EXECUTIVE SUMMARY

This report is the fifth in a 5-year series documenting U.S.-sub-Saharan Africa (SSA) trade and investment flows. The U.S. International Trade Commission (Commission or USITC) compiled this report at the request of the United States Trade Representative (USTR). In a letter dated April 12, 2000,[1] the USTR asked the Commission to submit a report that provides: an analysis of U.S.-SSA merchandise trade and services flows; country-by-country profiles of the economies of each SSA country, including information on major trading partners and a summary of the trade and investment climates in each SSA country; a summary of U.S. foreign and total direct investment and portfolio investment in SSA; information on SSA privatization efforts; updates on progress in regional integration in SSA, including statistics on U.S. trade with the major regional groupings; and a summary of multilateral and U.S. bilateral assistance to SSA countries.

In a supplemental letter dated July 10, 2002, the USTR requested that the Commission provide the following additional information: the value of U.S. imports from SSA under the African Growth and Opportunity Act (AGOA) including its Generalized System of Preferences (GSP) provisions, by beneficiary country and major product categories; information on investment developments related to AGOA; a description and analysis of major SSA export sectors; expanded information on regional integration in SSA, including information on the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC); a description of major U.S. trade capacity-building initiatives related to SSA; and a description of major non-U.S. trade preference programs for SSA countries.

The U.S.-SSA trade data included in this report generally cover full year 2003, depending on data availability. When possible, data for Africa are provided when SSA data are not available. In cases where it is useful to show a trend, data for 1999 through 2003 are provided. In addition, when possible, up-to-date developments in economic, social, trade, and commercial policies are included for the period January 2004 through June 2004. Data sources include the U.S. Department of Commerce, the Economist Intelligence Unit, the World Bank, the United Nations, and industry-specific data sources. In addition to the above-mentioned sources, qualitative discussions also rely on articles sourced from databases such as All Africa and Newsedge.

U.S.-Sub-Saharan Africa Trade

- In 2003, U.S.-SSA merchandise trade rose to $32.1 billion, from $24.1 billion in 2002. This was a result of an increase in both U.S. exports to and U.S.

[1] Copies of the request letters are in app. A.

imports from the region. U.S. exports to SSA increased by 13.1 percent in 2003 to approximately $6.7 billion, from $5.9 billion in 2002. Similarly, U.S. imports from SSA increased by 39.9 percent to approximately $25.5 billion in 2003 from $18.2 billion in 2002.

- The increase in U.S. exports to SSA was attributed primarily to increased exports of transportation equipment, agricultural products, and electronic products and increased exports to Ethiopia, South Africa, and Equatorial Guinea. The increase in U.S. imports from SSA was largely because of an increase in energy-related products from Nigeria. Nonenergy-related imports increased by 20.0 percent to $7.8 billion in 2003.
- In 2002, the United States recorded a $2.2-billion surplus in services trade with Africa. The primary U.S. cross-border service exports to Africa included tourism and passenger transport, business services, education, and freight transport and port services. U.S. service imports from Africa were mainly in the tourism, passenger transport, business services, and freight transport sectors.

Foreign Direct Investment in Sub-Saharan Africa

- In 2003, SSA received $8.5 billion in new foreign direct investment (FDI), or 6.3 percent of global foreign investment flows to developing countries. Political crises, poor weather conditions, and the HIV/AIDS pandemic continued to affect the investment climate.
- Net inward portfolio equity flows to SSA totaled $500 million in 2003. As in prior years, South Africa accounted for virtually all foreign portfolio investment flows to SSA in 2003.
- U.S. net direct investment flows to Africa totaled $1.4 billion in 2003, representing less than 1 percent of total U.S. direct investment abroad. Equatorial Guinea and Nigeria attracted the largest amounts of U.S. FDI flows, with $823 million and $340 million, respectively. Of the nonpetroleum exporting countries, South Africa and Cameroon attracted the largest amounts of U.S. FDI, with $89 million and $73 million, respectively.
- Reflecting the historically higher level of investment by European countries, many European countries have concluded a number of bilateral investment agreements with SSA countries.
- Given the important role of investment in long-term economic development, a number of international investment initiatives focusing on SSA have emerged. Such initiatives include an effort by Standard & Poor's, working with the United Nations Development Programme (UNDP), to secure long-term sovereign ratings[2] for SSA countries.

