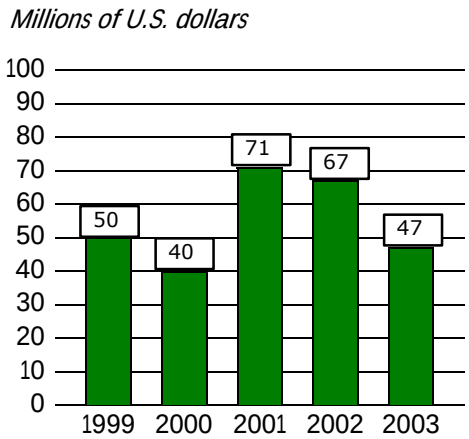
U.S. sector SSA FDI position, by country, 2003



Note.—Does not include mining and certain processing operations or industrial minerals. Industry classification basis changed from SIC to NAICS in 2002.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Primary and Fabricated Metals."

U.S. sector SSA FDI position, 1999-2003



Note.—Does not include mining and certain processing operations or industrial minerals. Industry classification basis changed from SIC to NAICS in 2002; data from 1999 to 2001 have been converted to NAICS. Data for 2001 and 2002 have been revised from previous estimates.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Primary and Fabricated Metals."

- The U.S. FDI position in the nonmining[29] SSA minerals and metals sector totaled $47 million in 2003, down from $67 million in 2002. Ghana continued to be the major SSA country for U.S. FDI in the sector in 2003. The sector accounted for less than 1 percent of the total U.S. FDI position in SSA in 2003, and SSA accounted for less than 1 percent of the global U.S. FDI position in the sector that year.[30]
- The recent increase in exploration and mine development in SSA has been largely directed toward gold and diamonds. Major new mines opening or under development in SSA are in South Africa, Ghana, Namibia, Botswana, Tanzania, and Gabon, primarily to produce gold, diamonds, niobium products, PGMs, chrome, and various base metals. Major discoveries over the last year include several potential diamond-bearing ores in Mauritania, and potential offshore diamond deposits in southern Namibia.[31]
- The Ghanaian government granted Newmont Mining Corp. (U.S.) a 30-year mining lease for two gold mining operations – Ahafo and Akyem. Newmont later announced its intent to invest $350 million to develop the Ahafo mine, targeting annual production of approximately 500,000 ounces (providing approximately 1,400 jobs) in 2006.[32]
- The J&W Investment Group acquired Luanshya Copper Mines Plc and Chambishi Metals Plc (Zambia) from Avmin in 2003 and spent approximately $50 million to rehabilitate the mine facility (scheduled to reopen by 2005).[33] Metorex (South Africa) operates the mine.[34]
- On June 20, 2004, Metorex reached an agreement with the Government of DROC, Gecamines, and Sentinelle Global Investments to mine and treat the high-grade copper-cobalt orebody and stockpiles in the Katanga Province of DROC. Phase I is expected to cost $15-18 million. Phase II, pending a feasibility study, is estimated to cost $150-180 million, with a resulting production of 120,000 metric tons per month.[35]
- Metorex continued significant exploratory drilling at Burkina Faso's Perkoa Zinc Project, delineating almost 7 million metric tons of ore containing 18 percent zinc. A financial feasibility study is expected in 2004.[36]
- On May 13, 2004, Alcoa World Alumina LLC (U.S.) and Alcan Inc. (Canada) signed a Memorandum of Understanding to jointly assess the feasibility of constructing an alumina refinery in Guinea.[37]
- Although Konkola Copper Mines Plc (KCl, Zambia) was projected to close in early 2003 (the previous owner, Anglo American, pulled out in 2002), the government has maintained operations. In August 2004, Zambia sold a 51-percent controlling stake to Vedanta Resources (India) for $48 million, subject to KCl shareholder approval in October.[38]
- According to the South African government, the total estimated investment in newly committed mineral-related projects in South Africa in 2003 was R68.5 million (approximately $9.1 billion), up 29 percent over 2002. The expected investment in potential mineral-related projects in South Africa was R19.6 million (approximately $2.6 billion), down 10 percent.[39] Of that total, 88 percent was earmarked for primary mineral production. Platinum accounts for 61 percent of that total and is led by Impala Platinum's investment of R5 billion (approximately $661 million), Anglo Platinum / Royal Bafokeng's R4 billion (approximately $529 million) investment, and Anglo Platinum's R3.7 billion (approximately $489 million) investment. Gold represents 34 percent of the total in newly committed primary mineral projects. This expenditure is led by the Placer Dome / Western Areas' R5 billion (approximately $661 million) joint venture, AngloGold's R3.8 billion (approximately $502 million) investment, and Goldfield's R2.9 billion (approximately $377 million) investment. In potential project development, gold accounts for 98 percent of the total, platinum accounts for less than 2 percent, and other minerals account for 0.3 percent (substantially lower than the 77-percent share held in 2002).

ENDNOTES

[1] This sector includes items classified in Harmonized Tariff Schedule chapters 25, 26, 68 through 76, and 78 through 83.

[2] The minerals and metals sector includes clays and earths, sand and gravel, stone, cement and plaster, and nonmetallic minerals; metal-bearing ores, concentrates, ash, and residues; ceramic, glass, and fiberglass articles; gemstones; iron and steel, base metals, precious metals, and metal alloys in unwrought and scrap forms; ferrous and nonferrous mill products (shaped by casting, forging, machining, rolling, drawing, or extrusion operations); and certain fabricated metal products (e.g., containers, wire cables, chain, industrial fasteners, certain kitchen and sewing implements, cutlery, nonpowered hand tools, construction components, builders' hardware, etc.).

[3] World Bureau of Metal Statistics, *World Metal Statistics 2004* (Ware, England: World Bureau of Metal Statistics, May 7, 2004), pp. 9-12.

[4] "Africa: Mining," MBendi, found at Internet address *http://www.mbendi.co.za/indy/ming/af/p0005.htm*, retrieved June 16, 2004.

[5] Derived from "Democratic Republic of the Congo: Selected Issues and Statistical Appendix," International Monetary Fund, Country Report No. 03/175, June 2003, found at Internet address *http://www.imf.org/external/pubs/ft/scr/2003/cr03175.pdf*, retrieved Aug. 31, 2004.

[6] Daniel Balint-Kurti, "Congo Suspended From World Diamond Trade," *Associated Press*, July 10, 2004, found at Internet address *http://www.mercurynews.com/mld/mercurynews/news/world/9125827.htm1*, retrieved July 13, 2004.

[7] "Minerals," *Infomine Africa Newsletter*, Sept. 2003, found at Internet address *http://www.infomine africa.com/news.asp#Most*, retrieved Sept. 16, 2003.

[8] *Infomine Africa*, found at Internet address *http://infomine africa.com/afrinfogen.asp*, retrieved 2001.

[9] Data derived from unpublished statistics and estimates of the U.S. Geological Survey, MBendi, Infomine Africa, and the Department of Minerals and Energy (South Africa).

[10] International Iron and Steel Institute, *World Steel in Figures, 2004 Edition*, found at Internet address *http://www.worldsteel.org/media/wsif/wsif2004.pdf*, retrieved Sept. 15, 2004.

[11] Department of Minerals and Energy, Republic of South Africa, available at Internet address *http://www.dme.gov.za/home.asp?menu=main*, retrieved July 26, 2004.

[12] U.S. Geological Survey, "Minerals Information," found at Internet address *http://minerals.usgs.gov/minerals*, retrieved July 26, 2004.

[13] U.S. Geological Survey, *Mineral Commodity Summary 2004: Iron and Steel*, found at Internet address *http://minerals.usgs.gov/minerals/pubs/commodity/iron_&_steel/festmcs04.pdf*, retrieved Sept. 15, 2004.

[14] There have been 3 significant worldwide shifts during the last decade in the platinum and palladium markets that are expected to cause continued industry restructuring and market shakeups. First, worldwide efforts to control pollution have caused many developing countries to mandate use of catalytic technology, which requires platinum-group metals. Second, Russian export controls have created upward price pressures on the world market. Third, the dual reversal of prices between platinum and palladium (platinum values increased dramatically in the late 1990s, causing many consumers to switch to palladium, which then increased palladium prices to the point that consumers began to switch back to platinum) has caused many catalytic converter producers to implement technologies allowing for either metal to be used. In the long run, this should stabilize the market.

[15] U.S. Geological Survey, "Minerals Information."

[16] According to the Chamber of Mines of South Africa, as reported in "Gold Production in SA in Decline," *Mining e-News*, Dec. 2003.

[17] "A New Dawn for the DRC?" *Metal Bulletin*, July 24, 2003, p. 9.

[18] "The South African Government Releases Mining Royalty Bill," *Werkmans UK Limited*, Mar. 2003, found at Internet address *http://www.werksmans.co.za/uk/alert_20030326.pdf*, retrieved July 27, 2004.

[19] "Perceived Empowerment Risks Discourage U.S. Investors," *Business Day* (South Africa), Aug. 18, 2003, via NewsEdge Corporation, retrieved Aug. 19, 2003; and Daniel Thole, "Resources Take a Pounding," *Moneyweb (Johannesburg)*, found at Internet address *http://allafrica.com/stories/printable/200308180609.htm*, retrieved Aug. 28, 2003.

[20] According to the Chief Inspector of Mines, as reported in "Most Small Miners Unable to Comply with Health and Safety Act," *Mining e-News*, Feb. 2004.

[21] See Internet address *http://www.polity.org.za/pdf/DraftPrecMet&DiaGenAmenBill.pdf* for the bill in its present form; and "Rediscovering SA mineral beneficiation tradition," *Polity*, at Internet address *http://www.polity.org.za/pol/opinion/?show=49446* for a discussion.

