CHAPTER 5
Industry Sector Profiles

This chapter provides information and analysis on production, trade, and investment for various industry sectors in sub-Saharan Africa. The sectors include agriculture, fisheries, and forest products; chemicals; petroleum and energy-related products; minerals and metals; textiles and apparel; and transportation equipment.[1] These sectors account for the major items of trade between the United States and the SSA region. 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 trade between the United States and SSA as well as 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 2002 and early 2003.[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 Central Intelligence Agency, 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.

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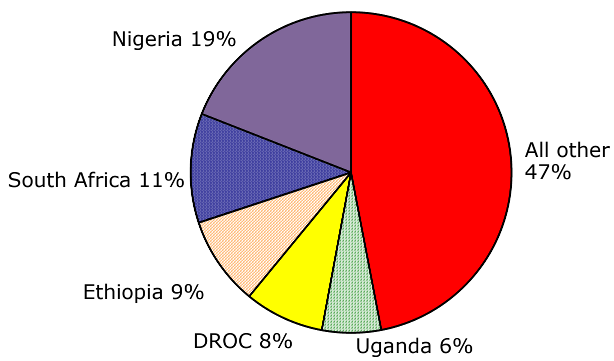
[1] The sectors generally are in the order of the Harmonized Tariff Schedules. Sector coverage may have changed somewhat from last year's report.

[2] In some cases, the latest available data are for 2001.

AGRICULTURE, FISHERIES, AND FOREST PRODUCTS[1]

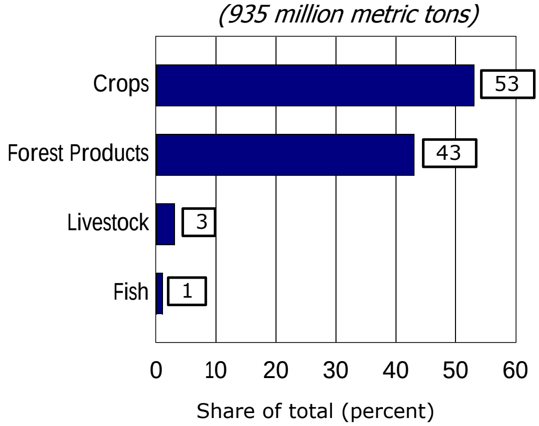
OVERVIEW

SSA sector production, by country, 2001
(935 million metric tons)



Source: United Nations, FAOSTAT database, available at *http://faostat.fao.org.*

SSA sector production, by product, 2001
(935 million metric tons)



Source: United Nations, FAOSTAT database, available at *http://faostat.fao.org.*

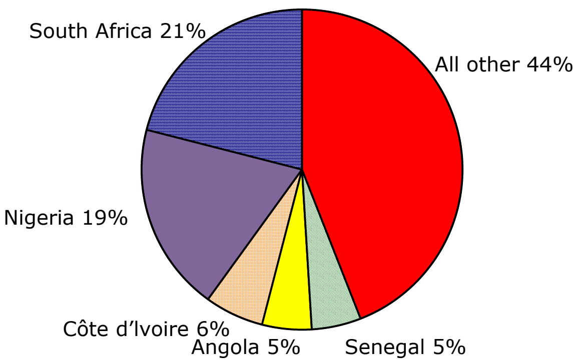
- Although the agriculture, fisheries, and forest products sector is a major component of the SSA economy, its relative importance has been declining. In 2001, the value added by agriculture accounted for 16 percent of SSA GDP, down from 19 percent in 1997.[2]
- Sector production was relatively flat again in 2001, increasing about 1 percent, by quantity, over the previous year. Nigeria and South Africa accounted for 30 percent and the top five SSA countries accounted for 53 percent of the total quantity of SSA production in 2001.[3]
- Agricultural crops again accounted for the largest share of sector production, about 53 percent of the total, by quantity, in 2001. The leading crops produced in SSA in 2001 included cassava, sugar cane, yams, and corn. Forest products production was the second leading sector category, accounting for about 43 percent of the total.
- Fuel wood accounted for 85 percent of forest products production and 37 percent of total sector production in SSA. Livestock and fishery products production were very small parts of sector production.[4]
- Food security continues to be a concern in SSA, owing to weather, continuing political strife in some countries, and land policies in Zimbabwe. In 2002, an estimated 54 percent of the population (337 million people) in the region was inadequately fed. Food production shortfalls during 2001-2002 were the most severe in Zimbabwe, Zambia, and Malawi. In addition, food supplies in Ethiopia and Eritrea were affected during 2002 and 2003 by severe drought. The United Nations identified 23 SSA countries facing food emergencies as of July 2003.[5]
- Cereal food aid pledges to SSA totaled about 2.3 million metric tons (mmt) for marketing year 2002/2003, up from 1.7 mmt the previous year. Principal recipients included Ethiopia (22 percent of the total), Zimbabwe (12 percent), Malawi (10 percent), and Angola (10 percent). Principal donors included the World Food Program of the United Nations (75 percent of the total), the United States (18 percent), and the EU (5 percent).[6]
- Land redistribution in Zimbabwe contributed to a decline in the number of commercial farmers, farm employment, and agricultural output. As of November 2002, an estimated 600 commercial farmers were operating compared with a pre-reform total of 4,500. An estimated 300,000 to 500,000 farm workers have lost their jobs as a result of the redistribution program. Production of tobacco, a primary agricultural product and foreign exchange earner, is estimated to fall to about 88,000 metric tons (mt) in 2003, compared with a record 245,000 mt in 2000 (before major farm closures). Declines were registered during 2000-2002 in the production of corn (76 percent), seed cotton (39 percent), and wheat (40 percent). The commercial beef herd on large-scale commercial farms declined by 69 percent during the period. A slight recovery is expected for some crops in 2003, but at levels that remain well below historic averages.[7]
- Low commodity prices for major SSA export commodities, such as coffee, cocoa, and cotton, persisted in 2002. However, prices show signs of recovering in 2003. Commodity price rises likely will be countervailed in Cotê d'Ivoire by civil strife that has affected cocoa harvesting and distribution.[8]
- HIV/AIDS continues to adversely affect the SSA agriculture sector. There were 3.5 million new infections in SSA in 2002 and 2.4 million HIV/AIDS-related deaths. The projected loss of agricultural output during 1985-2020 resulting from HIV/AIDS in nine SSA countries with high infection rates ranges from 13 percent in Tanzania to 26 percent in Namibia.[9]
- Privatization of sector industries continued in 2002 and 2003. Rwanda is in the process of holding an auction to privatize its two government-owned tea factories. Uganda is privatizing its largest dairy company and a sugar company. South Africa is selling a 75-percent interest in the state-held Komatiland Forests Limited. Nigeria is privatizing government-owned sugar estates, beginning with the sale of Savannah Sugar Company to Dangote Industries in March 2003.[10]

OVERVIEW-Continued

- Despite concern regarding genetically modified (GM) products, interest and research in GM technology continues in SSA. Kenya has several projects underway, including field trials for GM corn and casava as well as the development of animal disease diagnostics and vaccines. Kenya currently is developing domestic biotechnology policies and legislation to commercialize GM products. South Africa, the most advanced SSA country with respect to GM products, currently allows the use of GM cotton, corn, and soybeans and is conducting extensive research on many other products. Zimbabwe is considering the approval of GM cotton use.[11]
- Nigeria banned imports of several food items effective July 1, 2003. Items include bottled beer, chocolates, and sweets and sugar confectionaries. In January 2003, Nigeria seized and destroyed $4 million worth of frozen chicken following a ban on imports the previous August.[12]
- SSA cotton producers are seeking action regarding subsidies provided to cotton producers by the United States, China, the EU, and other cotton exporters. Benin, Burkina Faso, Chad, and Mali introduced a proposal in the WTO Trade Negotiations Committee to establish a sectoral initiative to phase out cotton subsidies. The SSA countries hold that the subsidies contribute to lower world prices and adversely impact their export earnings.[13]

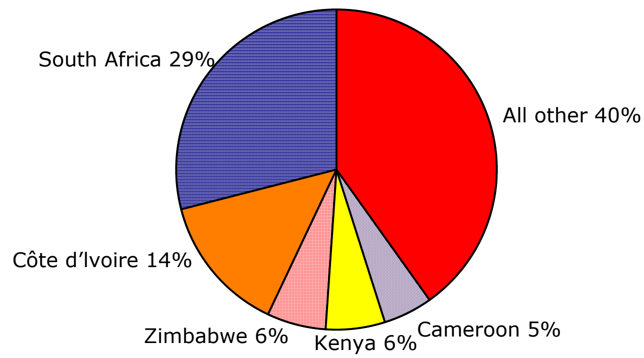
TRADE

SSA sector global imports, by country, 2001
($10.3 billion)



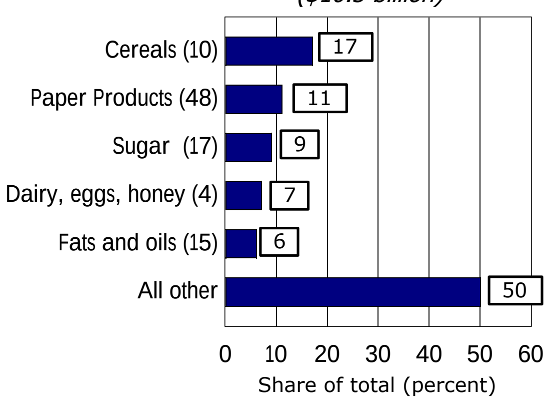
Source: United Nations.

SSA sector global exports, by country, 2001
($18.4 billion)



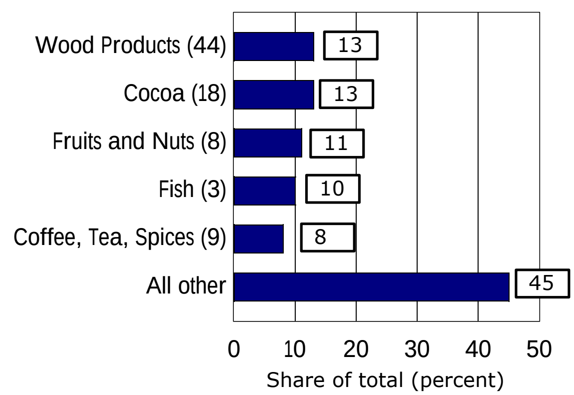
Source: United Nations.

SSA sector global imports, by HS chapter, 2001
($10.3 billion)



Source: United Nations.

SSA sector global exports, by HS chapter, 2001
($18.4 billion)



Source: United Nations.

Major Import Source (2001)	Share of Total (percent)	Major Import Item (6-digit HS) (2001)	Share of Total (percent)
EU	44	Wheat, not durum (1001.90)	7
South Africa	8	Milled rice (1006.30)	7
United States	8	Cane or beet sugar (1701.99)	6
Thailand	6	Cigarettes (2402.20)	3
Brazil	6	Other food preps. (2106.90)	3
Swaziland	3	Concentrated milk (0402.21)	3

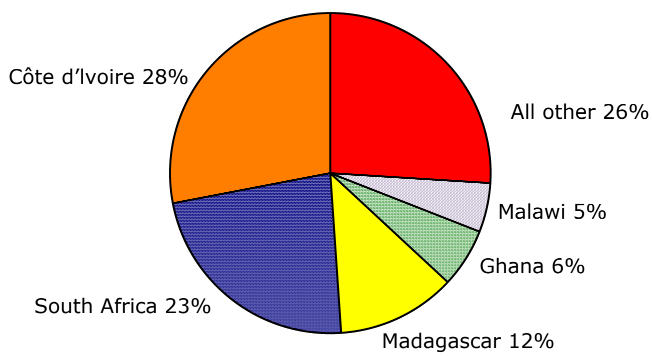
Source: United Nations.

Major Export Market (2001)	Share of Total (percent)	Major Export Item (6-digit HS) (2001)	Share of Total (percent)
EU	58	Cocoa beans (1801.00)	10
United States	6	Tobacco (2401.20)	4
Japan	6	Cane sugar (1701.11)	4
Botswana	4	Cotton (5201.00)	4
China	3	Tropical wood (4403.49)	4
Hong Kong	2	Coffee (0901.11)	4

Source: United Nations.