[2] "A sovereign credit rating provides [general credit worthiness] as it signifies a country's overall ability to provide a secure investment environment." Reem Heakal, "What is a Corporate Credit Rating," found at Internet address *http://www.investopedia.com*, retrieved Oct. 7, 2004.

African Growth and Opportunity Act

- Total U.S. imports from SSA countries eligible for AGOA benefits (including GSP provisions) totaled almost $14.1 billion in 2003, an increase of 36.3 percent from $9.0 billion in 2002. The largest share of U.S. imports under AGOA came from Nigeria (66.3 percent), followed by South Africa (11.8 percent) and Gabon (8.3 percent). Other major suppliers included Lesotho, Republic of the Congo, Madagascar, and Kenya.
- U.S. purchases of energy-related products in 2003 represented 79.5 percent of total AGOA imports in 2003, up from their 75.9-percent share in 2002. Significant value increases were recorded, however, for textiles and apparel, which accounted for 8.5 percent of the total in 2003, down from an 8.9-percent share in 2002, and transportation equipment, which represented a 5.2-percent share in 2003, compared with a 6.1-percent share in 2002.
- AGOA III amended the textile provisions of AGOA to clarify language in the prior legislation and to expand and extend a number of provisions to provide AGOA countries with additional sourcing flexibility. The extension of the least developed beneficiary country third-country fabric provision was viewed by many as the most important feature of AGOA III, as this provision had been scheduled to expire.
- In anticipation of the AGOA III legislation and its subsequent passage in July 2004, AGOA-eligible SSA countries continued to receive investment supported, in part, by their access to trade preferences under the AGOA program.
- Although a substantial portion of investments continued to target the apparel sector, increased investment has also occurred in the textile, mining, and motor vehicle industries. Investment patterns also highlight the extension of AGOA-related investment into small- and medium-sized businesses and efficiency-enhancing technology investment.

Regional Integration

- In 2003, the nine regional organizations in SSA continued to focus efforts on promoting economic and monetary integration. They also worked toward policy harmonization in the telecommunications, transportation, and agricultural sectors. In addition to common investment policies, the regional organizations also continued to work toward eliminating regional tariffs in order to increase intra-SSA trade. Moreover, the creation of export processing zones has encouraged diversification from agricultural to industrial production. The nine regional organizations are:
  - the Economic Community of West African States (ECOWAS);
  - the Union Economique et Monétaire Ouest Africaine (UEMOA);
  - the Common Market for Eastern and Southern Africa (COMESA);

- the Southern African Development Community (SADC);
- the Southern African Customs Union (SACU);
- the East African Community (EAC);
- the Intergovernmental Authority on Development (IGAD);
- the Indian Ocean Commission (IOC);
- the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC).

- Regional organizations continued to work toward increased economic integration, although progress has been slow. ECOWAS continued efforts to establish a customs union by 2007. In addition, ECOWAS and UEMOA began coordinating monetary union efforts. COMESA continued to expand trade opportunities by launching FTA discussions with the EU. SADC worked toward establishing regulations, such as single-digit inflation requirements, that would foster more stable integration. The United States and SACU continued FTA negotiations, as SACU has continued to expand its list of potential FTA partners. The EAC committed to establishment of a common external tariff by September 2004. IGAD focused on food and security issues; and IOC focused on transportation and communication issues. A regional passport scheme for CEMAC was implemented in early 2003, and CEMAC inaugurated a new stock exchange in mid-2003.
- Current African Union[3] (AU) policies focus on economic and export diversification. The AU is also seeking to develop an African Common Market. Other AU policies promote peace, economic stability, and regional security as part of the AU's poverty reduction efforts.