[22] "Beneficiation Bill to Encourage Economic Growth," *Infomine Africa Newsletter*, Oct. 2003, found at Internet address *http://www.infomine africa.com/news.asp#Most*, retrieved Nov. 2003.

[23] "Geita Mine One of Africa's Largest Gold Mines," *Mining e-News*, Feb. 2004.

[24] Sheryl Katz, "Bush Bans Conflict Diamonds," *DIAMONDS.NET*, found at Internet address *http://www.diamonds.net/news/newsitem.asp?num=8317&type=all*, retrieved Aug. 8, 2003.

[25] "CAR Joins the Kimberley Process," *Mining e-News*, Aug. 2003.

[26] Daniel Balint-Kurti, "Congo Suspended From World Diamond Trade," *Associated Press*, July 10, 2004, found at Internet address *http://www.mercurynews.com/mld/mercurynews/news/world/9125827.htm1*, retrieved July 13, 2004.

[27] Margaret Webb Pressler, "DeBeers Pleads to Price-Fixing: Firm Pays $10 Million, Can Fully Reenter U.S.," *Washington Post*, July 14, 2004, p. E01.

[28] U.S. Geological Survey commodity specialists, telephone interview by USITC staff, Aug. 5, 2004.

[29] The BEA data does not separate mineral and metal mining from fuel production. Therefore, the FDI number in this section does not include mining activities. These are included in the Petroleum and Energy-Related Products sector profile. Additionally, data for varied countries, notably ROC, Ghana, Kenya, and Zambia, are not disclosed owing to confidentiality. U.S. FDI position is negative for some countries.

[30] USDOC, BEA, Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, provided to USITC staff, Sept. 16, 2004.

[31] "Africa: Mining," MBendi, found at Internet address *http://www.mbendi.co.za/indy/ming/af/p0005.htm*, retrieved June 16, 2004.

[32] "Newmont investing $350M in Ghana project," *Denver Business Journal*, Dec. 19, 2003, found at Internet address *http://denver.bizjournals.com/denver/stories/2003/12/15/daily52.html*, retrieved Jan. 21, 2004.

[33] Data and reference provided by George Coakley, U.S. Geological Survey, Minerals Information Team, International Minerals Division, Dec. 16, 2003.

[34] Metorex Limited, found at Internet address *http://www.metorexgroup.com/Chibuluma.htm*, retrieved Dec. 17, 2003.

ENDNOTES

[35] Metorex Limited, found at Internet address *http://www.metorexgroup.com/RuashiHoldings.htm*, July 29, 2004.

[36] Metorex Limited, found at Internet address *http://www.metorexgroup.com/MtxBurkinaFasoProj.htm*, retrieved Dec. 17, 2003.

[37] Alcoa press release, May 13, 2004, found at Internet address *http://www.alcoa.com/global/en/news/news_detail.asp?pageID=241344825&newsYear=2004*, retrieved May 17, 2004. Bauxite ores are mined for their aluminum oxide, or alumina, content. After cleaning and processing, the alumina is refined to produce pure aluminum metal.

[38] "Vedanta pays $48m for Konkola mines," *India Times*, Economic Times News Network, Aug. 21, 2004, found at Internet address *http://economictimes.indiatimes.com/articleshow/822314.cms*, retrieved Sept. 15, 2004.

[39] Directorate: Mineral Economics, "Investment in South Africa's Mineral Sector," Second Ed., 2003, found at Internet address *http://www.dme.gov.za/publications/pdf/annual_reports/R39%20invest_in_sa_2004.pdf*, retrieved July 2004.

TEXTILES AND APPAREL

OVERVIEW

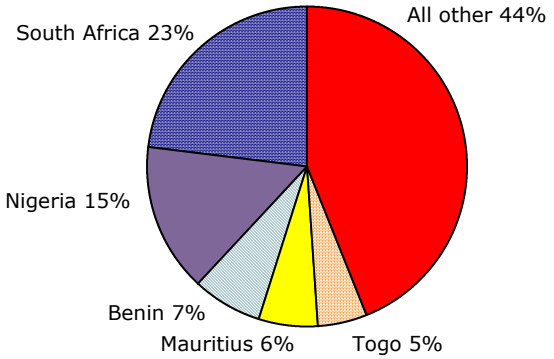
- SSA accounted for less than 1 percent of world exports of textiles and apparel and incurred a $1.9-billion trade deficit in such goods in 2002, based on imports of $4.7 billion and exports of $2.8 billion. SSA's major textile and apparel export markets were the United States (43 percent) and the EU (39 percent); the major import sources were China (29 percent of SSA imports), the EU (21 percent), and India (13 percent). SSA sector exports were concentrated in apparel and among a few countries – Mauritius, South Africa, Lesotho, Madagascar, and Kenya – which together accounted for 85 percent of the total in 2002.
- Prompted by AGOA preferences, the textile and apparel sectors in SSA countries have launched numerous new projects as a result of SSA government initiatives and loans, increased intra-SSA country partnerships, and initiatives by foreign investors.
- Lesotho is the largest SSA supplier of sector goods to the United States with total shipments of $393 million in 2003, an increase of 22 percent from the 2002 level. Its textile and apparel sector has grown steadily as a result of AGOA, with employment expanding from 19,000 workers in April 2001 to over 54,000 in May 2004, making it the country's second-largest employer after the government.[2] Lesotho's first denim mill, Formosa Textiles, began denim and yarn production for local and regional markets in April 2004. The mill imports most of the cotton used in its production from Malawi and Zambia; small amounts are also imported from Ethiopia and Zimbabwe.[3] Lesotho has an estimated 40-60 textile and apparel plants, most of which are owned by firms in Taiwan and other Asian countries. The competitiveness of Lesotho largely reflects its low labor costs and designation as a least developed country, which allows apparel producers there to use lower cost third-country (mainly Asian) fabrics in the production of apparel for export to the United States. Trade sources also report that Lesotho requires less paperwork for work permits and has fewer challenges with labor unions than other SSA countries. Apparel producers in Lesotho reportedly sell garments to such U.S. firms as Gap, Wal-Mart, and Target.[4]
- Mauritius, compared with many other SSA countries, has a skilled workforce and an established industry that reportedly is focusing on higher value-added goods to help offset its higher wages.[5] In the spinning and weaving sector, for example, the average hourly wage (including fringe benefits) of production workers is $1.33, compared with $0.62 in Kenya and Ethiopia.[6] The move to higher valued goods is evident, as U.S. imports of sector goods from Mauritius in 2003 fell by 4 percent by quantity to 45 million square meter equivalents (SMEs), but rose 6 percent by value, to $269 million. However, U.S. imports of sector goods from Mauritius that entered free of duty under AGOA rose by 29 percent in 2003 to $135 million. Currently, 49 textile and apparel companies are registered with the Government of Mauritius Ministry of Commerce and Cooperatives for export to the United States under AGOA. These companies employ about 50,000 workers and have a production capacity of 15 million pieces per month.[7] Several new yarn spinning projects were launched in 2003 as result of initiatives by foreign investors.
- Textile and apparel manufacturing is increasingly important to Ethiopia's economy; the textile and apparel sectors account for 26 percent and 4 percent, respectively, of the country's total manufacturing sector.[8] In Ethiopia, in early 2003, the government earmarked 1.5 billion birr (approximately $174 million) for a loan to upgrade and improve the country's textile and apparel sector. The government has also established an export-processing zone and has rented the land and manufacturing facilities to the private sector in an effort to encourage textile and apparel exports to the United States.[9] A new firm, the Basic Yarn Ethiopia Plc, began to produce textiles and apparel in 2003.[10]
- The Government of Ghana, under its Presidential Special Initiative, announced plans to construct a garment village with a large industrial park. The project will include a garment factory that, in its first phase, will have an annual production capacity of 3.6 million jeans, pants, shorts, and dresses for export; 70 percent of production will be exported to the United States and 30 percent to Europe. A new textile firm in Ghana, worth $70 million and planned for the Tema Free Zones, is expected to begin production of raw materials for the country's textile and apparel industry in July 2004 and employ 1,000 workers on three shifts.[11] Ghana's largest apparel production facility currently in operation is an AGOA-initiated U.S.-Ghanaian joint-venture project that produces socks.[12]
- An example of an intra-SSA country partnership prompted by AGOA is the establishment, with investment by Mauritius, of a $1.2-million factory located in Accra, Ghana, to produce fabric, trousers, and T-shirts. The factory began trial production in August 2003 and now produces about 3,000 T-shirts per day.[13] Mauritius investors have also purchased a declining textile firm in Mozambique, Textile do Pungue, and reportedly plan to invest $3 million in renovating the facility. They expect to employ 600 workers and produce 7,000 pairs of jeans per day for the U.S. market under AGOA.[14]
- In Tanzania, a new factory, Star Apparels, opened in early 2004 as a direct result of AGOA and the Government of Tanzania's export processing zone policies. The factory has hired 700 employees and expects to export more than $1 million worth of apparel, more than doubling its exports under AGOA in 2003. Star Apparel's first order of shirts for Wal-Mart was reportedly produced with yarn imported from the United States.[15]
- Although AGOA has prompted numerous new textile and apparel projects in the SSA countries, some industry sources have voiced concerns that the impact of AGOA has been uneven, disproportionately benefitting just a few countries.[16] Since the implementation of AGOA in 2000, there reportedly have been no capital expenditures in the textile industries in Mozambique, Seychelles, and DROC. In contrast, capital expenditures to upgrade, expand, and build new mills in other SSA countries have ranged from $0.5 million in Botswana to about $50 million in Swaziland to as much as $150 million in South Africa.[17]
- The growth of the textile and apparel sectors in SSA countries reportedly continues to be constrained by widespread shortages of raw materials and textile inputs, high production costs relative to Asian suppliers, and capacity underutilization. Industry sources at a Chinese-owned mill in Lesotho claim that their salary costs, exclusive of productivity differences, are almost three times greater than what they would pay at a comparable facility in China.[18] Kenya's cotton supply reportedly falls short of demand and is viewed as both expensive and of insufficient quality.[19] The cotton industry in Zimbabwe, which is not an AGOA beneficiary, operates at only slightly more than 50 percent of capacity.[20] Textile industry sources in Malawi expressed concern that, if the AGOA third-country fabric provision had not been extended in 2004 for another 3 years, continued production would have become difficult because of inadequate domestic supply of yarns and fabrics.
- Even with the extension of the AGOA third-country fabric provision, SSA countries are still concerned about the potential negative impact that the quota elimination will have on their textile and apparel industries.[21] In early July 2004, Mauritius became the first country to publicly call for a special WTO meeting to investigate the impact of pending elimination of all remaining textile and apparel quotas among WTO members.[22]