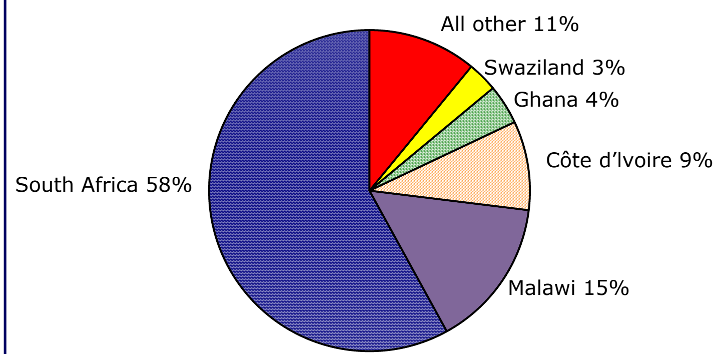
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($1.0 billion)



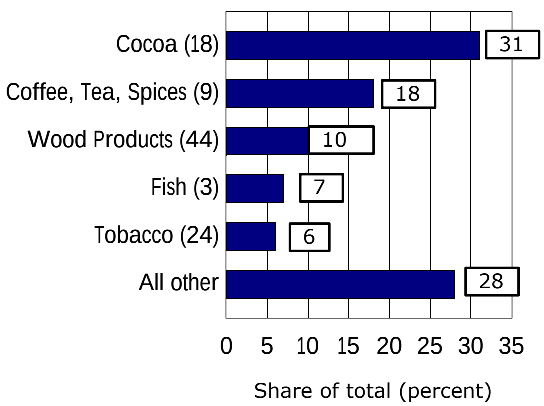
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($242 million)



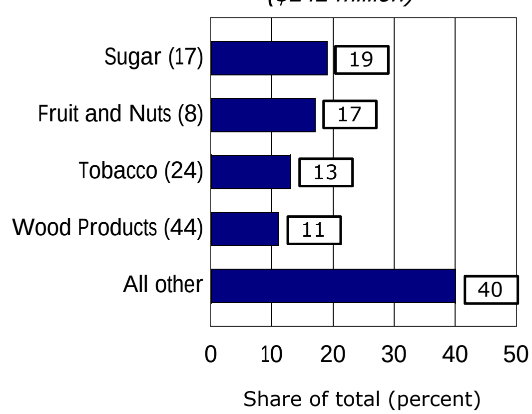
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2002
($1.0 billion)



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

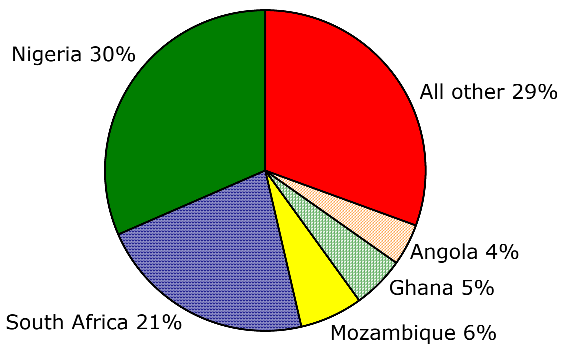
U.S. sector imports under AGOA (including GSP), by HTS heading, 2002
($242 million)



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

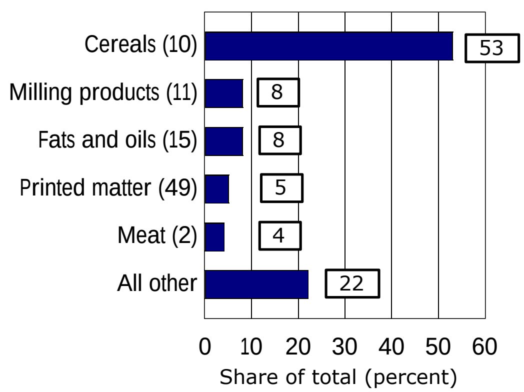
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($1.1 billion)



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

U.S. sector exports to SSA, by HTS heading, 2002
($1.1 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 $1.0 billion in 2002, up 8 percent from the previous year. SSA accounted for about 1 percent of total U.S. sector imports in 2002, the same share as in the previous year. A rise in commodity prices contributed to the increase in imports. The sector accounted for about 6 percent of total U.S. imports from SSA in 2002, up from 5 percent the previous year.
- In 2002, the top five import commodities at the 6-digit HTS level accounted for 53 percent of total imports. Cocoa beans (HTS 1801.00) accounted for 26 percent; vanilla beans (HTS 0905.00) for 12 percent; stemmed and stripped tobacco (HTS 2401.20) for 6 percent; raw cane sugar (HTS 1701.11) for 5 percent; and frozen fish fillets (HTS 0304.20) for 4 percent.
- Côte d'Ivoire and South Africa supplied more than half of all U.S. sector imports from SSA in 2002, slightly up from the previous year. Sector imports from Côte d'Ivoire are highly concentrated, with 85 percent accounted for by cocoa beans (HTS 1801). Imports from South Africa are more evenly distributed, with the major items including fresh citrus (HTS 0805, 9 percent of the total value), sugar (HTS 1701, 9 percent), leather (HTS 4113, 8 percent), fruit juices (HTS 2009, 7 percent), and processed fruits and nuts (HTS 2008, 7 percent).

Key AGOA Trade Developments

- In 2002, the value of U.S. sector imports under AGOA (including GSP) was $242 million, representing an increase of 38 percent over the previous year. Such imports accounted for about 3 percent of total AGOA imports and 23 percent of total sector imports from SSA in 2002; these shares were up from the previous year. South Africa was the largest source for U.S. imports under AGOA in the sector in 2002, accounting for 58 percent of such imports.
- The principal products imported under AGOA in 2002 were raw cane sugar (HTS 1701.11), at $44 million, or 18 percent of the total; stemmed and stripped tobacco (HTS 2401.20), $31 million, or 13 percent; and certain leather (HTS 4113.90, believed to be mainly of ostrich), $17 million, or 7 percent.
- U.S. imports of raw cane sugar under AGOA increased by $16 million, or 59 percent, in 2002 compared with the previous year. The major supplier was South Africa (47 percent of the value). Virtually all U.S. imports of sugar from AGOA sources enter under AGOA (GSP). Although such imports are subject to a prohibitive tariff rate quota, the quota for these suppliers was only about three-quarters filled in fiscal year 2002, leaving room for future expansion.[14]
- Other major products showing substantial import growth under AGOA in 2002 include certain leather (HTS 4113.90, $17 million, up from no imports in 2001), wood doors (HTS 4418.20, up $13 million, or 91 percent), certain nuts (HTS 0802.90, up $13 million, or 28 percent), and cocoa powder (HTS 1805.00, up $11 million, or 153 percent).

Key U.S. Export Developments

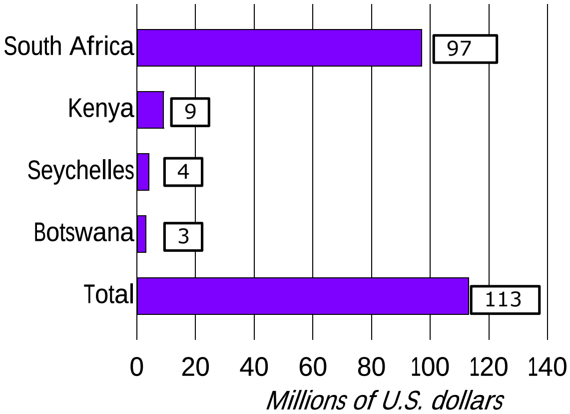
- U.S. sector exports to SSA totaled $1.1 billion in 2002, up 31 percent from the previous year. SSA accounted for about 1 percent of total U.S. sector exports in 2002, about the same share as in 2001. The sector accounted for about 18 percent of total U.S. exports to SSA in 2002, up from 12 percent the previous year.
- The primary SSA export markets in 2002 continued to be Nigeria (30 percent of the total value) and South Africa (21 percent). The share held by these markets declined relative to the previous year.
- In 2002, the top four export commodities at the 6-digit HTS level accounted for 52 percent of total exports. These included wheat other than durum (HTS 1001.90, 34 percent); corn (HTS 1005.90, 9 percent), milled rice (HTS 1006.30, 5 percent); and frozen chicken cuts and offal (HTS 0207.14, 4 percent).
- U.S. cereal exports to SSA countries totaled about $555 million in 2002, an increase of 51 percent over 2001. Nigeria was the primary SSA market, accounting for 47 percent of the total. Following were South Africa (14 percent) and Mozambique (8 percent). About two-thirds of the value of U.S. grain exports to the region in 2002 consisted of wheat, one-fifth of corn, and the remainder was mostly rice.
- The SSA export markets for cereals showing the largest annual percentage increases included Djibouti (5,107 percent), Madagascar (2,308 percent), and Mozambique (1,226 percent). Corn (479 percent) and sorghum (351 percent) showed the largest percentage rise among cereal commodities. Annual shifts in U.S. cereal exports to SSA largely reflect patterns in food aid.

Key U.S. Export Developments-Continued

- Wheat sales to Nigeria represent the largest sector export to SSA (nearly one-quarter the total value). Such exports rose 18 percent in 2002. A government ban on imports of certain baked goods and the increasing popularity of bread contributed to the rise.[15]

INVESTMENT

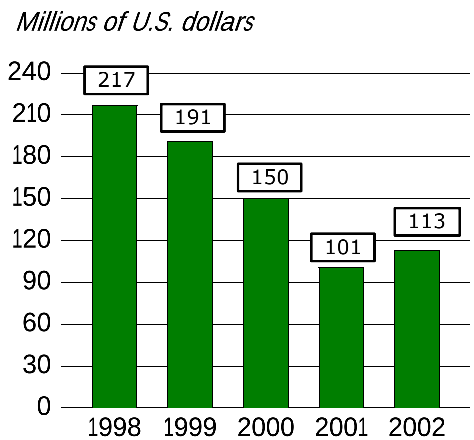
U.S. sector SSA FDI position, by country, 2002



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 "Food."

U.S. sector SSA FDI position, 1998-2002



Note.—Industry classification changed from SIC to NAICS in 2002; data from 1999 to 2001 have been converted to NAICS.

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 $113 million in 2002, up from $101 million the previous year. South Africa continued to be the primary SSA location for U.S. FDI in the sector, accounting for 86 percent of the regional total. The food sector continued to account for a minor share of the total U.S. FDI position in SSA, and SSA continued to host a minor share of the total U.S. FDI position in the food sector.[16]
- Coca-Cola purchased a juice and a bottled water brand from SABMiller in South Africa for $13 million. The purchase provides Coca-Cola with a 45 percent share of the fast-growing bottled water market in South Africa. Coca-Cola also invested $8.2 million in Kenya to produce a noncarbonated fruit drink.[17]
- Tanzania is developing an investment incentive package for the processing of agricultural goods. Target areas include traditional export items, such as cotton, coffee, and cashew nuts, as well as nontraditional items, including fruits, vegetables, and flowers.[18]

ENDNOTES

[1] This sector includes items classified in Harmonized System 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 30, 2003.

[3] Based on data of the Food and Agriculture Organization (FAO) of the United Nations. Data for 2000 used for comparison in this report may not be comparable to such data published in last years report owing mainly to data updates.

[4] FAO.

[5] Stacey Rosen, "Sub-Saharan Africa," USDA, ERS, Food Security Assessment GFA-14, Feb. 2002. U.S. Agency for International Development (USAID), "USAID Response to the Food Security Crises in Africa," found at Internet address *http://www.usaid.gov/press/factsheets/2003/fs030108_1.html*, retrieved July 30, 2003. FAO, Global Information and Early Warning System on Food and Agriculture, Food Supply Situation and Crop Prospects in Sub-Saharan Africa, No. 2, July 2003, p. 2.

[6] FAO, Global Information..., ibid., p. 12.

[7] U.S. Department of State telegram, "Only 600 of 4500 Commercial Farmers Still Standing," message reference No. 2700, Nov. 26, 2002, prepared by U.S. Embassy, Harare. USDA, FAS, Zimbabwe Tobacco and Products Annual, 2003, GAIN Report #RH3002, May 23, 2003, p.1. U.S. Department of State telegram, "Zimbabwe's Resettled Farms: Can They Work," message reference No. 2561, Nov. 19, 2002, prepared by U.S. Embassy, Harare.

[8] The World Bank Group, "Commodity Price Data," July 2003, found at Internet address *http://www.worldbank.org/prospects/pinksheets/pink0703.pdf*, retrieved Aug. 1, 2003.
USDA, FAS, Côte d'Ivoire, Coffee Annual, 2003, GAIN Report #IV3005, May 21, 2003, p. 1. USDA, FAS, Côte d'Ivoire, Cotton and Products Annual, 2003, GAIN Report #IV3006, June 17, 2003, p. 1. Economist Intelligence Unit, Business Africa, April 1-15 2003, pp. 1-2.

[9] UNAIDS, "Fact Sheet 2002, Sub-Saharan Africa," found at Internet address *http://www.unaids.org/worldaidsday/2002/press/index.html#facts*, retrieved Aug. 1, 2003. FAO, "HIV/AIDS, food security and rural livelihoods," found at Internet address *http://www.fao.org/worldfoodsummit/english/fsheets/aids.pdf*, retrieved July 16, 2003.

[10] U.S. Department of State telegram, "Rwanda's Privatization of Tea Factories," message reference No. 1294, prepared by U.S. Embassy, Kigali, Jul. 15, 2003. United Nations Industrial Development Organization, Investment Opportunities, found at Internet address *http://www.unido aaitpc.org/unido aaitpc/new1/investment.html*. Republic of South Africa, Department of Public Enterprises, "Call for Expressions of Interest, Komatiland Forests (Pty) Limited," found at Internet address *http://www.southafrican embassy.at/wirtschaft/forest.PDF*. USDA, FAS, Nigeria, Sugar Annual, 2003, GAIN Report #NI3009, Apr.16, 2003, p. 1.

[11] USDA, FAS, Kenya, Biotechnology, Modern Agricultural Biotechnology, 2003, GAIN Report #KE3005, Jul. 11, 2003, p. 1. AfricaBio, "South Africa: Status and Future Prospects of Biotechnology," found at Internet address *http://www.africabio.com/status/statusf.htm*, retrieved Aug. 1, 2003.