Multilateral and U.S. Bilateral Assistance

- In 2003, the World Bank lending commitments to SSA totaled $3.7 billion. Of the total funding, over 21 percent ($811 million) was for human development (primarily HIV/AIDS-related initiatives), 15 percent was for social protection, and 11 percent was for education. The International Finance Corporation (IFC) committed $164 million to support the expansion of SSA banks and financial institutions in FY 2004. Likewise, the World Bank's Multilateral Investment Guarantee Agency (MIGA) issued investment guarantees or coverage for nine projects in Africa totaling $953 million.
- In 2003, the African Development Bank (AfDB) Group approved 16 new projects and programs with a combined value of $465.1 million. The AfDB also signed 118 loan and grant agreements valued at $2.6 billion. The International Monetary Fund (IMF) committed $1.9 billion in grants to 23 SSA countries. In FY 2003, the IMF approved Poverty Reduction and Growth

[3] The AU is a successor to the Organization of African Unity.

- Facility arrangements for the Democratic Republic of Congo, The Gambia, Senegal, and Uganda.
- Export-Import Bank (Ex-Im Bank) provided loan guarantees and insurance to SSA totaling $572 million. As of September 2003, Ex-Im Bank's total exposure in SSA was $3.6 billion. Democratic Republic of the Congo accounted for 24 percent, Nigeria made up 23 percent, and South Africa represented 16 percent of total regional Ex-Im Bank exposure. U.S. Trade and Development Agency (TDA) obligations in SSA decreased to $5.9 million in FY 2003 from $9.9 million in FY 2002. TDA's SSA funding accounted for 11.2 percent of all TDA funding in 2003. Overseas Private Investment Corporation (OPIC) invested $384 million in FY 2003. The United States Agency for International Development's (USAID) Development Assistance and other Economic Assistance Program obligation for SSA totaled $1.4 billion in FY 2003 compared to $1.1 billion in FY 2002. USAID continued to support several programs that started in 2002 including the Initiative to End Hunger in Africa, the African Education Initiative, and the Anti-Corruption Initiative.

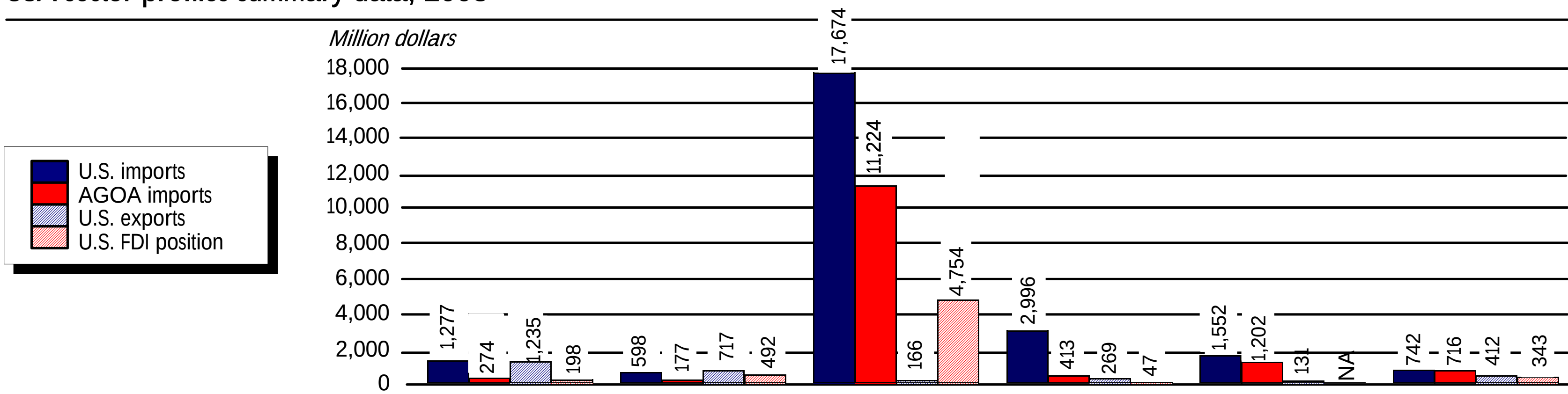
U.S. Trade Capacity-Building Initiatives