OVERVIEW-Continued

- Further hampering the growth of the textile and apparel industries in numerous SSA countries has been the influx of used clothing and inexpensive smuggled goods. Sources in Uganda state that imports of used clothing, which reportedly account for as much as 85 percent of the Ugandan domestic clothing market, discourage investors.[23] In Kenya, many untaxed garments are reportedly entering the local market and competing with local production.[24]
- SSA countries such as South Africa that had been supplying textiles to eastern and southern Africa, have had difficulty in producing enough textile inputs to meet regional demand and have not been able to attract investors to offset the insufficient volume.[25] Furthermore, although some SSA countries produce sufficient domestic supplies of raw materials and textile inputs, the quality of these products falls short of standards sought in the international marketplace. In Uganda, for example, a leading textile firm, Apparel Tri-Star, which had been sourcing fabric from Sri Lanka because of concerns about the quality of raw materials used in local production, only recently announced plans to start using fabric produced domestically.[26]
- Some SSA governments claim that obsolete machinery, which limits their productivity and competitiveness, prevents their textile and apparel industries from taking full advantage of AGOA preferences. There appears to be a pressing need to modernize factories throughout the region.[27] Industry sources in Senegal, for example, report that virtually no mill operates at capacity and that most mills use outmoded equipment for sporadic, noncompetitive production runs of simple products such as towels and blankets. Although a number of companies are reportedly involved in Senegal's yarn and textiles market, some of these firms have been largely inactive in recent years and data on capacity are unreliable. None can be considered to have up-to-date equipment or a skilled workforce.[28]
- The export competitiveness of SSA countries in the global textile and apparel market reportedly has been hampered by high taxes, high utility and input costs, and, for some SSA countries, currency appreciation. Industry sources in Ghana report that a certain fabric produced in Ghana costs at least three times more than a comparable fabric made in China.[29] Producers in Ghana assert that taxes account for 30 to 40 percent of the cost of their textiles and create the significant price differential between their products and those of other suppliers.[30] In 2003, textile firms in Nigeria feared the loss of 50,000 employees because of a 300-percent rise in the price of crude oil used by the textile industry.[31] Niger and Kenya reportedly have relatively high utility costs. Kenya's electric power costs are an estimated $0.07 per kilowatt hour, compared with $0.016 for South Africa; power costs in Kenya reportedly account for as much as 30 percent of its apparel component costs versus 15 percent for those in Egypt and European countries.[32]
- The strength of some SSA countries' currencies relative to the U.S. dollar, particularly that of the South African rand (to which other SSA currencies such as that of Swaziland are pegged), weakened the competitiveness of textile and apparel exports from these countries in 2003 and reportedly led to an influx of imports of yarns, fabrics, and garments into SSA countries from Asian suppliers.[33] Lesotho's currency, the maloti, is pegged one-to-one with the South African rand, and dollar costs have been increasing. Industry sources in Lesotho speculated that, if the South African rand continues to strengthen against the U.S. dollar, investors may significantly slow, if not drop, plans to build a spinning and weaving mill in Lesotho.[34] Kenya's apparel producers reported revenue losses in 2003 because of the almost 10-percent appreciation of the Kenyan shilling against the U.S. dollar. [35]

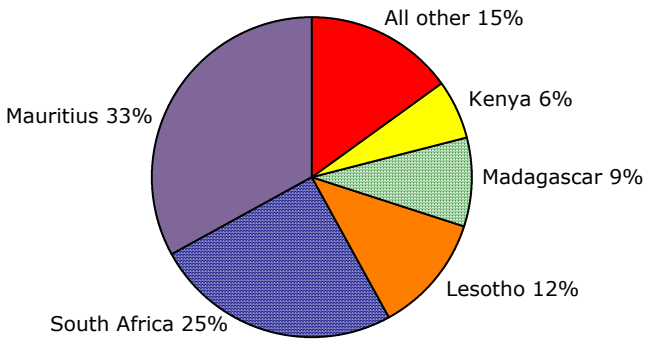
TRADE

SSA sector global imports, by country, 2002
($4.7 billion)



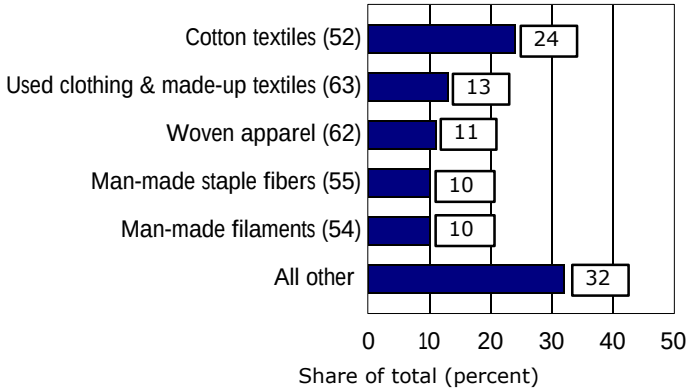
Source: United Nations.

SSA sector global exports, by country, 2002
($2.8 billion)



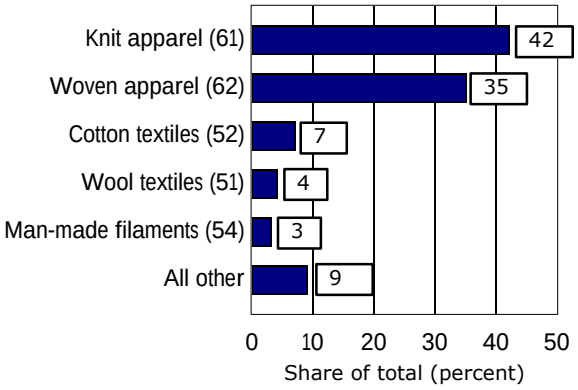
Source: United Nations.

SSA sector global imports, by HTS chapter, 2002
($4.7 billion)



Source: United Nations.

SSA sector global exports, by HTS chapter, 2002
($2.8 billion)



Source: United Nations.

Major Import Source (2002)	Share of Total (percent)	Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
China	29	Used clothing (6309.00)	8
EU15	21	Cotton fabrics (5208.52)	4
India	13	Dyed cotton fabrics of satin or twill weave (5208.39)	4
Indonesia	8	Badges, etc. of man-made fiber (5810.92)	2
Korea	5	Cotton T-shirts (6109.10)	2

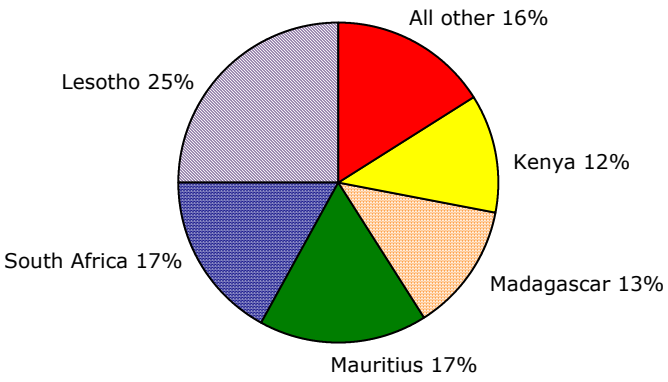
Source: United Nations.

Major Export Market (2002)	Share of Total (percent)	Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
United States	43	Cotton sweaters (6110.20)	12
EU15	39	Cotton men's trousers (6203.42)	11
Zimbabwe	2	Cotton T-shirts (6109.10)	10
South Africa	2	Cotton women's trousers (6204.62)	9
Mauritius	2	Men's / boys' cotton woven shirts (6205.20)	4

Source: United Nations.

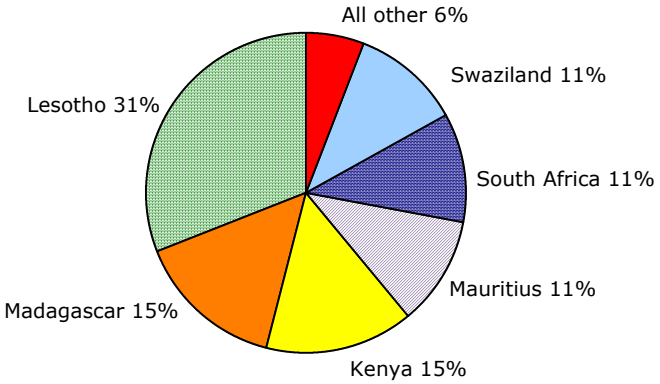
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($1.6 billion)



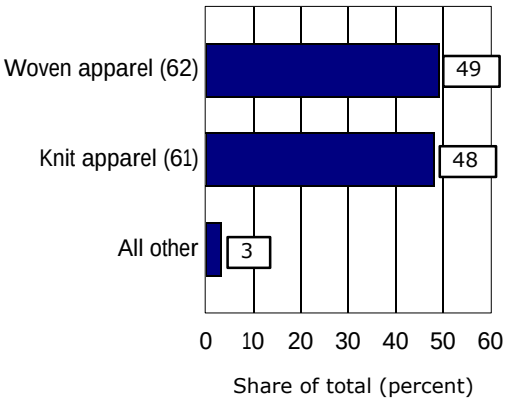
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($1.2 billion)