[12] USDA, FAS, Nigeria, Trade Policy Monitoring, Import Bans, 2003, GAIN Report #NI3020, Jul. 9, 2003, p. 1. USDA, FAS, Nigeria, Poultry and Products, Nigerian Customs Destroy Imported Frozen Poultry, 2003, GAIN Report #NI3003, Feb. 2, 2003, p. 1.

[13] WTO, Committee on Agriculture, WTO Negotiations on Agriculture, Poverty Reduction: Sectoral Initiative in Favour of Cotton, TN/AG/GEN/4, May 16, 2003. U.S. Department of State telegram, "Joint Initiative for the Elimination of Cotton Subsidies," message reference No. 2194, prepared by U.S. Embassy, Geneva, July 8, 2003.

[14] For example, in fiscal year 2002, 10 SSA countries held U.S. raw sugar import quotas totaling 119,593 mt, of which they exported 89,815 mt, valued at $38 million. In 2002, the ad valorem equivalent for over-quota imports of raw cane sugar was about 49 percent. U.S. International Trade Commission, Dataweb.

[15] USDA, FAS, Nigeria Grain and Feed Annual, 2003, GAIN Report #NI3011, Apr. 23, 2003, p. 2.

[16] USDOC, BEA, U.S. Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, 2002, found at Internet address *http://www.bea.gov/bea/di/di1usdbal.htm*, retrieved Oct. 17, 2003.

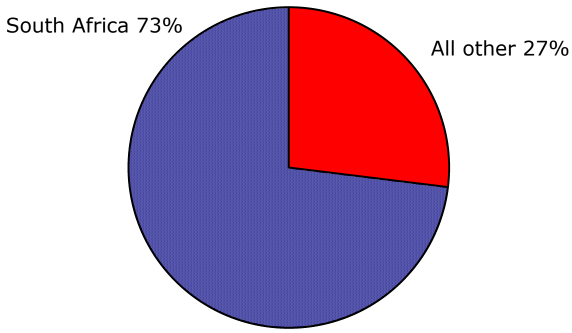
[17] SABMiller plc, "SABMiller disposes of Just Juice and Valpre trademarks," news announcement, Feb. 3, 2003, found at Internet address *http://www.sabmiller.com/book_index.asp?bookmark=news103.asp*, retrieved Aug. 4, 2003. The Economist Intelligence Unit, Business Africa, April 16-30, 2003, p. 11. Economist Intelligence Unit, Business Africa, February 1-15, 2003, p. 11.

[18] Economist Intelligence Unit, Business Africa, May 16-31, 2003, p. 12.

CHEMICALS[1]

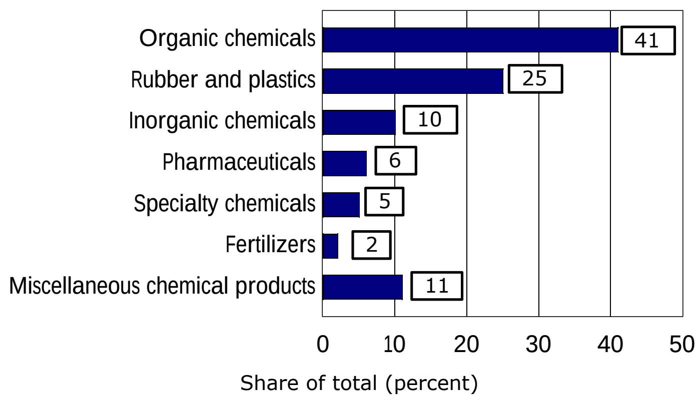
OVERVIEW

SSA sector production, by country, 2002
($16 billion)



Source: USITC estimates based on information from MBendi; *Chemical & Engineering News,* "World Chemical Outlook," Dec. 17, 2001, pp.26-40; *US Department of Commerce, US&FCS Market Research Reports: Chemicals-South Africa*, Dec. 5, 2001; and *US Department of Commerce, US&FCS Market Research Reports: The Chemicals Industry—South Africa*, Oct. 26, 1999.

SSA sector production, by product, 2002
($16 billion)

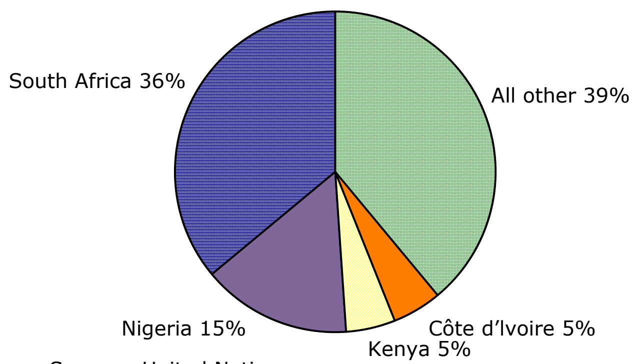


Source: USITC estimates based on information from MBendi; *Chemical & Engineering News,* "World Chemical Outlook," Dec. 17, 2001, pp.26-40; *US Department of Commerce, US&FCS Market Research Reports: Chemicals-South Africa*, Dec. 5, 2001; and *US Department of Commerce, US&FCS Market Research Reports: The Chemicals Industry—South Africa*, Oct. 26, 1999.

- Due to the strength of the mining industries in South Africa, there is a continually growing demand for explosives. Currently there are three South African-owned firms producing and supplying these materials to the domestic market, African Explosives, Ltd., SMX, and BME. All of these firms are trying to reduce their dependence on imported raw materials and are concentrating on developing their own proprietary product lines as well as local sources for necessary raw materials.
- Changes that have had a significant impact on the South African pharmaceutical demand include the introduction of free medical care to pregnant women and children under the age of six, the new Pharmacy Act, and a broadening of available free primary health care to the general population. Also, there is anticipated to be a continued increase in demand for certain drugs, particularly antibiotics and over-the-counter drugs, as their patent protections expire in the coming years.[2]
- The Government of Senegal, which owns 47 percent of Senegal's largest industrial firm, Industries Chimiques du Senegal (ICS), is attempting to develop the Senegalese economy by emphasizing high value-added industries with significant export potential, such as chemicals, particularly fertilizer.[3]
- Nigerian attempts to develop a petrochemical industry have been more successful than other heavy industries, such as steel and metals. However, a lack of funds has prevented the import of required spare parts for maintenance, so the plants that are still functioning are running well below expected capacity.[4]
- Infrastructure constraints due both to civil disturbances as well as the lack of preexisting transportation links caused significant unforeseen expenses in recent years. For example, inconsistent deliveries of feedstock natural gas to two new petrochemical complexes (which produce plastics and fertilizers) in Port Harcourt have caused these plants to run at about 20 percent of installed capacity.[5]

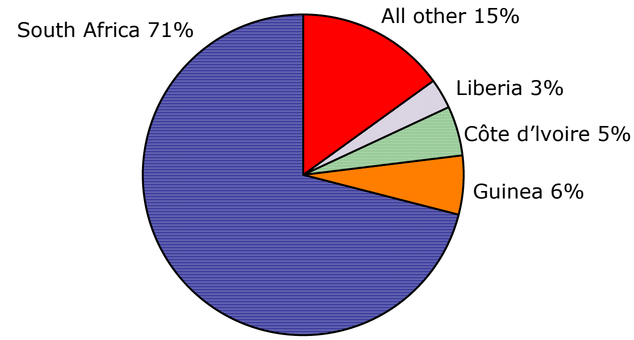
TRADE

SSA sector global imports, by country, 2001
($8.3 billion)



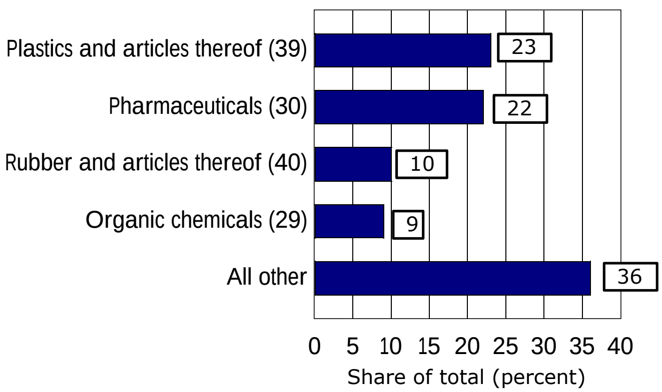
Source: United Nations.

SSA sector global exports, by country, 2001
($2.5 billion)



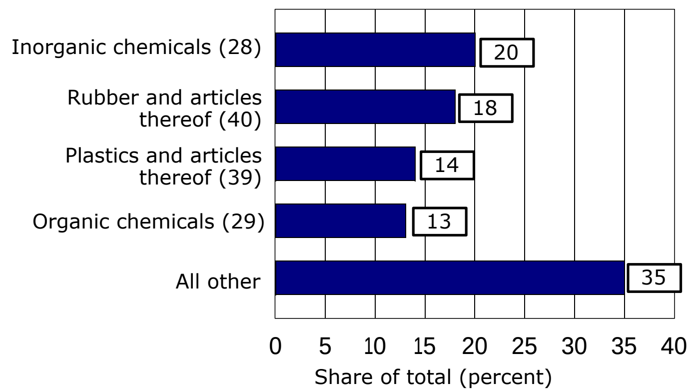
Source: United Nations.

SSA sector global imports, by HS chapter, 2001
($8.3 billion)



Source: United Nations.

SSA sector global exports, by HS chapter, 2001
($2.5 billion)



Source: United Nations.

Major Import Source (2001)	Share of Total (percent)	Major Import Item (6-digit HS) (2001)	Share of Total (percent)
EU15	50	Pharmaceuticals (3004.90)	14
United States	9	Bus and truck tires (4011.20)	3
South Africa	8	Flavorings (3302.10)	2
China	6		
Korea	4		

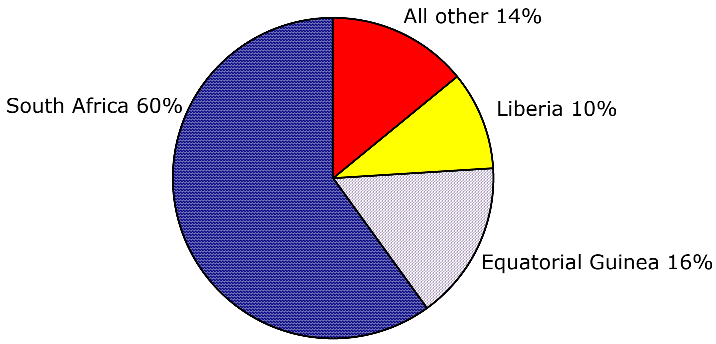
Source: United Nations.

Major Export Market (2001)	Share of Total (percent)	Major Export Item (6-digit HS) (2001)	Share of Total (percent)
EU15	26	Aluminum oxide (2818.20)	7
Botswana	14	Natural rubber (4001.22)	4
United States	12	Medicaments (3004.90)	4
Zambia	7	New tires for cars (4011.10)	4
Swaziland	5	Herbicides (3808.30)	3
Russia	3	Latex (4001.10)	3

Source: United Nations.

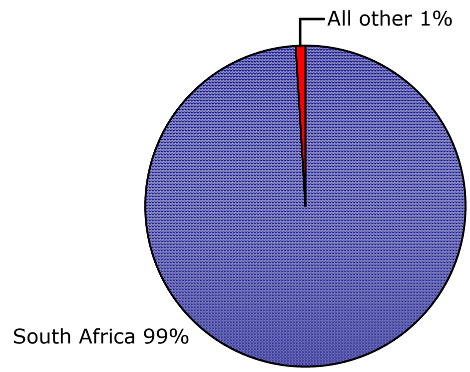
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($448 million)



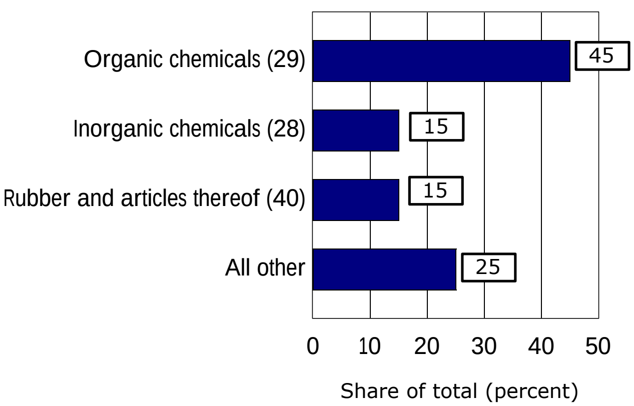
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($136 million)



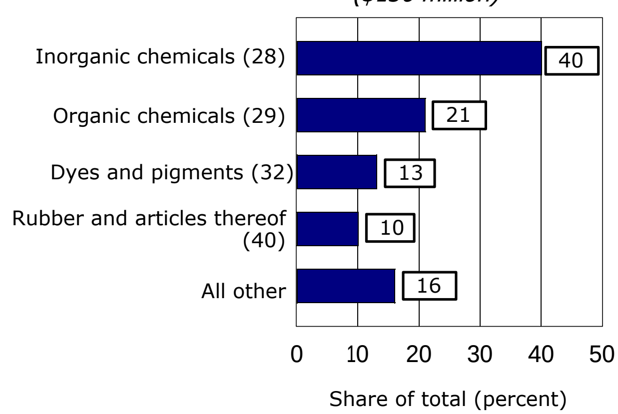
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2002
($448 million)