- U.S. government agencies continued to fund and implement a broad range of trade capacity-building initiatives in SSA. SSA received $132.7 million in FY 2003, representing 17.4 percent of total U.S. funding for trade capacity-building initiatives. The level was a 19.3-percent increase over FY 2002.
- Numerous individual countries received less direct trade capacity-building funding in FY 2003 as funding increasingly targeted regional organizations in SSA such as COMESA and SACU. The percent share of the top five funding recipients declined from 54.1 percent in FY 1999 to 32.1 percent in FY 2003.
- The primary funding categories were "Human Resources and Labor Standards," which accounted for 29 percent of FY 2003 total SSA funding, followed by "Trade Facilitation" and "Trade-related Agriculture," which accounted for 25 percent and 15 percent, respectively. The subcategory "Export Promotion" accounted for 32 percent of "Trade Facilitation."

Industry Sector Profiles

The six industry sectors discussed below are: agriculture, fisheries, and forest products; chemicals; petroleum and energy-related products; minerals and metals; textiles and apparel; and certain transportation equipment. These sectors account for the major items traded between the United States and SSA. Figure ES-1 provides an overview of U.S. trade and FDI positions in these sectors.

Figure ES-1
SSA sector profiles summary data, 2003



		Agriculture, Fisheries, and Forest Products	Chemicals	Petroleum, & Energy-related Products	Minerals and Metals	Textiles and Apparel	Certain Transport Equipment
U.S. Imports	*Primary Sources*	• Côte d'Ivoire, South Africa, Madagascar	• South Africa, Equatorial Guinea	• Nigeria, Angola	• South Africa	• Lesotho, South Africa, Mauritius Madagascar, Kenya	• South Africa
	Primary Products	• Cocoa beans, vanilla beans, tobacco, coffee, beans, cocoa paste	• Methanol, certain organic chemicals, natural rubber	• Crude petroleum	• Plantinum-group metals, diamonds	• Woven cotton pants/shorts, cotton tops	• Passenger vehicles
AGOA Imports	*Primary Sources*	• South Africa, Côte d'Ivoire, Malawi	• South Africa	• Nigeria, Gabon	• South Africa	• Lesotho, Madagascar, Kenya Mauritius, South Africa, Swaziland	• South Africa
	Primary Products	• Citrus, tobacco, cane sugar, cocoa powder, macadamia nuts	• Silicon, titanium dioxide pigments, car tires	• Crude petroleum	• Ferroalloys, aluminum products	• Woven cotton pants/shorts, cotton tops	• Passenger vehicles
U.S. Exports	*Primary Markets*	• Nigeria, South Africa, Ethiopia	• South Africa	• South Africa, Nigeria	• South Africa Equatorial Guinea, Angola, Nigeria	• South Africa, Ghana, Nigeria	• South Africa, Nigeria
	Primary Products	• Cereals	• Fertilizers, misc. medicaments, isocyanates	• Refined petroleum products	• Precious metals	• Used clothing	• Passenger vehicles
	Primary FDI Countries	• South Africa	• South Africa	• Equatorial Guinea, Chad, Gabon, Nigeria	• Ghana, Zambia, Kenya	• Not available	• South Africa

Source: Data compiled from official statistics of the U.S. Department of Commerce (tade data) and Bureau of Economic Analysis (investment data).