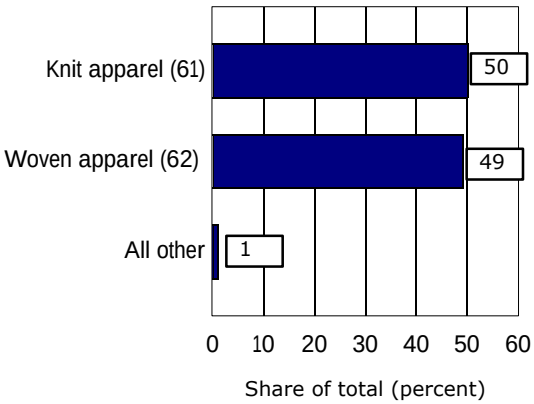
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS chapter, 2003
($1.6 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

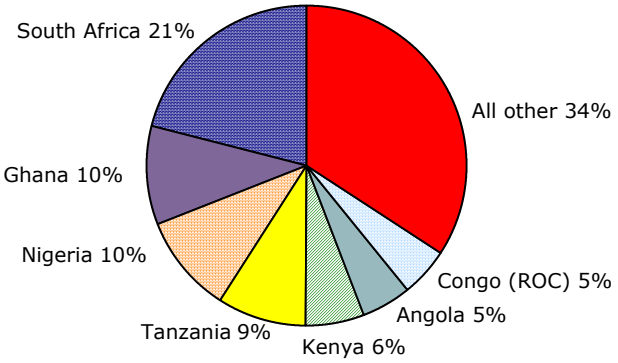
U.S. sector imports under AGOA (including GSP), by HTS chapter, 2003
($1.2 billion)



Source: Compiled from official statistics of the U.S. Department of Commerce.

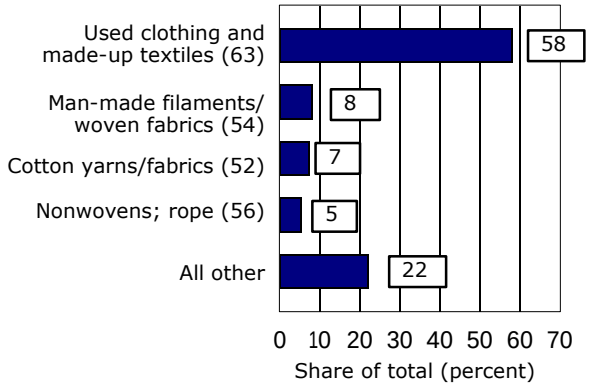
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($131 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector exports to SSA, by HTS chapter, 2003
($131 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- In 2003, U.S. sector imports from SSA countries rose by 37 percent to $1.6 billion. Such imports accounted for 2 percent of total U.S. sector imports in 2003, up from 1 percent in the previous year. SSA shipments consisted almost entirely of apparel, particularly cotton goods. Almost 60 percent of shipments were woven cotton pants and shorts for women and girls (HTS subheading 6204.62), cotton tops and related goods (6110.20), and woven cotton pants and shorts for men and boys (6203.42). The shipments came mostly from Lesotho (25 percent of the total), South Africa (17 percent), Mauritius (17 percent), and Madagascar (13 percent). For the second consecutive year, Lesotho was the largest SSA supplier of sector imports in 2003, and has been a major AGOA beneficiary for sector goods to date.

Key AGOA Trade Developments

- SSA shipments of sector goods under AGOA in 2003 rose 50 percent over the 2002 level to $1.2 billion, representing just over three-fourths of total U.S. sector imports from SSA and 9 percent of total imports under AGOA. AGOA sector shipments consisted primarily of apparel, which came mainly from Lesotho (31 percent of AGOA apparel imports), Madagascar (15 percent), Kenya (15 percent), Mauritius (11 percent), South Africa (11 percent), and Swaziland (11 percent).
- Most AGOA apparel imports in 2003 entered under a special provision (HTS subheading 9819.11.12) that allows apparel from least-developed beneficiary countries (LDBC) to be made of third-country fabrics (fabrics of other than U.S. or SSA origin), a provision that originally covered AGOA's first 4 years through September 2004.[36] Imports of such apparel totaled $914 million, of which 41 percent ($373 million) came from Lesotho, whose sector shipments of $393 million consisted almost entirely of such goods. Other major SSA suppliers of apparel under HTS subheading 9819.11.12 were Kenya ($176 million), Madagascar ($172 million), and Swaziland ($127 million). All but two (Mauritius and South Africa) of the 25 SSA countries that have met the additional statutory requirements to qualify for AGOA apparel preferences are eligible for the LDBC benefits.
- The rest of the AGOA apparel imports in 2003 consisted primarily of apparel made from "regional fabrics" produced in SSA countries from U.S. or SSA yarns. SSA shipments of such apparel totaled $226 million in 2003 and came almost entirely from South Africa ($121 million) and Mauritius ($103 million). These two countries generally must use yarns and fabrics made in SSA or in the United States to qualify for AGOA apparel preferences.
- AGOA sets an annual limit, or cap, on the quantity of U.S. imports of qualifying apparel articles made from regional or third-country fabrics that is eligible for duty-free entry. For the 12-month period ending on September 30, 2003, the cap was equal to 4.8 percent of the total quantity of U.S. apparel imports in the preceding 12-month period, or 736 million SMEs, of which not more than 2.1 percent, or 359 million SMEs, can be apparel made in LDBCs from third-country fabrics. SSA countries filled 36 percent of the cap, or 264 million SMEs; the LDBCs filled 62 percent of the cap on apparel of third-country fabrics. Most apparel entered under the cap was made from third-country fabric (84 percent of the total).

Key U.S. Export Developments

- U.S. exports of sector goods to SSA increased by 5 percent in 2003 to $131 million, or less than 1 percent of total U.S. sector exports. The major SSA markets for sector exports were South Africa (21 percent of the total), Ghana (10 percent), and Nigeria (10 percent). The principal U.S. sector exports to SSA are used clothing and other used textile articles (HTS headings 6309 and 6310). U.S. exports of such goods to SSA in 2003 totaled $69 million, of which $59 million were used clothing. The rest of the exports consisted mainly of textile materials such as yarn and fabric.

INVESTMENT

- FDI prompted by AGOA has continued to come primarily from Asia. Most of the investment has gone into expanding apparel production capacity and building yarn and fabric mills. Local textile production will enable apparel producers in the lesser developed SSA countries to continue to qualify for preferential treatment following the scheduled expiration of the third-country fabric provision on September 30, 2007.[37]
- Taiwanese-owned Lesotho Fancy Garments Group, which invested $7 million in apparel production, employs 3,000 workers, and produces 1.4 million garments per month, has reportedly announced plans to increase its investment to $50 million and build its own fabric mill.[38] The Nien-Shing Group, the largest textile investor in Lesotho, which currently has three factories producing 1 million pairs of jeans per month and employs 7,000 workers, plans to expand its denim production by building additional factories. The company is expected to eventually increase its investment to $2 billion in an operation that would employ up to 15,000 people. Country sources indicate that this firm could ultimately create 1 million indirect and direct jobs.[39]
- The Mauritius Board of Investment has approved two spinning mill proposals by Indian and Pakistani investors; the first project is a $20-million joint venture between an Indian textile group and a major Mauritian firm to set up a spinning unit to produce cotton yarn. The second project involves the Rasheed Group (TOPTEX), a cotton-spinning unit with an installed capacity of 24,288 spindles, to produce about 5,000 tons of cotton yarn per year.[40] China's first cotton spinning mill in Mauritius (Tianli Spinning Co.) became operational in March 2003; it presently produces 2,500 tons of combed and carded yarn and employs 230 people. A second phase expansion of this mill is planned for 2005.[41] Other projects being planned include the construction of a cotton spinning mill by CMT Ltd., one of Mauritius' leading apparel manufacturers, which is expected to produce about 8,000 tons of combed cotton yarn annually.[42]
- The first Cameroonian venture designed to take advantage of the AGOA textile and apparel provisions for this sector was reportedly launched in late 2003. Industry sources report that GICATIC-Textile, which is working with a U.S. firm, AF-AM Knitting, Inc., is expected to establish a vertically integrated operation that will house a knitting mill, a dyeing and finishing section, a garment component production section, a garment sewing facility, and an embroidery section. The project will reportedly cost 10 billion CFA francs (approximately $17 million) and create 36,000 jobs.[43] In addition, as part of efforts to promote AGOA and boost Cameroon's capacity to take advantage of AGOA benefits, the Cameroonian Federation for Fashion and Ready-To-Wear Apparel (FECCAP) was launched in August 2003 to improve linkages between textile producers, designers, and apparel producers.[44]
- Ethiopia's textile and apparel sector has received a grant of 90 million birr (approximately $10 million) from Italy to renovate several garment and textile factories so they can increase their exports to Europe, the United States, and Canada.[45] A new clothing firm, Umar Textiles, was established in Maputa, Mozambique, by a Pakistani investor, to export exclusively to the United States under the AGOA program.[46] A new garment plant, the result of a joint venture between Kenya and Qatar, was inaugurated by Kenya's president in December 2003. The plant employs 2,000 workers and has an installed capacity of 7.2 million pieces that are targeted for export.[47]
- Revival Fabrics, a joint venture between Chinese investors and a company in Zimbabwe (which currently is not eligible for AGOA textile and apparel trade benefits) to create a multimillion-dollar vertically integrated clothing project, was reportedly set to open in early 2003. The project, which initially involves the construction of a weaving plant spanning 1,000 acres and costing $10 million, is expected to employ 2,500 people. Spinning and dyeing plants will be constructed later at an estimated cost of $30 million.[48]
- Leading Ugandan textile producer, Tri-Star, signed an agreement with the U.S. firm Sunquest Apparel to supply $10 million worth of garments to the U.S. market. Sunquest has committed to building a weaving and spinning plant in Uganda that will use local cotton.[49]
- Investors from Mali, Mauritius, and France formed a venture that established a new cotton thread factory, Fitina, near Bamako, Mali. The factory supports 200 new jobs, and is expected to process 5,000 metric tons of cotton each year during its first five years, and up to 15,000 metric tons in subsequent years. The cotton thread will be exported to several SSA countries, including Mauritius, for use in apparel that could be exported to the United States, thereby enabling Mali to take advantage of the trade preferences granted by AGOA. Plans are also underway to build a $7.5-million blue jean production facility that will produce 15 million SMEs of denim fabric annually.[50]

ENDNOTES

[1] This sector includes items classified in Harmonized Tariff Schedule chapters 39, 40, 42, 43, 50-63, 65, 70, and 94.