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

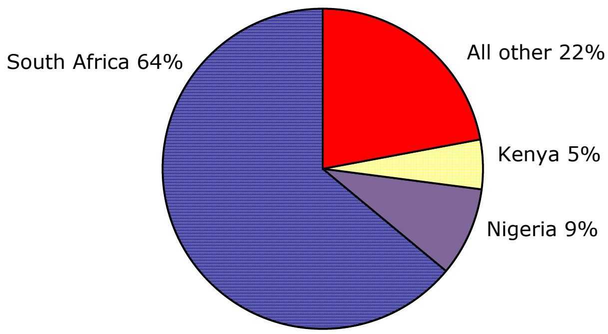
U.S. sector imports under AGOA (including GSP), by HTS heading, 2002
($136 million)



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

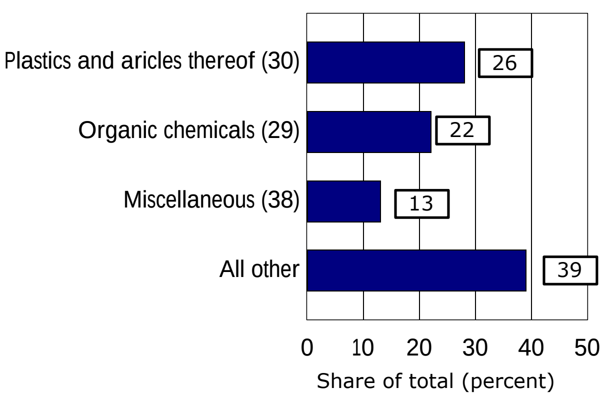
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($699 million)



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

U.S. sector exports to SSA, by HTS heading, 2002
($699 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 (AGOA and non-AGOA) totaled $448 million in 2002, down nearly one-third from the previous year. Such imports accounted for less than 1 percent of the sector world total in 2002. Principal SSA sources included South Africa (60 percent of the total), Equatorial Guinea (16 percent), and Liberia (10 percent). These shares shifted substantially from those the previous year, when South Africa held 43 percent and Nigeria 39 percent of the total.
- The three largest U.S. sector imports from SSA in 2002 were organic chemicals used as feedstocks for producing chemical intermediates and chemical products, including unsaturated acyclic hydrocarbons (HTS 2901.29, accounting for 12 percent of the total), methanol (HTS 2905.11, 12 percent), and natural rubber (HTS 4001.10, 10 percent).
- Only South Africa remains a significant supplier of U.S. chemical imports, of which most are organic chemicals derived from the coal resources in South Africa. The remaining items are minerals from South Africa. U.S. imports from Nigeria declined significantly, from $259.0 million in 2001 to $13.0 million in 2002, owing primarily to infrastructure problems.
- The primary materials that make up U.S. chemical imports from individual SSA nations are ethylene (HTS 2901.21), propylene (HTS 2901.22), and cumene (HTS 2902.70) from Nigeria; and unsaturated acyclic hydrocarbons (HTS 2901.29), silicon (HTS 2804.69), and titanium dioxide pigments (HTS 3206.11) from South Africa.

Key AGOA Trade Developments

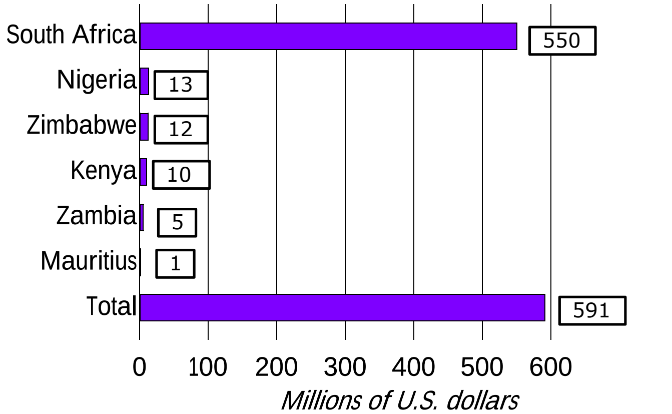
- In 2002, U.S. chemical sector imports under AGOA (including GSP) totaled $136 million. This represented approximately 30 percent of total U.S. imports of these products from the SSA, and is approximately 2 percent of total U.S. AGOA imports.
- The principal sector items imported under AGOA in 2002 included silicon (HTS subheading 2804.69, 17 percent of the total), titanium dioxide pigments (HTS 3206.11, 10 percent), carbides (HTS 2849.90, 6 percent), and car tires (HTS 4011.10, 6 percent).
- U.S. sector imports under specific AGOA provisions were relatively minor in 2002, totaling $4.5 million. AGOA, apart from the GSP, is not expected to have a major effect on the export of chemical sector products from SSA nations to the United States.
- None of the SSA nations that are not designated for AGOA has significant production of sector products.

Key U.S. Export Developments

- In 2002, U.S. chemical sector exports to SSA totaled $699 million, a decline of 10 percent compared with 2001. SSA accounted for less than 1 percent of total sector exports in 2002.
- The top three SSA markets for U.S. chemical exports in 2002 were South Africa, which accounted for 64 percent of U.S. chemical exports to the region, followed by Nigeria (9 percent), and Kenya (5 percent). These shares were similar to those of the previous year.
- The leading U.S. chemical export items to SSA in 2002 included fertilizers (HTS chapter 31,[6] 5 percent of the total), acrylic polymers (HTS subheading 3906.90, 4 percent), and isocyanates (HTS subheading 2929.10, 3 percent).

INVESTMENT

U.S. sector SSA FDI position, by country, 2002

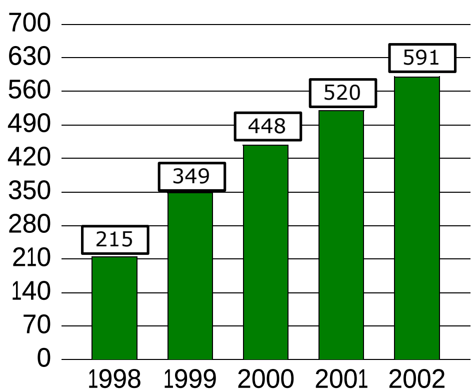


Note.-Data for some countries not disclosed owing to confidentiality. U.S. FDI position may be negative for some countries. Industry classification basis changed from SIC to NAICS in 2002.

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

U.S. sector SSA FDI position, 1998-2002

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.

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 $591 million in 2002, up from $520 million the previous year. South Africa continued to be the primary SSA location for U.S. FDI in the sector, accounting for 93 percent of the regional total. The chemicals sector accounted for 7 percent of the total U.S. FDI position in SSA and SSA accounted for less than 0.5 percent of the global U.S. FDI position in the sector during 2002.[7]
- Dow South Africa (Dow SA) is reported to be divesting a number of chemical plants as part of a restructuring effort targeted to the former Sentrachem group, originally purchased by Dow SA in 1997. Thus far, Dow SA has sold off plants producing calcium carbide, mining chemicals, and synthetic rubber.[8]

ENDNOTES

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

[2] *Mbendi Information for Africa,* "South Africa - Chemicals Industry: Pharmaceuticals," retrieved from Internet address *http://www.mbendi.co.za/indy,/chem/phrm/af/sa/p0005.htm* on July 17, 2003.

[3] Economist Intelligence Unit, EIU Viewswire, "Senegal: Business: Industry overview," Nov. 12, 2002, retrieved from Internet address *http://www.viewswire.com* on July 17, 2003.

[4] Economist Intelligence Unit, *Country Profile 2003,* "Country Profile: Nigeria," 2003, pp. 35-6, retrieved from Internet address *http://www.eiu.com* on July 17, 2003.

[5] *Oil & Gas Journal,* "Natural gas offers Nigeria huge potential challenge," July 2, 2001, pp. 76-79.

[6] U.S. exports of fertilizers are reported on an aggregated basis owing to confidentiality.

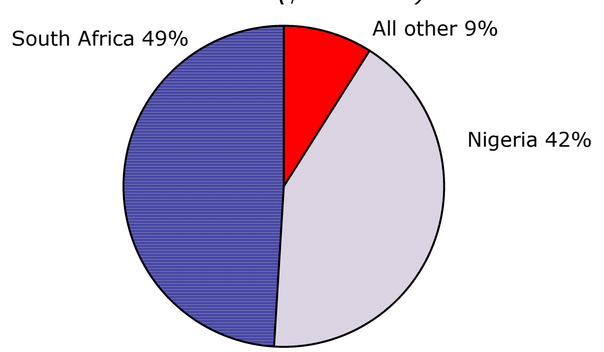
[7] USDOC, BEA, *U.S. Direct Investment Position Abroad on a Historical Cost Basis: Country Detail by Industry, 2002*, found at Internet address *http://www.bea.gov/bea/di/di1usdbal.htm*, retrieved Oct. 17, 2003.

[8] Economics Intelligence Unit, EIU Viewswire, "South Africa: Business News: News Analysis," Sept. 13, 2002, retrieved from Internet address *http://www.viewswire.com* on Aug. 12, 2003.

PETROLEUM AND ENERGY-RELATED PRODUCTS[1]

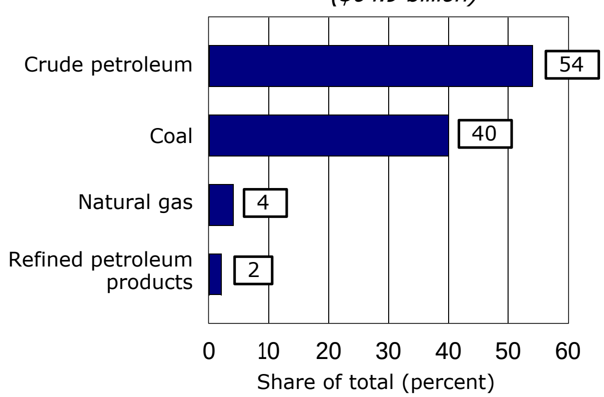
OVERVIEW

SSA sector production, by country, 2002
($64.9 billion)



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

SSA sector production, by product, 2002
($64.9 billion)

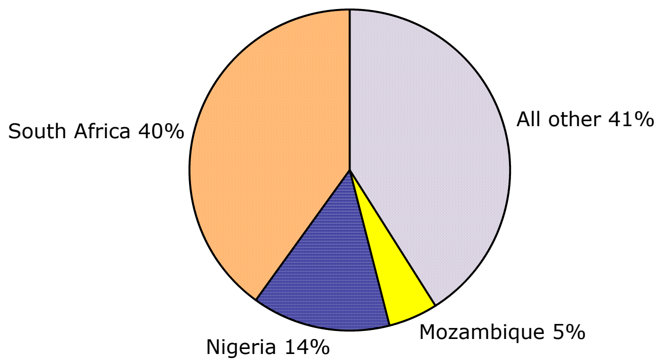


Source: U.S. Department of Energy and the American Petroleum Institute

- Crude petroleum in Nigeria and coal in South Africa continue to be the primary petroleum and energy-related products produced in SSA. Both countries have recoverable reserves of the products and have developed industries geared toward export.
- Nigeria, a member of OPEC, accounts for about 2 percent of the world's total recoverable reserves of crude petroleum and 2 percent of the world's reserves of natural gas. Nigeria accounts for 3 percent of the world's production and 9 percent of OPEC's production of crude petroleum. Nigeria's crude petroleum production averaged 2.118 million barrels per day in 2002, which exceeded its OPEC quota. Nigeria is again expected to exceed its OPEC production quota in 2003.[2]
- Nigeria's four state-owned refineries, with the combined capacity to refine 438,750 barrels of crude petroleum per day, or 1 percent of the world's total refining capacity, are slated for privatization over the next few years in an effort to upgrade the facilities, increase capacity, and reduce dependence on imported refined petroleum products to satisfy domestic demand. In addition, plans for several small, independently owned and operated refineries are being developed. Nigeria has awarded 18 licenses for privately owned refineries and more are expected.[3]
- Nigeria's reserves of natural gas rank ninth in the world; however, due to a lack of utilization infrastructure (pipelines, separators, storage facilities, and so forth), Nigeria flares almost 80 percent of its natural gas and uses most of the remainder to reinject into wells for enhanced oil recovery. President Obasanjo recently announced that by 2004, Nigeria will cease the flaring of natural gas.[4]
- Nigeria's economy remains heavily dependent on the petroleum sector, which accounts for nearly 80 percent of government revenues, 90 to 95 percent of export revenues, and over 90 percent of foreign exchange earnings.[5]
- Production from joint ventures accounts for 95 percent of Nigeria's crude petroleum production. The largest joint venture, operated by Shell, produces nearly 50 percent of total crude petroleum production in Nigeria; the Nigerian National Petroleum Corporation (NNPC) has a 55 percent stake in this joint venture. The other joint ventures, in which the NNPC holds a 60 percent share, are operated by ExxonMobil, ChevronTexaco, AGIP, and TotalFinaElf.[6]
- A major problem facing Nigeria's energy sector has been insufficient government funding of its joint ventures. Lack of funding coupled with political and ethnic strife in the Niger Delta region, including violence, kidnapping, sabotage, siphoning of fuel products, and seizure of petroleum facilities, has caused major disruptions in the production of crude petroleum. During late 2002, ChevronTexaco and Shell temporarily closed their facilities and evacuated all personnel because of these problems.[7]
- Angola continues to be the region's second largest producer of crude petroleum, behind Nigeria. The Angolan economy is highly dependent on is petroleum sector, which accounts for 50 percent of the GDP and over 90 percent of total export revenues.[8]
- 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 market with the EU being the principal market.[9]
- South Africa has a highly developed synthetic fuels industry, which takes advantage of the abundant coal reserves and offshore natural gas and condensate production. Sasol, the world's largest manufacturer of oil from coal, has been studying the feasibility of replacing coal with natural gas as the primary feedstock of synthetic fuels production. Sasol estimates that the switch to natural gas will reduce investment expenditures in its coal mining operations and the high costs of compliance with the environmental regulations associated with coal use. The project is expected to begin delivering natural gas to South Africa in 2004.[10]
- South Africa is the largest refining center in SSA, with a total capacity of 468,547 barrels of crude petroleum per day. In late 2002, the $123 million capacity expansion at the Natref refinery came onstream and, beginning in early 2003, increased capacity by 17,000 barrels per day and includes the ability to produce low-sulfur diesel fuels.[11]