Agriculture, Fisheries, and Forest Products

- SSA represents a relatively small market for U.S. exports of agriculture, fisheries, and forest products, totaling $1.2 billion, or approximately 1 percent of total U.S. sector exports in 2003. Sector exports to SSA increased by 17 percent in 2003 compared with 2002. Primary SSA markets for such exports continued to be Nigeria (27 percent of the total value), South Africa (20 percent), and Ethiopia (13 percent). Cereals such as nondurum wheat and milled rice accounted for approximately 54 percent of total U.S. sector exports to SSA in 2003. Food shortages throughout SSA account for the increasing demand for U.S. cereal exports.

- U.S. sector imports from SSA totaled $1.3 billion in 2003, up by 30 percent from the previous year. SSA accounted for about 1 percent of total U.S. sector imports in 2003, the same share as the previous year. The high price of cocoa during most of 2003 was the primary contributor to the increase in import value. In 2003, the top five import commodities accounted for 57 percent of total U.S. sector imports from SSA, and included cocoa beans, vanilla beans, tobacco, coffee beans, and cocoa paste.

- In 2003, the value of U.S. sector imports from SSA under AGOA (including GSP) was $274 million, representing 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, Côte d'Ivoire, and Malawi supplied 85 percent of all AGOA imports from SSA in 2003, up from 82 percent in 2002. Principal products included fresh citrus, unmanufactured tobacco, raw cane sugar, cocoa powder, and macadamia nuts.

- This sector accounts for a relatively minor share of the total U.S. FDI in the region in 2003. U.S. FDI in the SSA food sector increased by one-third in 2003, reaching $198 million. South Africa continued to be the primary SSA location for U.S. sector FDI in the region.

Chemicals

- The South African chemical industry accounts for approximately 77 percent of SSA chemical production. This industry remains among the largest manufacturing sectors of the South African economy, maintaining its 5-percent share of gross domestic product. The sector is essentially composed of producers of petrochemical products produced in the four petroleum refineries, producers of agricultural chemicals, pharmaceutical manufacturers, and various small firms producing chemical products for the domestic/regional market.

- The most significant development in the SSA chemical industry during 2003-04 was the development of SSA pharmaceutical production capacity along with 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 vertically integrate using the recently purchased Fine Chemicals Corp. facility. Aspen released a statement assuring the public that they would be using the plant to produce APIs, such as the retrovirals that treat HIV/AIDS.

- U.S. chemical sector imports from SSA reached $598 million in 2003, up by one-third from the previous year. U.S. sector imports from SSA accounted for less than 1 percent of total U.S. imports in 2003. Principal SSA sources included South Africa (58 percent of the total) and Equatorial Guinea (23 percent), with Liberia accounting for 9 percent. The three largest U.S. sector imports from SSA in 2003 were methanol; organic chemicals used as feedstocks for producing chemical intermediates and chemical products, including unsaturated acyclic hydrocarbons; and natural rubber. In 2003, U.S. chemical sector imports under AGOA (including GSP) totaled $177 million, an increase of 30 percent over 2002. These imports represented approximately 30 percent of total U.S. imports of these products from the SSA. Nearly all the U.S. chemical imports under AGOA (including GSP) came from South Africa.

- 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 export items – fertilizers, other nonspecified medicaments, and isocyanates – each only accounted for 4 to 5 percent of total U.S. sector exports to SSA.

- The U.S. FDI position in the chemicals sector increased by 11 percent to $492 million in 2003. South Africa accounted for 91 percent of the total.

Petroleum and Energy-Related Products

- Crude petroleum in Nigeria and Angola, and coal in South Africa continue to be the primary petroleum and energy-related products produced in SSA. Nigeria and Angola are the region's first- and second-largest producers of crude petroleum, respectively. 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 second-largest net exporter of coal to the world market.

- Crude petroleum is the primary export product from SSA. 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. Refined petroleum products are the major products imported into the SSA region, followed by crude petroleum; the United States and Western Europe are major sources of SSA imports of refined petroleum products.