[2] "Lesotho: Textile Conference in May," Apr. 28, 2004, found at Internet address *http://www.bharattextile.com/newsitems/198989703*, retrieved July 9, 2004.

[3] Originally, it was intended that this mill would also import cotton from the United States, however, U.S. cotton suppliers have been shipping their cotton to China. See U.S. Department of State telegram, "AGOA III: Information on Textile and Apparel Capabilities," message No. 000144, prepared by U.S. Embassy, Maseru, Mar. 4, 2004; and U.S. Department of State telegram, "Lesotho (Mostly) Welcomes Senate Passage of AGOA III, But Fears the Strong Rand," message No. 000388, prepared by U.S. Embassy, Maseru, July 3, 2004.

[4] "Lesotho: Textile Industry Provides Skein of Jobs," Aug. 5, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1984679*, retrieved July 9, 2004.

[5] U.S. Department of State telegram, "Mauritius Input for 2004 President's Report on AGOA," message No. 000136, prepared by U.S. Embassy, Port Louis, Feb. 26, 2004.

[6] Werner International Management Consultants, "Spinning and Weaving Labor Cost Comparisons, 2002," Werner International 2003.

[7] U.S. Department of State telegram, "AGOA III: Information on Textile and Apparel Production Capabilities for Mauritius," message No. 000159, prepared by U.S. Embassy, Port Louis, Mar. 5, 2004.

[8] U.S. Department of State telegram, "AGOA III: Textile and Apparel Production Capabilities in Ethiopia," message No. 000706, prepared by U.S. Embassy, Addis Ababa, Mar. 4, 2004.

[9] Ibid.; and "Ethiopia: Government Earmarks 1.5 Billion Birr for Textile Industry," Feb. 14, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1986410*, retrieved July 7, 2004.

[10] "Ethiopia: Fabrics, Textile Company Established," Nov. 15, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1986410*, retrieved July 7, 2004.

[11] "Ghana: Textile Company to Be Set Up at Tema Free Zones," June 19, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1983872*, retrieved July 7, 2004.

[12] U.S. Department of State telegram, "Ghana: AGOA III Information on Textile and Apparel Production Capabilities," message No. 000441, prepared by U.S. Embassy, Accra, Mar. 2, 2004.

[13] "Ghana: First Textile and Garments Factory under PSI Inaugurated," July 5, 2005, found at Internet address *http://www.bharattextile.com/newsitems/1990853*, retrieved July 7, 2004.

[14] "Mozambique: Mauritians to Invest $3 Million in Clothing Factory," Aug. 9, 2004, found at Internet address *http://just style.com/news*, retrieved Aug. 9, 2004.

[15] U.S. Department of State telegram, "AGOA III: Textile and Apparel Production Capabilities in Tanzania," message No. 000407, prepared by U.S. Embassy, Dar Es Salaam, Mar. 5, 2004.

[16] U.S. Department of State telegram, "AGOA III: Textile and Apparel Production Capabilities in Cameroon," message No. 000334, prepared by U.S. Embassy, Yaounde, Mar. 4, 2004.

[17] Joop de Voest, "Third Party Yarn and Fabric Capacity in Southern and Eastern Africa and Garment Production," Zambia Trade and Investment Enhancement Project (ZAMTIE), Contract No. 690-C-00-00-00283-00, Apr. 2004.

[18] U.S. Department of State telegram, "Lesotho (Mostly) Welcomes Senate Passage of AGOA III, but Fears the Strong Rand," message No. 000388, prepared by U.S. Embassy, Maseru, July 3, 2004.

[19] "Kenya: Export Zones Increase Their Textile Sales to U.S.," Nov. 22, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1986528*, retrieved July 8, 2004.

[20] "Zimbabwe: Need to Fully Utilize Ginning Capacity," June 22, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1990663*, retrieved July 20, 2004.

[21] For more information about the impact of the ATC and the impact of the elimination of quotas on January 1, 2005 on the competitiveness of the SSA countries, see *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market*, vol. I, chapter 3, and appendix K, inv. No. 332-448, USITC Publication 3671, Jan. 2004.

[22] "Mauritius Calls for WTO Meeting on Quota Phase-Out," *WorldTrade/Interactive*, July 2, 2004, found at Internet address *http://www.strtrade.com*, retrieved July 2, 2004.

[23] "Uganda: Textile Sector Not Developing Due to Second Hand Clothes," Sept. 4, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1985169*, retrieved July 20, 2004; and "Uganda: High Interest Affecting Textile Sector," Feb. 21, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1988587*, retrieved July 20, 2004.

[24] "Kenya: Untaxed Asian Textiles Threatens Local Industry," Mar. 30, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1989210*, retrieved July 7, 2004.

[25] "Malawi: AGOA Deadline Worries Textile Industry," June 6, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1983660*, retrieved July 7, 2004.

[26] "Uganda: Apparel Manufacturer to Source Local Fabric," Apr. 2, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1989274*, retrieved July 20, 2004.

[27] "Mozambique: Local Clothing Industry Facing Crisis," May 3, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1983055*, retrieved July 20, 2004; and "Zimbabwe: Textile Sector Seeks Government Support," May 26, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1990187*, retrieved July 20, 2004.

[28] U.S. Department of State telegram, "AGOA III: Senegal Textile and Apparel Production Capabilities," message No. 000375, prepared by U.S. Embassy, Dakar, Feb. 18, 2004.

[29] "Ban on Textile Imports Would be a Mistake," Dec. 2, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1986875*, retrieved July 7, 2004.

[30] "Ghana: Textile Sector Seeks Check on Imported Textiles," Dec. 12, 2003, found at Internet address *http://www.bharattextile.com/ newsitems/1986875*, retrieved July 7, 2004.

[31] "Nigeria: Rise in Black Oil Prices Affecting Textile Jobs," Oct. 29, 20003, found at Internet address *http://www.bharattextile.com/newsitems/1986113*, retrieved July 9, 2004.

[32] "Kenya: Export Zones Increase Their Textile Sales to U.S.," Nov. 22, 2003, found at Internet address *http://www.bharattextile.com/ newsitems/1986258*, retrieved July 8, 2004.

ENDNOTES

[33] "Swaziland: Textile Sector Facing Crisis," Apr. 1, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1989256,* retrieved July 9, 2004; and Joop de Voest, "Third Party Yarn and Fabric Capacity in Southern and Eastern Africa and Garment Production," Zambia Trade and Investment Enhancement Project (ZAMTIE), Contract No. 690-C-00-00-00283-00, Apr. 2004.

[34] U.S. Department of State telegram, "Lesotho (Mostly) Welcomes Senate Passage of AGOA III, But Fears the Strong Rand," message No. 000388, prepared by U.S. Embassy, Maseru, July 3, 2004.

[35] "Kenya: Apparel Exporters Hit by Shilling's Free Float Policy," June 24, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1983963*, retrieved July 9, 2004.

[36] AGOA III extended this provision for an additional 3 years, which ends on September 30, 2007. See discussion in section on AGOA III legislation in chapter 2.

[37] The third-country provision was originally set to expire on September 30, 2004, but was extended by AGOA III until September 30, 2007. See chapter 2 of this report for additional information on the AGOA III legislation.

[38] "Lesotho: Textile Industry Provides Skein of Jobs," Aug. 5, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1984679*, retrieved July 9, 2004.

[39] Ibid.

[40] U.S. Department of State telegram, "Mauritius Input for 2004 President's Report on AGOA," message No. 000136, prepared by U.S. Embassy, Port Louis, Feb. 26, 2004.

[41] U.S. Department of State telegram, "AGOA III: Information on Textile and Apparel Production Capabilities for Mauritius," message No. 000159, prepared by U.S. Embassy, Port Louis, Mar. 5, 2004.

[42] Ibid.

[43] "Cameroon: New Textile Firm Commission," Nov. 22, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1986516*, retrieved July 7, 2004.

[44] U.S. Department of State telegram, "AGOA III: Textile and Apparel Production Capabilities in Cameroon," message No. 000334, prepared by U.S. Embassy, Yaounde, Mar. 4, 2004.

[45] "Ethiopia: Italy to Support Textile Sector," Nov. 22, 2003, found at Internet address *http://www.bharattextile.com/newsitems1986527*, retrieved July 7, 2004.

[46] "Mozambique: Local Clothing Industry Facing Crisis," May 3, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1983055*, retrieved July 20, 2004.

[47] "Kenya: President Opens New Garment Plant," Dec. 20, 2003, found at Internet address *http://www.bharattextile.com/newsitems/1987011*, retrieved July 9, 2004.

[48] "Zimbabwe: Revival Fabrics to Open Multimillion Dollar Project," Dec. 19, 2002, found at Internet address *http://www.bharattextile.com/newsitems/1980434*, retrieved July 20, 2004.