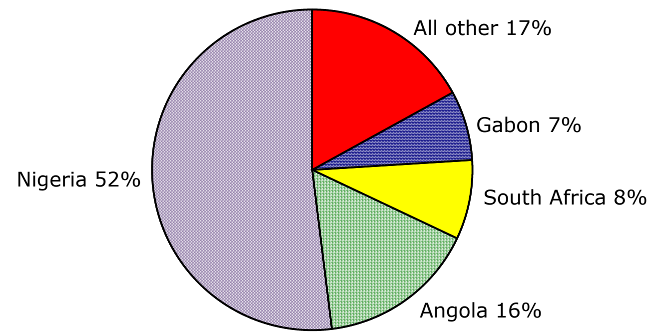
TRADE

SSA sector global imports, by country, 2001
($954 million)



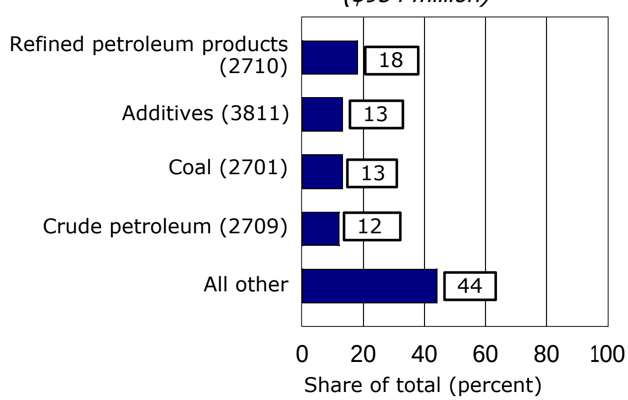
Source: United Nations.

SSA sector global exports, by country, 2001
($34.1 billion)



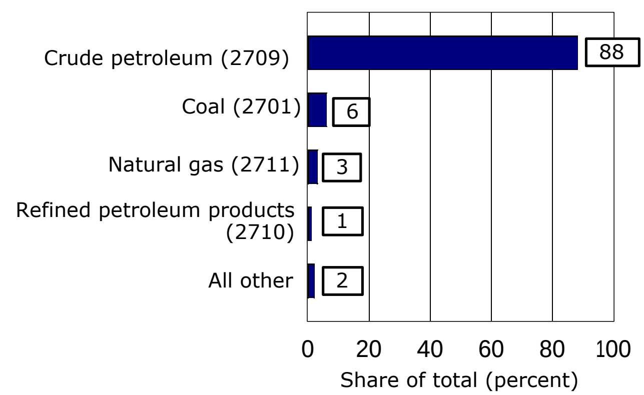
Source: United Nations.

SSA sector global imports, by 4-digit HS, 2001
($954 million)



Source: United Nations.

SSA sector global exports, by 4-digit HS, 2001
($34.1 billion)



Source: United Nations.

Major Import Source (2001)	Share of Total (percent)	Major Import Item (6-digit HS) (2001)	Share of Total (percent)
EU15	22	Refined petroleum products (2710.00)	18
South Africa	12	Crude petroleum (2709.00)	12
United States	12		

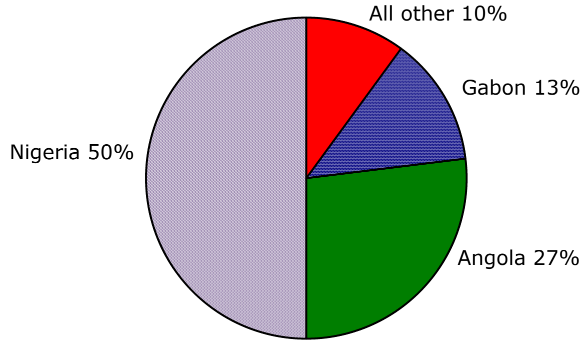
Source: United Nations.

Major Export Market (2001)	Share of Total (percent)	Major Export Item (6-digit HS) (2001)	Share of Total (percent)
United States	43	Crude petroleum (2709.00)	88
EU	28	Bituminous coal (2701.12)	4
China	8		
Brazil	5		

Source: United Nations.

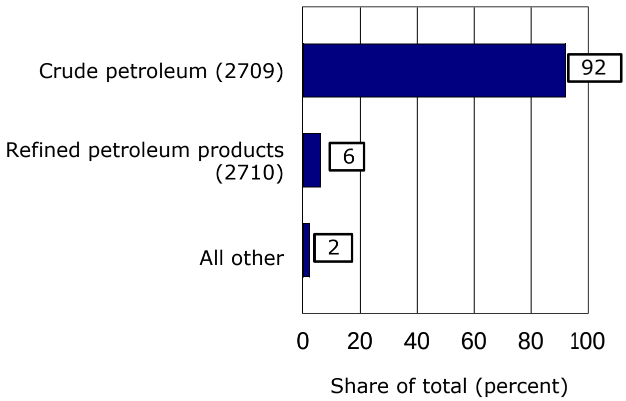
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($11.7 billion)



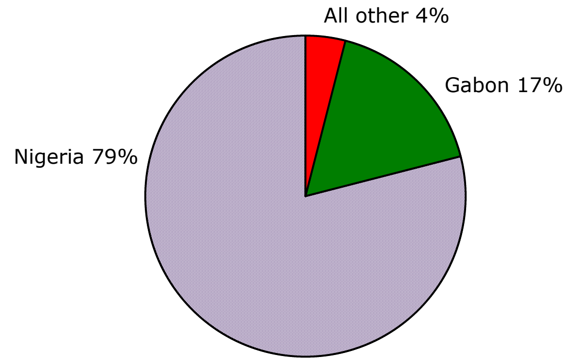
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by 4-digit HTS, 2002
($11.7 billion)



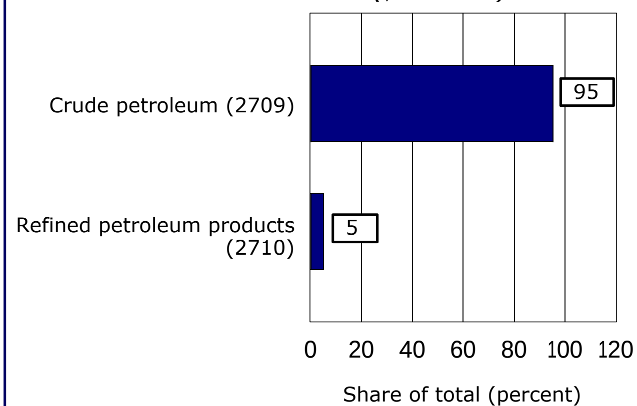
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($6.8 billion)



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

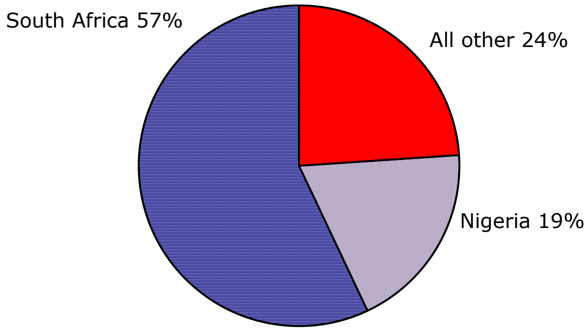
U.S. sector imports under AGOA (including GSP), by 4-digit HTS, 2002
($6.8 billion)



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

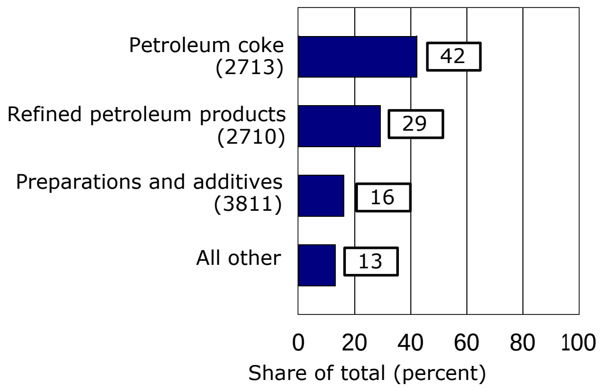
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($193 million)



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

U.S. sector exports to SSA, by 4-digit HTS, 2002
($193 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 account for about 10 percent of total U.S. imports of these products from all sources. Crude petroleum from Nigeria, Angola, and Gabon is the primary U.S. import in this sector from SSA.
- U.S. imports of petroleum and energy-related products from SSA decreased from $14.3 billion in 2001 to $11.7 billion in 2002. The decrease was due primarily to a decrease in the quantity of crude petroleum imports from Nigeria.
- The quantity of U.S. imports of crude petroleum and refined petroleum products from Nigeria decreased by 33 percent from 2001 to 2002, primarily as a result of continued supply disruptions resulting from the civil unrest in Nigeria.
- The quantity of U.S. imports of crude petroleum from Angola increased by 25 percent and by 2 percent from Gabon during the period; however Angola and Gabon each account for less than 1 percent of total U.S. imports of crude petroleum.

Key AGOA Trade Developments

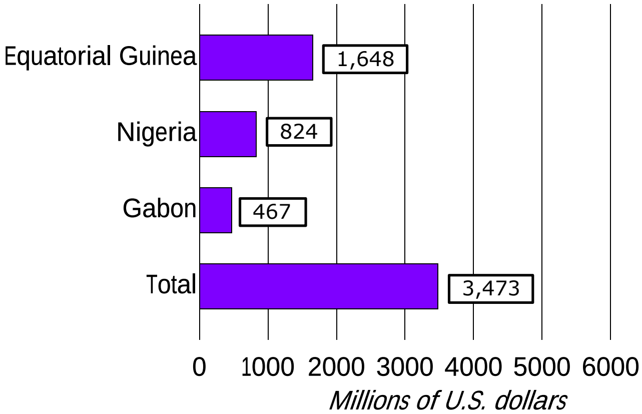
- U.S. sector imports under AGOA (including GSP) totaled $6.8 billion in 2002, virtually the same level as the previous year. Imports under AGOA accounted for 58 percent of the value of total sector imports from SSA in 2002. The petroleum and energy-related products sector accounted for about three-quarters of total U.S. imports under AGOA (including GSP) from AGOA beneficiary countries.
- U.S. imports of coal and natural gas enter the U.S. market free of duty. The only significant imports in this sector under the provisions of AGOA from the SSA are crude petroleum imports from Nigeria.
- Crude petroleum from Nigeria accounted for 79 percent of total sector AGOA imports from the region in 2002.

Key U.S. Export Developments

- The United States is a major world producer and consumer of petroleum and petroleum-related products and 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.
- SSA accounts for less than 1 percent of total U.S. exports of the products in this sector.[12] During 2002, U.S. exports to SSA consist of refined petroleum products (91 percent) and specialty coals (8 percent).
- U.S. exports of petroleum and energy-related products to SSA increased, from $149 million in 2001 to $193 million in 2002, primarily because the world price of crude petroleum increased by about $3 per barrel in 2002.

INVESTMENT

U.S. sector SSA FDI position, by country, 2002

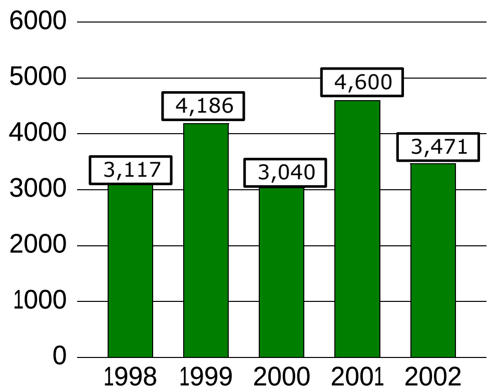


Note.—Data for some countries are not disclosed owing to confidentiality. U.S. FDI position may be negative for some countries. Industry classification basis changed from SIC to NAICS in 2002.

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

U.S. sector SSA FDI position, 1998-2002

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.