- Nigeria, one of the world's leading exporters of crude petroleum, has the potential to increase its production of crude petroleum significantly in the next few years as recent discoveries come onstream. Several joint ventures between the Nigerian government and multinational petroleum companies are expected to yield additional production of crude petroleum and natural gas. In addition, recent discoveries of crude petroleum in Angola are becoming attractive to the world's leading production companies.

- The U.S. FDI position in the SSA mining sector (the most comparable sector to petroleum and energy-related products) increased by 20 percent to $4.8 billion in 2003. Equatorial Guinea, Chad, Gabon, and Nigeria accounted for 83 percent of the regional total.

Minerals and Metals

- The minerals and metals sector remains a dominant sector for many SSA countries. Prices for several minerals and metals continued to recover from the extreme lows during 1997 to early 2003, reflecting declining inventories arising from a combination of worldwide production shutdowns and rising consumption. These price increases contributed to the improving economies of the SSA metal-producing countries and attracted additional international investment interest.

- In 2003, the U.S. minerals and metals trade deficit with SSA increased by 12 percent, to $2.7 billion, with U.S. imports increasing by 11 percent, to $3.0 billion. Sixty-eight percent of U.S. imports from SSA in 2003 were platinum-group metals (PGMs), which were almost all from South Africa, and diamonds, mostly from South Africa, Democratic Republic of the Congo (DROC), and Angola. U.S. imports of iron and steel products also increased, reflecting the continued growth in the iron and steel industries in South Africa, Tanzania, and neighboring countries. AGOA imports (including GSP) totaled $413 million in 2003, up by 11 percent from the previous year. Imports under AGOA accounted for 14 percent of total sector imports from SSA in 2003. The bulk was supplied by South Africa (96 percent) and Namibia (under 4 percent), with iron and steel products, primarily ferroalloys, accounting for 59 percent, and aluminum products increasing by 16 percent by value to 21 percent of the total.

- The U.S. Clean Diamond Trade Act and the United Nation's Kimberley Process Certification Scheme (KPCS) continued to affect diamond trade. The Central African Republic joined the 61 member-countries of the KPCS in August 2003. DROC was suspended by the United Nations from world trade in diamonds in July 2004. Separately, DeBeers pled guilty to price fixing in U.S. District Court and agreed to pay $10 million to settle a 10-year-old indictment. This settlement should allow DeBeers to re-establish a direct marketing presence in the United States.

- U.S. sector exports to the region increased marginally (up by 1 percent) to $269 million in 2003, but increased markedly to Equatorial Guinea, Angola, and South Africa. Many countries recorded double-digit declines, largely as a result of economic and political instability. Chad recorded the largest decline, at $22 million. In the iron and steel sector, exports of oil and gas tubular and ancillary products declined the most in value, reflecting less exploration drilling. U.S. exports of structural commodities (steel structures, towers, and masts; and lime and cement products) registered the largest increase, and were largely to support the oil and gas recovery and refining facilities.

- The South African President signed the Broad-Based Black Empowerment Act into law in January 2004. Coupled with other laws (Mineral Law, Money Bill, Health and Safety Act) passed within the last few years that were intended to restructure the country, it has caused significant valuation and financial risk issues, delaying mine investment in South Africa. To counteract these effects, a Beneficiation Bill has been proposed that aims to promote South Africa's minerals industry by giving South Africans the opportunity to own basic forms of gold (e.g., bullion), diamonds, and PGMs. This bill is expected to stimulate downstream processing and fabrication of these basic forms in South Africa by providing producer incentives for locally-manufactured products. South African investment in newly committed South African mineral-related projects increased by 29 percent in 2003, but exploratory investment decreased by 10 percent. Eighty-eight percent of exploratory investment, or approximately $2.3 billion, was earmarked for primary mineral production.
- The U.S. FDI position in the SSA primary and fabricated metals sector decreased by 30 percent to $47 million in 2003. Ghana was the leading recipient of U.S. FDI in the region.