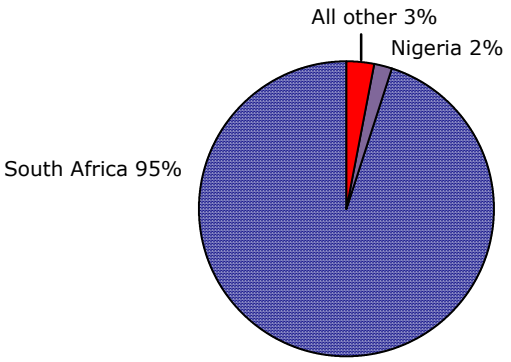
[49] "Uganda: Tri-Star to Supply Garments to U.S. Firm," Jan. 31, 2004, found at Internet address *http://www.bharattextile.com/newsitems/1988232*, retrieved July 20, 2004.

[50] U.S. Department of State telegram, "Mali: Update Information for 2004 Report on AGOA," message No. 000273, prepared by U.S. Embassy, Bamako, Feb. 25, 2004; and U.S. Department of State telegram, "Mali: AGOA III - Textile and Apparel Production Capabilities," message No. 000319, prepared by U.S. Embassy, Bamako, Mar. 4, 2004.

CERTAIN TRANSPORTATION EQUIPMENT[1]

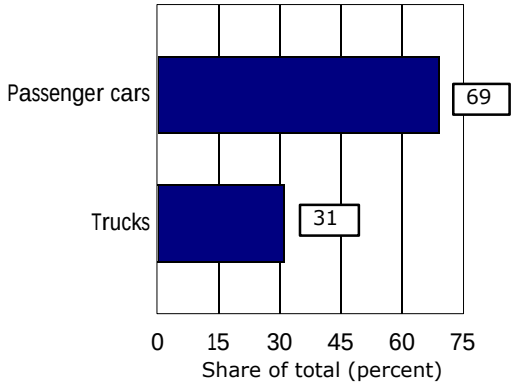
OVERVIEW

SSA sector production, by country, 2003
458,629 vehicles



Source: *Automotive News Market Data Book 2004.*

SSA sector production, by product, 2003
458,629 vehicles



Source: *Automotive News Market Data Book 2004.*

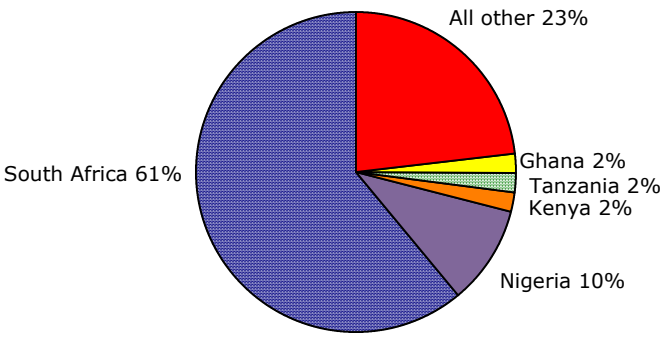
- South Africa is the dominant producer of motor vehicles and motor-vehicle parts in the SSA region, accounting for 95 percent of SSA production in 2003. Nigeria was the second-leading producer with 2 percent, and all others accounted for the remaining 3 percent. Other SSA countries with some motor vehicle production or assembly include Ethiopia, Ghana, Côte d'Ivoire, Kenya, Mozambique, Tanzania, and Zambia; these countries assemble trucks on a very small scale. South Africa ranks as the 19th-largest motor vehicle producer in the world.
- The automotive industry in South Africa accounts for nearly 6 percent of the country's gross domestic product,[2] and it is the largest manufacturer, and the largest manufacturing exporter.[3] South African motor vehicle industry strengths include competitive manufacturing costs, particularly on low-volume runs; the ability to manufacture to high-quality specifications; strategic location in the Southern Hemisphere; expertise in right-hand drive manufacturing; and technological competence in specific areas.[4]
- Total motor vehicle production in South Africa has increased steadily over the past few years. Passenger car production increased by 5 percent from 290,500 units in 2002 to 303,500 units in 2003. Truck production also grew steadily, from 127,942 units in 2002 to 130,600 units in 2003.[5] Most motor vehicle production is from completely knocked down (CKD) kits, incorporating some locally produced components. Duties for CKD components are currently 30 percent ad valorem, but will decline to 25 percent in 2007 and to 20 percent in 2012, as is further discussed below.[6]
- The automotive industry in South Africa consists of foreign subsidiaries and local-foreign joint venture operations. Leading South African passenger vehicle producers include BMW South Africa, DaimlerChrysler SA, Ford Motor Company of Southern Africa, General Motors South Africa, Nissan South Africa, Toyota South Africa, and Volkswagen of South Africa. Leading commercial vehicle producers include ERF South Africa, Iveco South Africa, MAN Truck and Bus SA, Nissan Diesel, Scania South Africa (Pty) Ltd., and Tyco Truck Manufacturers.
- South Africa is the leading market for motor vehicle sales in the SSA region, accounting for 54 percent of SSA motor vehicle sales in 2003. Nigeria was the second-largest market (6 percent), followed by Zambia (3 percent), Côte d'Ivoire (3 percent), and Sudan (3 percent). Total motor vehicle sales in SSA reached 681,195 units in 2003.[7]
- In 2003, total vehicle sales in South Africa reached 371,189 units. The factors contributing to growth in the South African motor vehicle market included lower interest rates, improved vehicle affordability, increased disposable income, higher consumer and business confidence, intense competition resulting in competitive pricing, and the prospect of legislation to lower inflation and allow private leasing.[8] Interest rates were cut last year by 5.5 percent, to 11.5 percent – the lowest level in over 20 years.[9]
- In the first half of 2004, South Africa's new vehicle sales reportedly rose by almost 20 percent, to 206,046 units. Motor vehicle sales are a leading indicator of economic growth in South Africa, and sales are projected to top 400,000 units for 2004. The strong rand is likely to encourage vehicle price stability, and interest rates are expected to remain at current levels.[10]
- In 2003, Toyota garnered the most South African total vehicle sales with 96,087 units. Toyota also led passenger vehicle sales with 60,605 units. Volkswagen was the second-leading passenger vehicle seller with 57,323 units, followed by DaimlerChrysler (28,238 units), and Ford (26,074 units). Toyota also dominated 2003 commercial vehicle sales selling 35,482 units, followed by Nissan (24,373 units), Ford (21,593 units), and GM (19,640 units). [11]
- There are more than 220 dedicated automotive component suppliers in South Africa, and another 150 that supply the automotive industry as well as other industries. The automotive component industry is highly concentrated, with only 14 firms accounting for more than one-half of the industry's employment and output. Export growth rates have remained high, at over 40 percent over the past 10 years. Catalytic converters make up approximately 50 percent of component exports; other key exports include stitched leather car seat covers, tires, mufflers / exhaust pipes, and road wheels and parts. Germany is the main market for South African component exports; other major export markets include the United Kingdom, the United States, Belgium, Spain, and Zimbabwe.[12]

OVERVIEW-Continued

- Capacity utilization in the South African motor vehicle industry averages 73 percent and remained stable during 2001-03, increasing by only 1 percent. In 2003, passenger car capacity utilization was 77 percent; light commercial vehicles, 70 percent; medium commercial vehicles 61 percent; and heavy commercial vehicles, 86 percent.[13]
- The motor vehicle industry in South Africa, including the retail business, employs an estimated 304,000 workers. During the last 5 years, South African motor vehicle manufacturing employment has remained fairly constant at around 32,000; however, jobs in the component industry increased from 67,200 in 1999 to 75,000 in 2003.[14]
- Results of the South African government-sponsored Motor Industry Development Program (MIDP) have been positive; motor vehicle exports have increased from 16,000 to 127,000 units per year, the value of parts exports has tripled, and the volume of vehicles produced has doubled. The government is presently conducting a wide-ranging study into the effect of the MIDP, concentrating on the effect of free trade agreements on the program's objectives, as well as the effect the MIDP has had on employment levels. Results of this study are to be released in late 2004.[15]
- At the start of the MIDP in 1995, the tariff on cars and light commercial vehicles was 65 percent; the current tariff level is 40 percent and will be reduced to 30 percent by 2007 and 25 percent by 2012. For CKD components, the tariff at the start of the MIDP was 49 percent ad valorem; the current tariff level is 30 percent and will be reduced to 25 percent in 2007 and 20 percent by 2012. The tariff on medium and heavy commercial vehicles, which was 40 percent at the start of the MIDP, decreased to 20 percent in 2000 and will remain at that level through 2007. Most components for medium and heavy commercial vehicles, excluding tires, are free of duty.[16] The MIDP allows international companies that import and export motor vehicles and parts to reduce their import duties via export credits.[17]
- Both exports and imports have increased rapidly. By 2008, total vehicle exports from South Africa are expected to exceed cars built for its domestic market. The largest export markets will likely be Australia, New Zealand, and Asia.[18]
- Current competitive pressures felt by the South African automotive industry include increasing price competition in the global marketplace, rising logistical and distribution costs, rising domestic inflationary pressures, a strengthening exchange rate, and increasing competition from other low-cost manufacturing countries that have potentially large or growing markets.
- Shipping problems, both by air and by sea, have reportedly posed a threat to South Africa's competitive future in the automotive industry. The air transport system is not efficient enough to meet the demand for last-minute specification changes to new vehicles. In addition, shipping ports have been at a disadvantage because of labor problems, delays, and security issues. South Africa reportedly plans to address its relatively high port costs and abundance of unnecessary ports.[19]

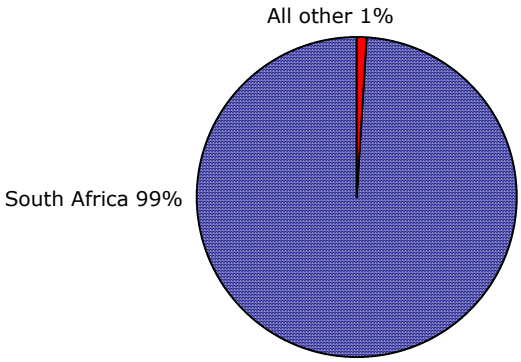
TRADE

SSA sector global imports, by country, 2002
($4.5 billion)



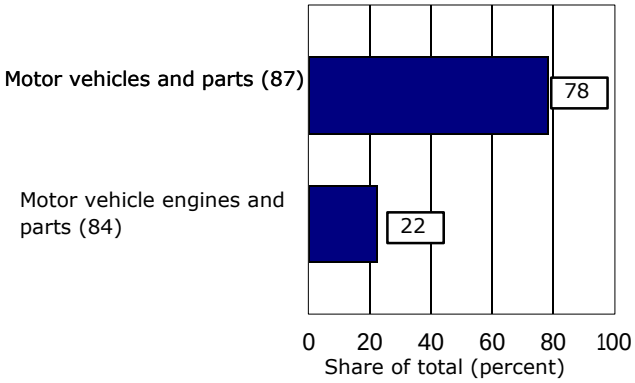
Source: United Nations.