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 totaled $3.5 billion in 2002, down from $4.6 billion the previous year.[13] Equitorial Guinea, Nigeria, and Gabon were major SSA locations for U.S. FDI in the sector in 2002, together accounting for 85 percent of the regional total. The sector continued its lead, accounting for 41 percent of the total U.S. FDI position in SSA in 2002. However, SSA accounted for only about 4 percent of the global U.S. FDI position in the sector that year.[14]
- There have been no major SSA sector investment policy developments during 2001-02. Nigeria, Angola, and Gabon operate national petroleum companies, which are responsible for all exploration and development as well as joint venture agreements involving crude petroleum, natural gas, and refined petroleum products.
- Nigeria is one of the world's leading exporters of crude petroleum. Nigeria's existing and potential reserves make it attractive for joint ventures as there is the potential to increase its production of crude petroleum significantly in the next few years as recent discoveries come onstream.
- ExxonMobil has begun construction work on Nigeria's deep-water Erha field, which is estimated to hold 500 million barrels of additional reserves. ExxonMobil holds a 56.25 percent share of the project under a production-sharing agreement with NNPC. Shell is also a partner on this field development, which is expected to include a Floating Production Storage and Offloading (FPSO) vessel, 15 producing wells, 5 water injection wells, and 4 gas injection wells.[15]
- ExxonMobil is also developing a 400-million-barrel field offshore, in shallow water. ExxonMobil holds 40 percent of the find and NNPC holds the remaining 60 percent. Initial production began in late 2002 and is expected to be fully onstream by late 2004. When fully operational, the facility will include a FPSO and associated natural gas will be reinjected into the well, thus eliminating flaring.[16]
- Limited production began in late 2002 from a Nigerian field operated by Shell with additional estimated reserves of 350 million barrels of crude petroleum. The field is expected to yield 125,000 barrels of crude petroleum per day and 100 million cubic feet of natural gas per day.[17]
- The NNPC and ChevronTexaco announced a $2.5 billion agreement for development of the Agbami field, which will be a deep offshore operation and could increase Nigeria's production of crude petroleum by an additional 250,000 barrels per day by 2006. NNPC holds a 60 percent share, ChevronTexaco holds 32 percent, and 8 percent is held by a local Nigerian company.[18]
- Angola is beginning its recovery after 27 years of civil war, which resulted in the destruction of much of its infrastructure. Recent discoveries of crude petroleum are becoming attractive to the world's leading production companies.[19]
- ChevronTexaco and TotalFinaElf have established a consortium to conduct exploration activities along the border of Angola and the Republic of the Congo-Brazzaville. The two nations approved the exploration and would jointly share in any find. ExxonMobil has formed a joint venture with Angola to develop a deepwater find which could produce up to 2,640 barrels of crude petroleum per day. In addition, Canadian Natural Resources reached a production sharing agreement with Sonangol, which will allow the Canadian firm to develop another deepwater discovery. British Petroleum is also in the process of developing an agreement to explore and develop reserves in Angola.[20]

ENDNOTES

[1] This sector includes Harmonized System chapter 27.

[2] U.S. Department of Energy, Energy Information Administration, *Country Analysis Briefs: Nigeria*, March 2003.

[3] Staff telephone interviews with industry representatives.

[4] Ibid.

[5] U.S. Department of Energy, Energy Information Administration, *Country Analysis Briefs: Nigeria*, March 2003.

[6] Staff telephone interviews with industry representatives.

[7] Ibid.

[8] Based on official statistics of the U.S. Department of Energy.

[9] Ibid.

[10] Staff telephone interviews with industry representatives.

[11] Ibid.

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

[13] 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.

[14] USDOC, BEA, *U.S. Direct Investment Position Abroad on a Historical Cost Basis: Country Detail by Industry, 2002*, found at Internet address *http://www.bea.gov/bea/di/di1usdbal.htm,* retrieved Oct. 17, 2003.

[15] Staff telephone interviews with industry representatives.

[16] Ibid.

[17] Ibid.

[18] Ibid.

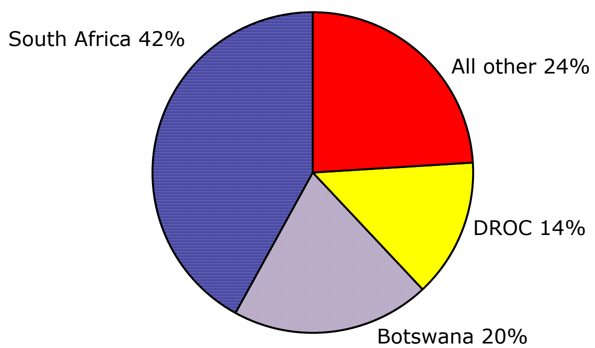
[19] Ibid.

[20] Ibid.

MINERALS AND METALS

OVERVIEW

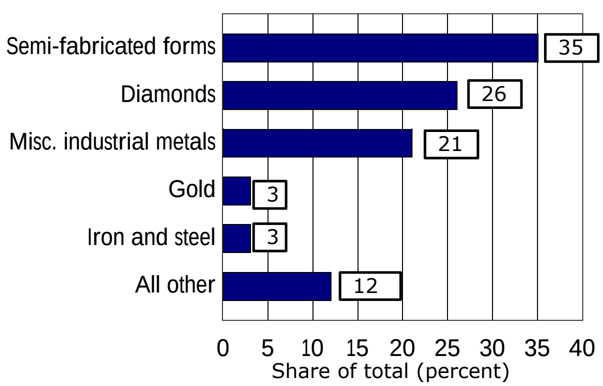
SSA sector production, by country, 2002
($193 billion)



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

Source: Unpublished data and estimates of the U.S. Geological Survey.

SSA sector production, by product, 2002
($193 billion)



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

Source: Unpublished data and estimates of the U.S. Geological Survey.

- SSA minerals and metals production in 2002 declined by $12 billion, largely due to declining commodity values, currency movements, and significant industry restructuring, particularly in South Africa.
- SSA's extensive mineral resources have provided the basis for substantial minerals and metals industries in numerous African countries. The sector is one of the most important in SSA, constituting a large portion of the GDP of many countries, as well as employment and export earnings.[2] SSA continues to produce much of the world's mine supply of platinum, palladium, chromite, diamonds, vermiculite, alumino-silicates, vanadium, cobalt, manganese, fluorspar, zirconium, gold, and titanium.[3] Several other metals, such as iron, copper and aluminum are also produced, although the SSA share of world production is not as significant.
- Numerous industrial minerals (IM) and gemstones are also produced, including aggregate and sand, clays, limestone, dolomite, dimension stone, and silica. There are 531 producers of IM in South Africa alone.[4]
- Despite significant production, the SSA minerals and metals sector, especially outside South Africa, is considered underdeveloped or in significant disrepair. Africa continues to be a major focus of mineral exploration and mine development for new deposits and revitalization of existing operations by many Canadian, South African, and Australian companies, most notably in cobalt, copper, gold, and diamond projects. The region's contribution to the world in these commodities should increase significantly in the future, especially as prices rise and regional stability is gained.
- In 2002-2003, prices for several minerals and metals began to recover from the extreme lows observed in the prior 6 years, reflecting declining exchange inventories arising from a combination of worldwide production shutdowns and rising consumption. Aluminum, which had declined from $0.72 to $0.62 per pound, recovered slightly to $0.65 per pound in 2002. Gold, which had declined from $331 to $294 per troy ounce in 2001, recovered in 2002, to $305 per troy ounce. The price of copper began to climb in early 2003. This is expected to improve the economies of the SSA metal-producing countries and may attract additional international investment.[5]
- In contrast, prices of platinum-group metals (PGM) had increased over the last decade because of strong demand of the transportation sector (these metals are used in catalytic converters) and partly as a result of uncertainty regarding Russian supplies of these metals. This benefits South Africa (RSA) primarily. However, in 2002, both palladium and rhodium declined significantly in price, thus negatively affecting RSA's output, as well as resource valuation and capital availability to the producers.[6]
- The South African mineral and metal sector is experiencing significant competitive problems. Mineral deposits have been extensively exploited and grades of many deposits have been declining. Further, the country's mines are almost exclusively deep underground operations. These factors contribute to relatively high operating costs, and have especially affected the South African gold mining sector, the largest in the world, which has had to restructure and rationalize.[7]
- Several sub-Saharan African countries continued to define their mining laws in an effort to attract foreign investment. For example, Mozambique's new mining law, passed in June 2002 to be effective at the end of that year, replaced prior law and included definite licensing protocols to increase procedural transparency. In contrast, mineral producers contend that RSA's 2002 Mineral Law, which converts all mineral rights from private to state ownership (see Investment Issues section for details), is causing a devaluation of the holdings of many mining companies operating in the country. The perceived financial risk has resulted in a 10 to 50 percent "South African discount" in share prices of mining companies relative to other global companies.[8] The new Royalty Bill, which proposes a royalty of 3 percent on gold and 4 percent on platinum, is adding to the devaluation and further diminishing potential investment.[9]
- The Democratic Republic of the Congo's (DROC) 2001 mining legislation, intended to help attract foreign investment back into the country's minerals and metals sector has had little effect, as it was not officially enacted until this year. DROC investment into new facilities has remained largely stagnant. Belgium's Belgolaise is the only company that has secured western financial institution financing (with a government-backed credit guarantee) during the conflict years, to

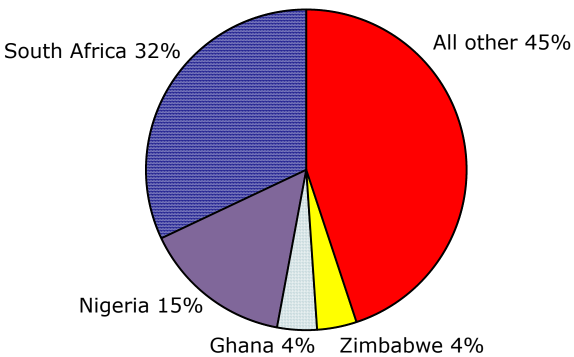
OVERVIEW-Continued

build the Big Hill cobalt smelter. All other foreign mining companies operating in DROC are purchasing small, short-term, low-risk partnerships.[10] However, when the law was enacted Generale des Carrieres et des Mines (Gécamines), the state mining company, was able to divest a portion of its holdings in the Kolwezi tailing project to America Mineral Fields, which now owns 87.5 percent.

- The United States enacted the Clean Diamond Trade Act (The Act, Public Law 108-19) on April 25, 2003, which was initiated by Congress in response to the use of diamonds in fueling 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, amends prior Orders on the subject to reflect provisions of The 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.[11] The Central African Republic (CAR) joined the previous 61 member-countries of the KPCS in August 2003.[12]

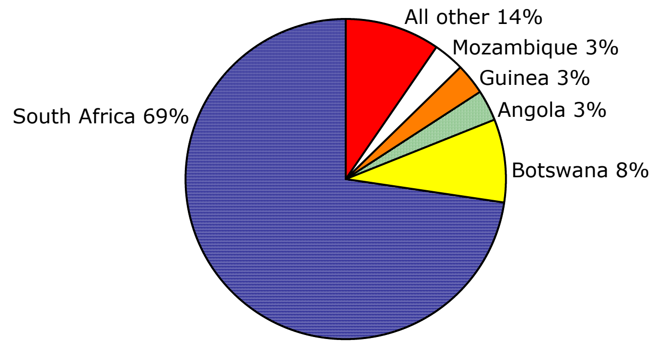
TRADE

SSA sector global imports, by country, 2001
($6.1 billion)



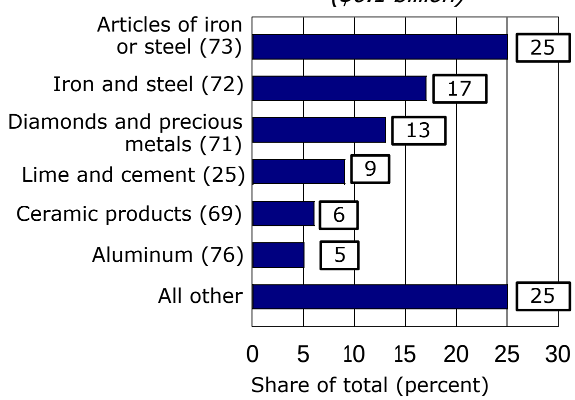
Source: United Nations.

SSA sector global exports, by country, 2001
($20.1 billion)



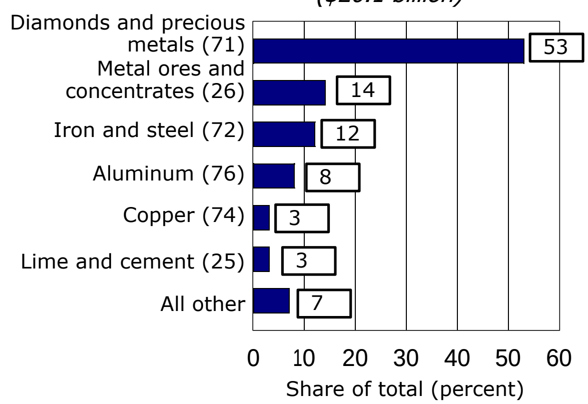
Source: United Nations.

SSA sector global imports, by HS chapter, 2001
($6.1 billion)



Source: United Nations.

SSA sector global exports, by HS chapter, 2001
($20.1 billion)



Source: United Nations.