Textiles and Apparel

- SSA production and exports of textiles and apparel continue to be concentrated in Mauritius, South Africa, Lesotho, Madagascar, and Kenya. Other countries such as Ethiopia, Ghana, Tanzania, and Swaziland are increasing activity in the sector, owing to factors such as SSA government initiatives, increased foreign investment, intra-SSA country partnerships, and trade preferences such as AGOA. The AGOA program has stimulated numerous foreign investment projects in several SSA textile-producing countries. Most of the investment has come from Asian sources.
- U.S. sector imports from SSA rose by 37 percent in 2003, reaching $1.6 billion. SSA represented 2 percent of total U.S. sector imports. Principal SSA suppliers included Lesotho, South Africa, Mauritius, Madagascar, and Kenya. Primary items included cotton pants and cotton tops. U.S. sector imports under AGOA totaled $1.2 billion in 2003, up by 50 percent over the 2002 level and representing just over three-fourths of total U.S. sector imports from SSA and 9 percent of total imports under AGOA. Principal AGOA suppliers included Lesotho, Madagascar, Kenya, Mauritius, South Africa, and Swaziland.
- The growth of the textile and apparel industries in SSA countries continues to be constrained by widespread shortages of raw materials and textile inputs, high production costs relative to Asian suppliers, obsolete equipment, and capacity underutilization. The influx of used clothing and inexpensive smuggled goods that compete with local production is also a factor in

numerous countries. In addition, the export competitiveness of SSA countries in the global textile and apparel market has been hampered by high taxes, utility and input costs, and for some SSA countries, currency appreciation. The continued strength of the South African rand (to which the currencies of Swaziland and Lesotho are pegged) relative to the U.S. dollar weakened the competitiveness of textile and apparel exports from these countries in 2003.

- U.S. sector exports to SSA in 2003 rose by 5 percent to $131 million. Such exports accounted for a negligible share of the U.S. sector total. Primary SSA markets included South Africa, Ghana, and Nigeria; used clothing was by far the major export item.

Certain Transportation Equipment

- South Africa is the dominant producer of, and market for, motor vehicles and motor-vehicle parts in the SSA region, accounting for 95 percent of SSA motor vehicle production and 60 percent of motor vehicle sales in 2003. The automotive industry in South Africa accounts for nearly 6 percent of the country's gross domestic product, is the largest manufacturer, and is the largest manufacturing exporter.

- U.S. imports of certain transportation equipment from SSA reached $742 million in 2003, an increase of $182 million, or 33 percent. SSA accounted for less than 1 percent of the value of total U.S. sector imports in 2003. Virtually all U.S. sector imports from SSA in 2003 were supplied by South Africa, with passenger cars accounting for 84 percent of sector imports from South Africa. Leading components imported from South Africa in 2003 included road wheels, miscellaneous auto parts, and miscellaneous engine parts. U.S. transportation equipment imports under AGOA (including GSP) 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.

- In 2003, U.S. transportation equipment exports to SSA reached $412 million, up by 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 U.S. FDI position in the SSA transportation equipment sector decreased by 13 percent to $343 million in 2003. South Africa was the primary location for U.S. FDI in the region.

Country Profiles

- In 2003, SSA's average GDP growth rate was 3.6 percent, up from 3.2 percent in 2002. The increase was attributed to higher investment levels, rising global commodity prices, increased agricultural production, and increasing regional stability stemming from negotiations launched by the regional organizations to reduce civil unrest. The HIV/AIDS pandemic, however, continued to curb economic development for many SSA countries by lowering productivity, inhibiting investment, and increasing social costs.

- Additional barriers to economic growth for many countries in SSA included lower than expected economic growth in the EU, a major trading partner for SSA countries; a slowdown in tourism for many countries that are seeking to diversify into this sector; and large current account deficits.