SSA sector global exports, by country, 2002
($2.3 billion)



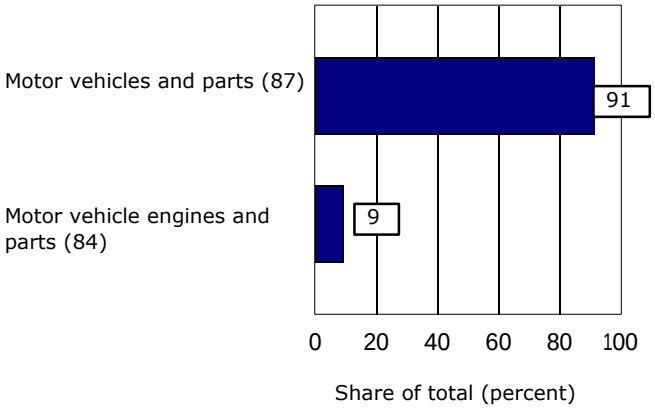
Source: United Nations.

SSA sector global imports, by HTS chapter, 2002
($4.5 billion)



Source: United Nations.

SSA sector global exports, by HTS chapter, 2002
($2.3 billion)



Source: United Nations.

Major Import Source (2002	Share of Total (percent)	Major Import Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	62	Passenger motor vehicles (8703.23)	29
Japan	16	Miscellaneous motor vehicle parts (8708.99)	21
United States	5	Certain motor vehicle body parts (8708.29)	8
South Africa	3	Passenger motor vehicles (8703.24)	7
Oman	3	Gasoline-powered engines over	
Brazil	2	1,000 cc (8407.34)	6
		Miscellaneous engine parts (8409.99)	5

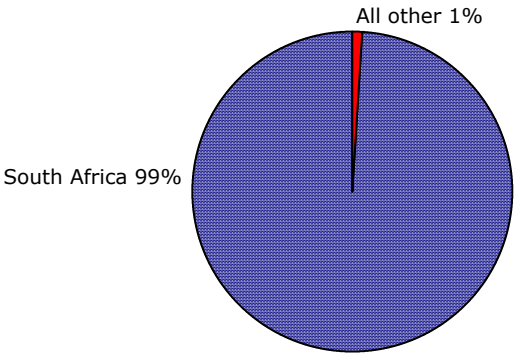
Source: United Nations.

Major Export Market (2002)	Share of Total (percent)	Major Export Item (6-digit HTS) (2002)	Share of Total (percent)
EU15	42	Passenger motor vehicles (8703.23)	64
Japan	20	Passenger motor vehicles (8703.24)	9
United States	16	Road wheels and parts (8708.70)	4
Australia	9	Certain motor vehicle body parts (8708.29)	4
Hong Kong	2	Miscellaneous motor vehicle parts (8708.99)	3
Singapore	1	Gasoline-powered engines over	
		1,000 cc (8407.34)	3

Source: United Nations.

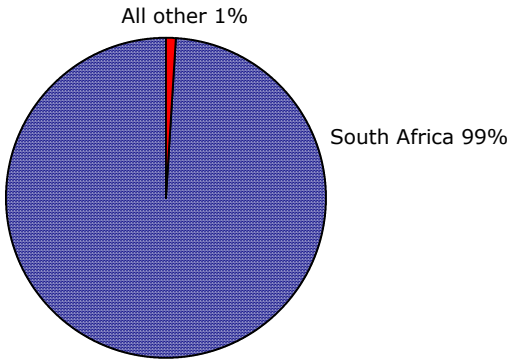
TRADE-Continued

U.S. sector imports from SSA, by source, 2003
($742 million)



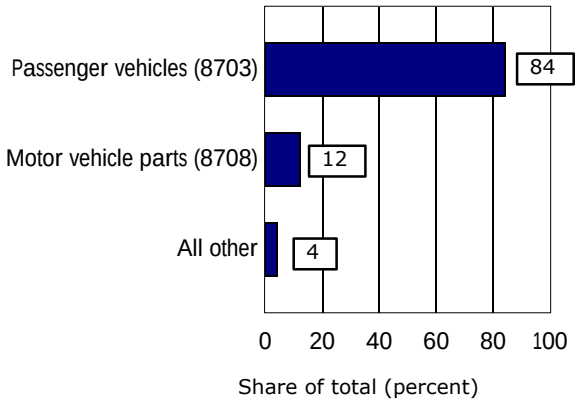
Source: Compiled from official statistics of the U.S. Department Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2003
($716 million)



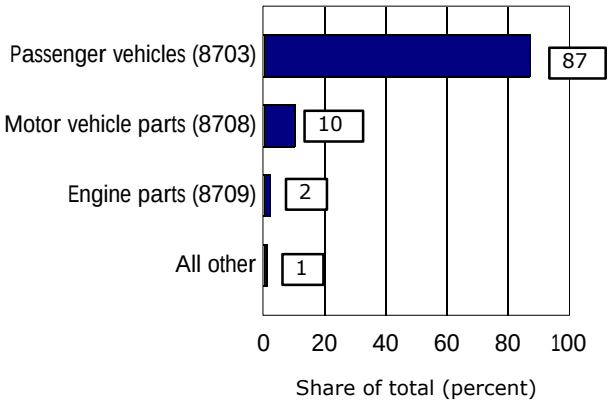
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2003
($742 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

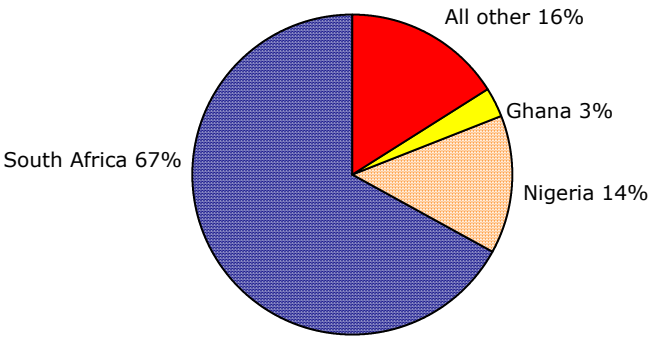
U.S. sector imports under AGOA (including GSP), by HTS heading, 2003
($716 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

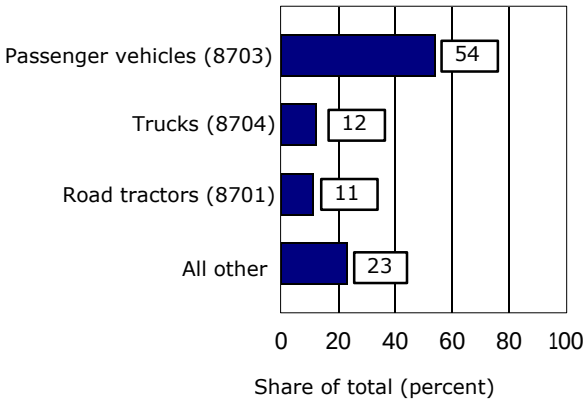
TRADE-Continued

U.S. sector exports to SSA, by market, 2003
($412 million)



Source: Compiled from official statistics of the U.S. Department Commerce.

U.S. sector exports to SSA, by HTS heading, 2003
($412 million)



Source: Compiled from official statistics of the U.S. Department of Commerce.

Key U.S. Import Developments

- U.S. imports of certain transportation equipment from SSA reached $742 million in 2003, an increase of $182 million over 2002, or 33 percent. SSA accounted for less than 1 percent of the value of total U.S. sector imports in 2003.
- The principal sector import items that year included passenger motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cubic centimeters (cc) (HTS subheading 8703.23, 43 percent of the total value); and passenger motor vehicles with an engine cylinder capacity exceeding 3,000 cc (HTS subheading 8703.24, 41 percent). Almost all of these imports were BMW vehicles.
- Virtually all U.S. sector imports from SSA in 2003 were supplied by South Africa. Passenger cars accounted for 84 percent of total U.S. sector imports from South Africa in 2003. Leading components imported from South Africa in 2003 included road wheels, miscellaneous auto parts, and miscellaneous engine parts.
- There were sizeable increases in U.S. imports of passenger motor vehicles with an engine cylinder capacity exceeding 3,000 cc (an increase of $171 million or 129 percent), road wheels and their parts (an increase of $16 million or 79 percent), and miscellaneous motor vehicle parts (an increase of $10 million or 99 percent). In contrast, decreases were registered in U.S. imports of passenger motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cc (a decrease of $18 million or 5 percent) and mufflers and exhaust pipes (a decrease of $2 million or 24 percent).