Major Import Source (2001)	Share of Total (percent)	Major Import Item (6-digit HS) (2001)	Share of Total (percent)
EU15	46	Nonindustrial diamonds (7102.31)	6
South Africa	8	Portland cement (2523.29)	4
China	7	Iron or steel structures (7308.90)	3
Japan	4	Glazed ceramic tiles (6908.90)	2
United States	4	Copper mattes (7401.10)	2

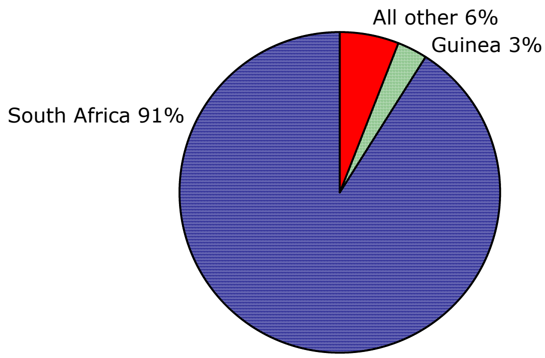
Source: United Nations.

Major Export Market (2001)	Share of Total (percent)	Major Export Item (6-digit HS) (2001)	Share of Total (percent)
EU15	50	Nonindustrial diamonds (7102.31)	23
United States	16	Platinum (7110.11)	11
Japan	10	Aluminum (7601.10)	7
China	4	Gold (7108.12)	5
Botswana	2	Palladium (7110.21)	5
Switzerland	2	Iron ore (2601.11)	4

Source: United Nations.

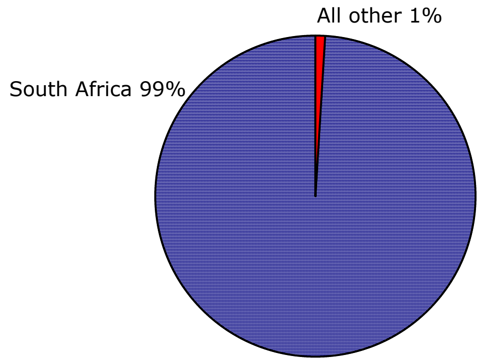
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($2.7 billion)



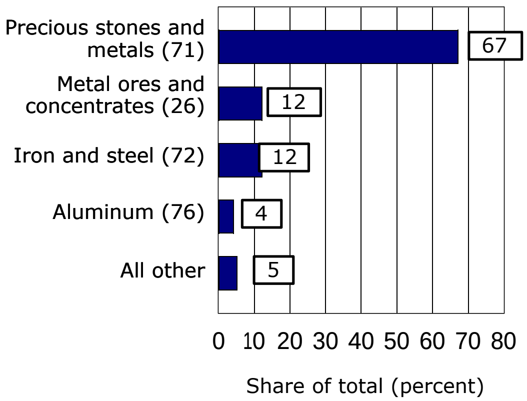
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($373million)



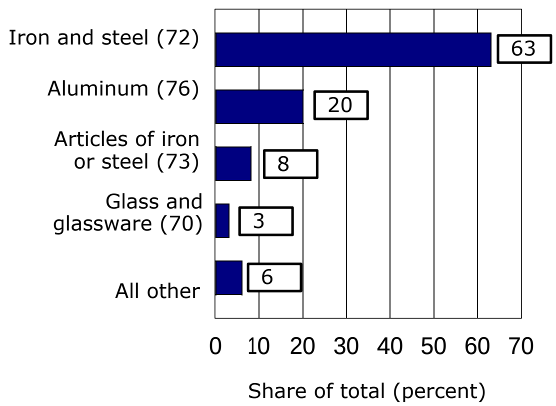
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2002
($2.7 billion)



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

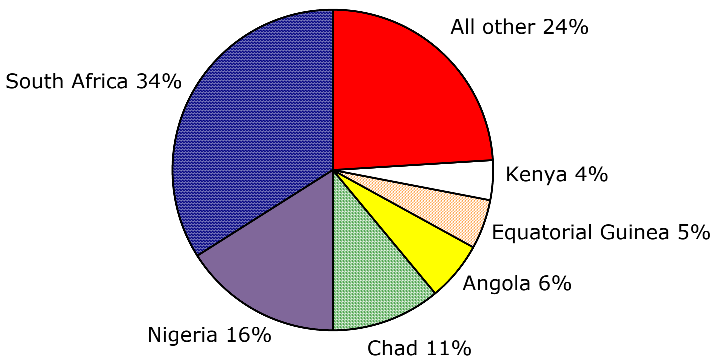
U.S. sector imports under AGOA (including GSP), by HTS heading, 2002
($373 million)



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

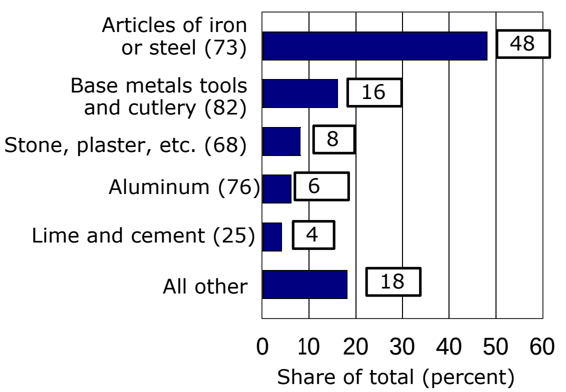
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($265 million)



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

U.S. sector exports to SSA, by HTS heading, 2002
($265 million)



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

Key U.S. Import Developments

- During 2002, U.S. imports from SSA remained over 10 times as much as U.S. exports to SSA. The U.S. trade deficit decreased $392 million (14 percent) to $2.4 billion, as U.S. imports fell by $376 million (12 percent) and exports increased by $15 million (6 percent). Botswana posted a 38 percent export increase to the United States, displacing Ghana in the top five. The increase was largely in diamonds, and was attributed by some to be the result of restrictions on conflict diamonds from other countries.
- Forty-three percent (down 8 percent) of U.S. imports from SSA in 2002 were PGMs, almost all of which are from South Africa, which is the major source of these metals to the world. The country is the primary mine source for a majority of specialty metals (including PGMs) needed by the U.S. high-tech and transportation industries. In some cases, such as chrome, there is little alternative sourcing available. Imports of diamonds, of which 3 percent were industrial diamonds, totaled $589 million in 2002, or 22 percent of the sector import total. South Africa is also the leading U.S. supplier in the overall sector, by an overwhelming margin, and increased its U.S. import market share to 91 percent in 2002. The import/export ratio from South Africa to the United States, at 27, dwarfed all other countries and trade balances.
- The decrease in U.S. sector imports during 2001-02 was largely a result of decreased shipments from across the region, reflecting the general economic slowdown. The weaker U.S. economy reduced discretionary income, which has resulted in reduced consumption of jewelry containing diamonds and PGMs. Almost all countries recorded declines, with Botswana and Republic of the Congo (ROC) being the only two countries in the top 12 to increase their exports to the United States.
- The WTO members of SSA were granted developing county exclusions from U.S. steel import remedies that were implemented in 2002.[13]

Key AGOA Trade Developments

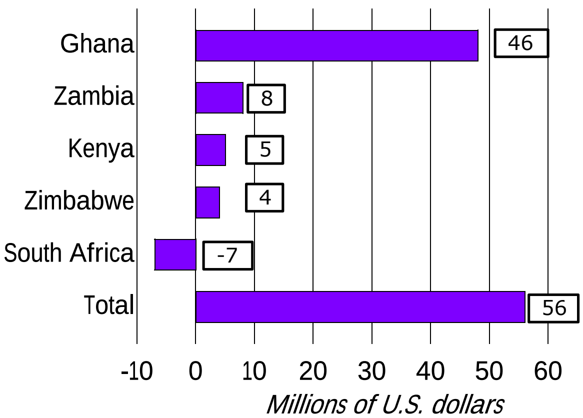
- U.S. sector imports under AGOA (including GSP) totaled $373 million in 2002, up 17 percent from the previous year. Imports under AGOA accounted for 14 percent of total sector imports from SSA in 2002, up from 10 percent the previous year. The sector accounted for about 4 percent of total U.S. imports under AGOA.
- The bulk of U.S. imports of minerals and metals under AGOA were supplied by South Africa and Kenya. Such imports from these sources totaled $372 million in 2002, or 99 percent of the total. Ferroalloys accounted for the majority of sector imports under AGOA in 2002.

Key U.S. Export Developments

- U.S. exports to the region increased by $15 million (6 percent) over 2001, continuing the increase of the prior year, and approaching 1996 levels.
- Significant target country changes year-over-year were observed in increased exports to Chad (up 125 percent, to third place) and extremely high percentage (but low dollar) gains to Swaziland, Central African Republic, and Somalia. Many countries recorded double digit declines, largely as a result of declining economies (e.g., Madacascar, declining 95 percent) and political issues (e.g., Angola, down 27 percent and Sierra Leone, down 56 percent).
- U.S. exports reflect the significant oil exploration and oil-field development that is underway in SSA, primarily in Nigeria, Angola, and surrounding areas. U.S. companies are heavily involved. The major exports are steel products (such as tube/pipe, barrels, and casings) and ancillary drilling products (such as drilling muds and abrasives). However, the drilling operations leveled off in 2002, causing the drilling commodities such as pipe and tube, tools, mesh, and drilling muds to plateau. The structural commodities, particularly steel structures, towers and masts, and lime and cement products, showed significant increases. Much of these were directed toward the oil and gas recovery and refining facilities being developed.
- Aluminum products marked the largest subsectoral increase, largely supplying many smaller countries.
- Exports to South Africa decreased by $8 million (9 percent) from 2001, mostly attributable to decreased exports of gold bullion and ferronickel. The decrease in gold bullion exports was likely caused by a decrease in transfers of gold stocks. Ferronickel exports declined because the one U.S. plant producing this product shut down operations in early 2001.

INVESTMENT

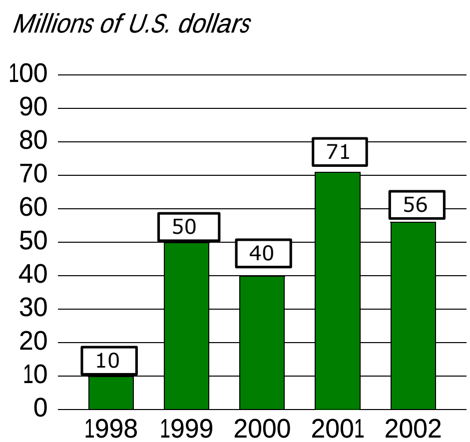
U.S. sector SSA FDI position, by country, 2002



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, 1998-2002



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 not comparable to last year's report.

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 SSA minerals and metals sector totaled $56 million in 2002, down from $71 million the previous year.[14] Ghana was the major SSA location for U.S. FDI in the sector in 2002, accounting for 82 percent of the regional total. The sector accounted for less than 1 percent of the total U.S. FDI position in SSA in 2002, and SSA accounted for less than 1 percent of the global U.S. FDI position in the sector that year.[15]
- Estimates indicate somewhere between $100-150 million of investment from the United States going to metal and nonmetallic mining ventures in SSA, which is down from near $200 million in the mid- to late-1990's.[16] African sources released final total FDI inflows to the top 10 recipient African economies for 1998 ($8.1 billion) and 1999 ($10.3 billion), 7 of which were SSA countries (totaling $3.8 and $5.8 billion, respectively), with Angola leading the list at $1.1 (1998) and $1.8 (1999) billion.[17] When contrasted with the U.S. mining FDI, it confirms that the mining sector of SSA is receiving little investment from U.S. sources.
- Anglo American PLC completed the pullout of the Konkola copper mining facilities in 2002, making a final operating assistance payment of $30 million in 2003, as part of the agreement. The facility continues to operate at minimal force, but the payment is being reinvested to allow increased production.
- Mozambique's Mozal aluminum smelter, which is the country's largest single investment ($1.3 billion), was expanded in 2002 and reportedly began setting world production records.[18]
- Anglo-American's Zimbabwe platinum project, Unki Mine, which had been delayed following the World Bank/IMF aid suspension declaration in 1998, recently issued $90 million in tender offers for development.[19]
- Several issues pose deterrence to new investment and reinvestment to keep existing facilities operating efficiently.[20] These include the following:
  - Political risk: There have been significant strides in stabilization in the past decade, but the overwhelming presence and potential for renationalization of mineral and metal assets remains a concern for most foreign investors.
  - Health issues, malaria prevention and treatment, and the increasing HIV infection rate: This risk when coupled with an additional cost for employee health protection diminish the financial attractiveness of potential investments. Health issues also make it difficult to find suitable foreign technical professionals to move to the region to manage operations.
- Leaders of both main rebel groups in the DROC have reportedly agreed to share power with President Kabila. This may allow the end of civil war, which would probably allow foreign investment to increase.[21]
- South Africa's new Mineral Law gives the government ultimate ownership of all of the country's mineral resources, which mining companies would then exploit only under license, giving the state control over mining. The law calls for licenses of up to 5 years for prospecting rights and up to 30 years for mining rights. The purpose of the law is to create opportunities for more black ownership in the sector. The government claims there will be automatic conversion of the "old order rights" to "new order rights," but admits that there may be a temporary drop in investment, particularly while the details of the law, regarding paying for the asset rights, are worked out. Negotiations continue on a case-by-case basis.[22]

INVESTMENT-Continued

- According to Transparency International Corruption Index 2001, Nigeria ranks the lowest of SSA countries (second-lowest in the world) in the Corruption Perceptions Index, followed by Uganda, Kenya, Cameroon, Tanzania, Zambia, Zimbabwe, and Senegal, all in the bottom 13. Alternatively, in a separate index by Transparency International, Botswana is perceived to be the most successful SSA country in minimizing corruption among public officials. Botswana is ranked 26th out of 91 countries, ahead of all African nations and as good as several EU member states. Two other SSA countries are in the first 50 of the 91 countries listed. These are Namibia (30th) and South Africa (38th).[23]
- Results of a joint UNCTAD-International Chamber of Commerce (ICC) survey of leading trans-national corporations suggest that the increased level of FDI flows into Africa in recent years may be sustained in the future. The survey, conducted at the beginning of this year, indicates that one-third of the 65 respondents intend to increase investment in Africa in the next 3 to 5 years, and more than half expect their investment to remain stable. More than 43 percent expect that Africa's overall prospects for attracting FDI will improve in the next 3 to 5 years, but another 46 percent expect no change. South Africa is viewed as the most attractive SSA location. In general, the more developed countries in the region rank higher in investment attractiveness, but least developed countries - Mozambique, Uganda, Tanzania, and Ethiopia - were also considered attractive FDI destinations.[24]
- According to Infomine-Africa, the best mining investment opportunities in 2000-2003 are in the DROC (gold), Côte d'Ivoire (platinum-group metals), Ethiopia (gold), Gambia (titanium-bearing sands), Madagascar (nickel, gold), Mozambique (nickel), Niger (uranium), Tanzania (gold, iron ore), and Zimbabwe (gold). For nonmetallic mineral products, opportunities are widely expected in Ethiopia (potash, soda ash, building stones, industrial minerals), Gambia (phosphate and subproducts), Niger (lithium), and Zambia (feldspars, barite, fluorite, graphite, clays).[25]

ENDNOTES

[1] This sector includes items classified in Harmonized System 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, builder's hardware, etc.).