- SSA countries' efforts to increase their level of integration into the global trading economy continued to be hampered by a number of obstacles. In addition to social and political conflict, inadequate infrastructure, such as dilapidated road networks, congested ports, inefficient customs services, and prohibitively expensive air transport, hampered the national and international transport of merchandise. Many SSA countries continued to depend heavily on exports of primary commodity products, such as petroleum, minerals, and agricultural products.

- For many SSA countries, economic development continued to be hindered by social unrest. For example, in 2003, Burundi, Central African Republic, Côte d'Ivoire, Democratic Republic of the Congo, Guinea-Bissau, Republic of the Congo, Somalia, and Zimbabwe experienced social and political instability that undermined economic development efforts. The political and social instability stemming from government land redistribution and economic policies in Zimbabwe resulted in another year of negative economic growth.

- For many other SSA countries, however, economic development continued to focus on attempts to diversify the economy. For example, initiatives in Angola, Gabon, Nigeria, and São Tomé and Principe focus on diversifying within and away from the petroleum and energy-related sector; Botswana's Export Development and Investment Authority announced plans to encourage nontraditional products such as textiles and apparel, light manufacturing, and tourism; Kenya experienced some success in efforts to encourage diversification into horticultural products; Madagascar, Mauritius, and São Tomé and Principe are using export processing zones to encourage diversification into aquaculture and tourism (Madagascar), light manufacturing and information and communication technology (Mauritius), and fishing (São Tomé and Principe); and Namibia has experienced initial success in promoting local fish processing.

- Several SSA countries established policies that countered the general trend toward trade liberalization in SSA. For example, trade barriers increased when Angola required that all trade pass through government-controlled posts; Nigeria banned the import of more than 40 products, including certain textiles, men's footwear, soap, furniture, assembled bicycles, toothpaste, certain plastic products, vegetable oil, and certain meat products; the Government of Zambia increased the number of products subject to quality monitoring from 12 to 24, including bottled water, varnishes, hair oils and creams, asbestos, and glycerine; and Zimbabwe announced an alternate method for calculating import duties, which is expected to increase the applied duties on inputs used by the manufacturing and mining industries.

- Given the importance of inadequate infrastructure in hindering trade and investment, many SSA countries increased efforts to improve transportation infrastructure. The instability in Côte d'Ivoire had a significant impact on trade in western Africa, further highlighting the general vulnerability of many SSA countries to limited transport options. Examples of such infrastructure efforts include: construction of the Cotonou (Benin) fishing port, construction of the Burkina Faso-Ghana railway, Cameroon's oil platform repair yard construction, Cape Verde's port expansion, the Mali-Niger railway extension, the Dubai Port (Djibouti) expansion, port and railway linking and expansion in Kenya, rehabilitation of the Beira and Nacala ports in Mozambique, development of the Walvis Bay Corridor and port in Namibia, and modernization of the port in Senegal.

- Although privatization efforts continued in many SSA countries, progress has been hampered by the lack of transparency and corruption (Angola, Cameroon, Comoros, and Guinea), lack of interested parties (Angola, Cameroon, Gabon, and Guinea), and political resistance or social instability (Ethiopia, Guinea, Mauritius, South Africa, Tanzania, Togo, and Zambia).

- In an effort to increase investment, many SSA countries have pursued regulatory reform. For example, Botswana passed initiatives to encourage joint ventures between foreign investors and domestic partners; The Gambia passed the Money Laundering Bill to improve the transparency of financial institutions; Ghana introduced the Foreign Exchange Bill, the Long-Term Savings Bill, the Credit Union Bill, and the Insurance Bill aimed at attracting foreign investment in the financial sector; Kenya passed the Anti-Corruption and Economic Crimes Bill in mid-2003; Namibia's new mining policy increased security of tenure for holders of mining rights and created a standard licensing scheme; and in late 2003, Republic of the Congo adopted a bill that streamlines licensing procedures and reduces the state's equity share in mining companies.