Key AGOA Trade Developments

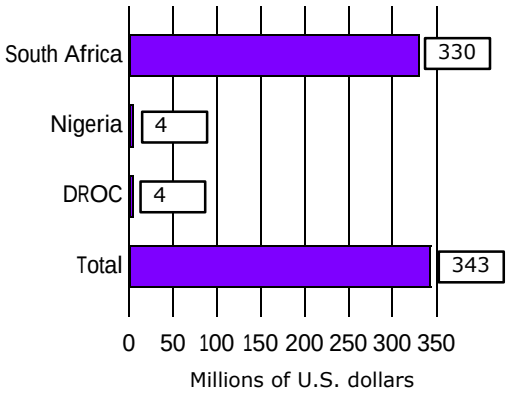
- U.S. transportation equipment imports under AGOA increased by 34 percent in 2003, reaching $716 million; the majority of such imports were from South Africa. In 2003, imports under AGOA accounted for 97 percent of total U.S. sector imports from SSA. The leading U.S. sector import items under AGOA in 2003 included passenger motor vehicles (87 percent of the total value) and motor vehicle parts (10 percent).

Key U.S. Export Developments

- In 2003, the United States ran a $304-million deficit with SSA in certain transportation equipment. In 2002, the U.S. deficit was $257 million; in 2001, the United States ran a $153-million trade surplus in the sector with SSA.
- In 2003, U.S. exports of certain transportation equipment to SSA reached $412 million, up 36 percent from the previous year. South Africa accounted for two-thirds of U.S. sector exports to SSA, and SSA accounted for less than 1 percent of the value of total U.S. sector exports in 2003.
- The major U.S. sector export items to SSA in 2003 included motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cc (HTS subheading 8703.23, 33 percent of the total value); road tractors for semi-trailers (HTS 8701.20, 11 percent); and trucks with gross vehicle weight over 5 metric tons but not over 20 metric tons (HTS 8704.22, 10 percent).
- In contrast to sizeable increases in U.S. exports of certain passenger vehicles (HTS 8703.23, an increase of $34 million, or 34 percent) and road tractors for semi-trailers (HTS 8701.20, an increase of $32 million, or 211 percent), large decreases were registered in chassis fitted with engines (HTS 8706.00, a decrease of $4.3 million, or 51 percent); oil or fuel filters (HTS 8421.23, a decrease of $3.9 million, or 40 percent); and heavy-duty trucks (HTS 8704.32, a decrease of $2.7 million, or 52 percent). U.S. exports of these products may have been replaced by increased local production.

INVESTMENT

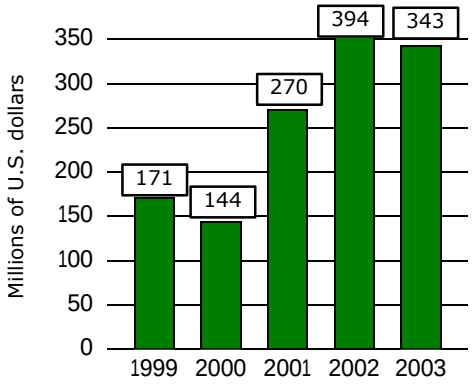
U.S. sector SSA FDI position, by country, 2003



Note.-Data for some countries are not disclosed owing to confidentiality. Industry classification basis changed from SIC to NAICS in 2002.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Transportation equipment."

U.S. sector SSA FDI position, 1999-2003



Note.-Industry classification changed from SIC to NICS in 2002; data from 1999-2001 have been converted to NAICS. Data for 2001 and 2002 have been revised from previous estimates.

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Data are for sector defined as "Transportation equipment."

- U.S. FDI in the SSA transportation equipment sector totaled $343 million in 2003, down from $394 million the previous year. South Africa was the primary SSA location for U.S. sector FDI in 2003. The transportation equipment sector accounted for about 3 percent of the total U.S. FDI position in SSA in 2003, and SSA accounted for nearly 1 percent of the global U.S. FDI position in the sector that year.[20]
- Capital expenditures in the South African automotive industry increased rapidly during 2000-02, from R1.6 billion (approximately $186 million) to R2.7 billion (approximately $256 million), before declining slightly to R2.3 billion (approximately $304 million) in 2003.[21]
- Free trade agreements with the EU and within SADC; potential agreements with Mercosur, China, Japan, the United States, and India; an economic agreement with Thailand; and AGOA are creating new investment opportunities in the South African automotive industry.[22]
- DaimlerChrysler South Africa, which currently produces 42,000 cars per year at its East London facility, is aiming to nearly double its capacity to 80,000 vehicles per year. Currently, the plant focuses on right-hand-drive markets, exporting 45 percent of its output to the United Kingdom, 11 percent each to Japan and Australia, and 25 percent for domestic consumption. The company plans to target the U.S. market, through the AGOA program, with its increased capacity.[23]
- In 2003, GM was granted South African government approval to purchase the remaining 51 percent of Delta to create General Motors South Africa (GMSA). The plant manufactures Suzuki, Isuzu, and Opel brand vehicles.[24] GMSA will invest R500 million (approximately $66 million) to produce Isuzu pickup trucks, and the company plans to spend R500 million (approximately $66 million) per year procuring locally produced components. Over the next 5 years, GMSA reportedly will invest an estimated R1.5 billion (approximately $198 million) to increase production and exports, and upgrade the company's two production facilities.[25]
- In 2003, Ford announced its plan to invest in export capacity in South Africa, joining DaimlerChrysler, BMW, Volkswagen, and Toyota in making South Africa a global manufacturing base. The company announced an estimated R1 billion (approximately $132 million) investment for the production of a commercial vehicle by late 2004 and a passenger vehicle in early 2005, both for export. Ford's capacity will reach 2,700 commercial vehicles and 30,000 passenger vehicles per year.[26]
- Nissan South Africa won a R1 billion (approximately $148 million) contract to produce single cab pickup trucks for export. Nissan estimates production at 4,600 units per year, with about 65 percent local content. The vehicles will be exported to Europe, Singapore, Australia, and New Zealand.[27]
- In 2003, Toyota increased its holding in Toyota South Africa from 35.7 percent to 74.9 percent. Toyota is beginning to export vehicles to Australia, and recently opened a R168 million (approximately $22 million) stamping facility.[28]
- Volkswagen South Africa recently won a R12 billion (approximately $1.6 billion), 6-year contract to build a total of 440,000 cars for export to Germany. Volkswagen has undergone a R750 million (approximately $99 million) factory upgrade.[29]
- The Gauteng government in South Africa is close to securing R800 million (approximately $106 million) in private funding for a new automotive supplier park in Pretoria. The park would serve BMW, Fiat, Ford, and Nissan.[30]

ENDNOTES

[1] For the purposes of this chapter, certain transportation equipment is defined as motor vehicles (cars, trucks, and buses), engines, and certain motor vehicle parts. These products account for over 90 percent of all transportation equipment imports from SSA. This sector includes portions of Harmonized Tariff Schedule chapters 84 and 87.

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[5] Automotive News, *2004 Market Data Book*, p. 44; and Automotive News, *2003 Market Data Book*, p. 44.

[6] Just-auto.com editorial team, "Where next for South Africa's automotive industry?" May 14, 2004, found at Internet address *http://just auto.com*, retrieved May 20, 2004.

[7] Automotive News, *2004 Market Data Book*, p. 47.

[8] Just-auto.com editorial team, "Optimists foresee more South Africa growth," Jan. 15, 2004, found at Internet address *http://just auto.com*, retrieved Jan. 29, 2004.

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[10] Ibid.

[11] Data supplied by Ward's Communications.

[12] Chris Wright and Anthony Lewis, "South Africa's auto industry at a crossroads," July 2004, found at Internet address *http://just auto.com*, retrieved July 6, 2004.

[13] NAAMSA, "Quarterly Review of Business Conditions: Motor Vehicle Manufacturing Industry: 4th Quarter, 2003," found at Internet address *http://www.naamsa.co.za*, retrieved July 20, 2004.

[14] Chris Wright and Anthony Lewis, "South Africa's auto industry at a crossroads," July 2004, found at Internet address *http://just auto.com*, retrieved July 6, 2004.

[15] Automotive Industry Development Centre, May 10, 2004, found at Internet address *http://www.aidc.co.za*, retrieved June 3, 2004.

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[19] Chris Wright and Anthony Lewis, "South Africa's auto industry at a crossroads," July 2004, found at Internet address *http://just auto.com*, retrieved July 6, 2004.

[20] USDOC, BEA, Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, provided to USITC staff, Sept. 16, 2004.

[21] NAAMSA, "New Vehicle Manufacturing Industry: Capital Expenditure 2000 – 2004," Mar. 16, 2004, found at Internet address *http://www.naamsa.co.za*, retrieved June 4, 2004.

[22] SouthAfrica.info reporter, "SA auto industry rides MIDP wave," Oct. 8, 2003, found at Internet address *http://www.southafrica.info*, retrieved June 4, 2004.

[23] Just-auto.com editorial team, "DaimlerChrysler plant hoping for USA C-class deal," July 29, 2004, found at Internet address *http://just auto.com*, retrieved July 29, 2004.

[24] Brian Corbett, "GM to Add Dealers in South Africa," *Ward's Automotive Report*, Feb. 2, 2004, p. 5.

[25] Just-auto.com editorial team, "GM to invest in pickup production," July 6, 2004, found at Internet address *http://just auto.com*, retrieved July 6, 2004.

[26] Just-auto.com editorial team, "South Africa: Ford plans billion rand export programme," Sept. 2, 2003, found at Internet address *http://just auto.com*, retrieved Sept. 2, 2003.

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[28] SouthAfrica.info reporter, "SA vehicle exports make inroads," Oct. 8, 2003, found at Internet address *http://www.southafrica.info.com*, retrieved June 6, 2004.

[29] Chris Wright and Anthony Lewis, "South Africa's auto industry at a crossroads," July 2004, found at Internet address *http://just auto.com,* retrieved July 6, 2004.

[30] Ibid.