[3] Infomine Africa, available at Internet address *http://infomine africa.com/afrinfogen.asp*.

[4] Ibid.

[5] U.S. Geological Survey, *Minerals Information*, available at Internet address *http://minerals.usgs.gov/minerals*.

[6] Ibid.

[7] Coakley, George, *The Mineral Industry of South Africa*, available at Internet address *http://minerals.usgs.gov/minerals/pubs/country/2001/sfmyb01 .pdf*.

[8] "Perceived Empowerment Risks Discourage U.S. Investors," *Business Day (South Africa)*, via NewsEdge Corporation, Aug. 18, 2003, received Aug. 19, 2003 by e-mail.

[9] Daniel Thole, "Resources Take a Pounding", Moneyweb (Johannesburg), found at Internet address *http://allafrica.com/stories/printable/200308180609.html*, retrieved Aug. 28, 2003.

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

[11] 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.

[12] "CAR Joins the Kimberley Process," Mining E-news, August 2003, via Infomine Africa, received Aug. 13, 2003 by e-mail.

[13] U.S. President, "Steel Products Proclamation," Article 12, The White House, Dec. 19, 2001, retrieved from Internet site *http://www.whitehouse.gov/news/releases/2002/03/print/20020305 7.html*, retrieved Aug. 22, 2003. Detailed list provided by USTR, "Developing Countries With Products Not Excluded From Remedy," found at Internet address *http://www.ustr.gov/sectors/industry/steel201/2002 03 05 exclusions.PDF*, retrieved Aug. 20, 2003.

[14] Data are for primary and fabricated metals and do not include mining and certain processing operations or industrial minerals.

[15] USDOC, BEA, *U.S. Direct Investment Position Abroad on a Historical Cost Basis: Country Detail by Industry, 2002*, found at Internet address *http://www.bea.gov/bea/di/di1usdbal.htm*, retrieved Oct. 17, 2003.

[16] Much of the data in the mining sector is withheld so as to avoid disclosure of data of individual companies. The estimates reflect a composite of industry analyst sources.

[17] Infomine Africa. This data includes Saharan countries, with Egypt in 2nd place in 1999 ($1.1 billion, 1998, and $1.5 billion, 1999), Morocco in 5th place in 1999 ($329 million and $827 million, respectively), and Tunisia in 8th place in 1999 ($670 million and $368 million, respectively). The top seven SSA countries represent 47 percent and 56 percent of the African totals, respectively.

[18] Ibid.

[19] Ibid.; and Johnson Matthey, "Unki platinum mine development–July 2003," *Platinum Today*, found at Internet address *http://www.platinum.matthey.com/media_room/1058859006.html*, retrieved Aug. 20, 2003.

[20] Compiled from numerous regional and country reports from the U.S. State Department Bureau of African Affairs, available at Internet address *http://www.state.gov/p/af/*.

[21] "A New Dawn for the DRC?"

[22] Henri E. Cauvin, "A Radical Overhaul for South African Mining," *The New York Times*, Jun. 4, 2002, section W, p.1.

[23] Infomine Africa. The CPI score relates to perceptions of the degree of corruption as seen by business people, academics, and risk analysts. The score ranges from 10 (highly clean) to 0 (highly corrupt).

[24] Ibid.

[25] Ibid.

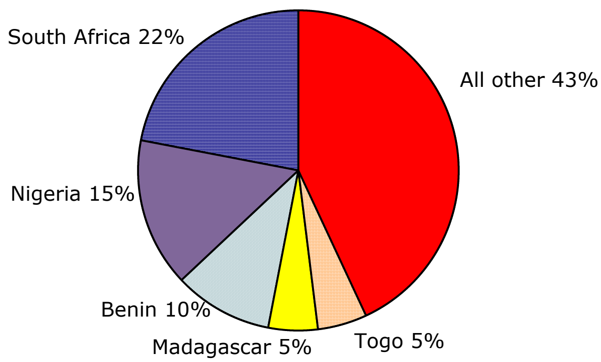
TEXTILES AND APPAREL

OVERVIEW

- Sub-Saharan Africa (SSA) accounted for less than 1 percent of world exports of textiles and apparel and incurred a $0.9 billion trade deficit in such goods in 2001, based on exports of $2.9 billion and imports of $3.8 billion. The major export markets were the European Union (46 percent of SSA exports) and the United States (36 percent); the major import sources were China (33 percent of SSA imports) and the European Union (25 percent). SSA sector exports were concentrated in apparel and among a few countries–Mauritius, South Africa, Madagascar, and Lesotho, which together accounted for 84 percent of the total in 2001.
- Lesotho is the largest SSA supplier of sector goods to the United States with shipments of $321 million in 2002.[2] Its textile and apparel sector has doubled in size as a result of AGOA, with employment rising from 20,000 workers in 2000 to about 45,000 workers in 2002, making it the country's largest source of jobs and export earnings. Sector growth has been driven by Asian and South African investors, largely reflecting not only Lesotho's preferential access to major export markets, but also its low labor costs of approximately $0.30 per hour in 2002, compared with $0.33 in Madagascar, $1.25 in Mauritius, and $1.38 in South Africa.[3] Lesotho's apparel industry reportedly has also benefited from "the management style and work attitude of its Chinese owners [textile firms in Hong Kong and Taiwan]."[4]
- Mauritius posted a 4-percent decline in output of its export processing zone (EPZ) in 2002, which consisted mostly of apparel.[5] The decline in EPZ activity, which continued in early 2003 when several apparel plants closed and more than 3,000 workers lost their jobs, largely reflected weakness in global apparel demand and competition from lower cost countries, as well as the political crisis in Madagascar where Mauritian apparel firms had set up assembly operations. Many Mauritian firms have moved labor-intensive tasks to lower cost SSA countries to improve their global competitiveness. Mauritian textile and apparel firms face a labor shortage at home, leading many of them to hire foreign workers (such workers represent about 21 percent of sector employment, or 16,400 workers). The labor shortage is likely to persist in the long term which, along with long delivery times to the United States of 30-45 days, will make it difficult for firms in Mauritius to benefit fully from AGOA. Nevertheless, AGOA, along with incentives offered by the Government of Mauritius, has spurred investment in the sector (see "Investment" later in this section for further information).
- Madagascar benefited from a shift in apparel production from Mauritius during 1997-2001, when its sector exports to the United States rose by almost 11-fold to $178 million.[6] However, these shipments fell by half to $89 million in 2002, when the political crisis in the country disrupted its economy and forced some apparel firms to shut down, at least temporarily (U.S. sector imports from Madagascar in January-July 2003 were up by 23 percent over the corresponding level in 2002). A Malagasy apparel factory having a U.S. partner reportedly has re-opened because "the conditions that originally attracted them to Madagascar were still in place, i.e., a dedicated workforce that could produce quality goods at extremely competitive prices."
- South Africa's textile and apparel sector reportedly is being hurt by the strong rand, which rose 33 percent against the U.S. dollar from the first quarter of 2002 to the second quarter of 2003 and effectively reduced the price competitiveness of sector exports while improving it for imports.[7] The sector is the country's sixth-largest source of manufacturing jobs and the 11th-largest source of manufactured exports.[8] The South African Textile Federation reportedly stated that "about 12,000 of the [textile] industry's 60,000 jobs were at risk, mainly due to the effects of the strong rand."[9] In July 2003, the Southern African Clothing and Textile Workers Union reported that as many as 500 apparel workers had lost their jobs in the previous month because the strong rand spurred foreign buyers to switch to Asian suppliers.[10] Sources in South Africa stated that AGOA spurred the growth in sector exports to the United States in 2002 and, in turn, the increase in demand for locally produced raw materials.[11]
- The textile industry in Nigeria, the most populous country in SSA, reportedly is beginning to expand production after several years of decline, largely reflecting Government efforts to curb large-scale undocumented Asian textile imports.[12] In January 2003, the Government suspended the importation of printed fabrics and increased the import duty on other textile materials from 65 percent to 75 percent. Capacity utilization in the industry is very low (it was estimated at 30 percent in 2002). Growth in Nigeria's textile industry remains constrained by depressed domestic demand, high production costs, and poor infrastructure. The industry reportedly is unable to take advantage of AGOA benefits because of industry disorganization and the lack of appropriate technology to produce materials that meet international quality standards.

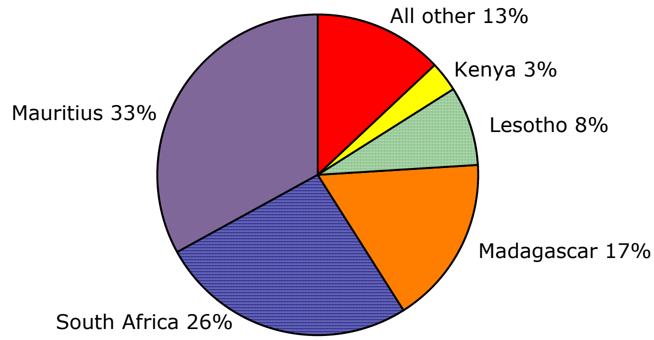
TRADE

SSA sector global imports, by country, 2001
($3.8 billion)



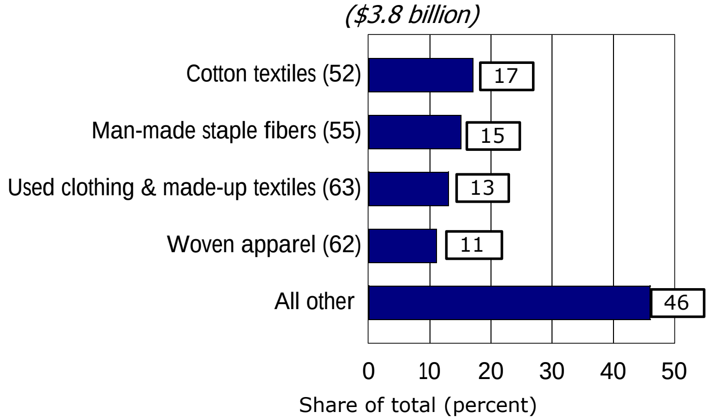
Source: United Nations.

SSA sector global exports, by country, 2001
($2.9 billion)



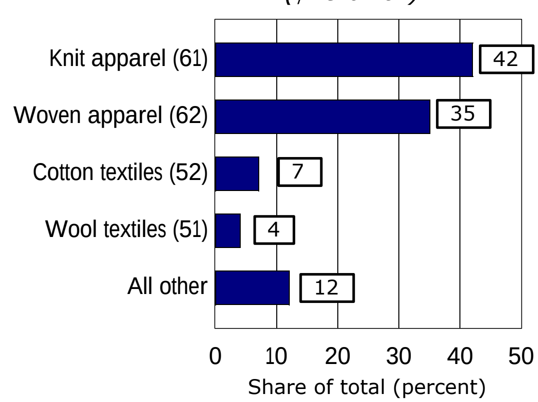
Source: United Nations.

SSA sector global imports, by HS chapter, 2001
($3.8 billion)



Source: United Nations.

SSA sector global exports, by HS chapter, 2001
($2.9 billion)



Source: United Nations.

Major Import Source (2001)	Share of Total (percent)	Major Import Item (6-digit HS) (2001)	Share of Total (percent)
China	33	Used clothing (6309.00)	9
EU15	25	Cotton fabrics (5208.52)	4
Indonesia	10	Badges, etc. of man-made fiber (5810.92)	3
Korea	6		
Thailand	4		

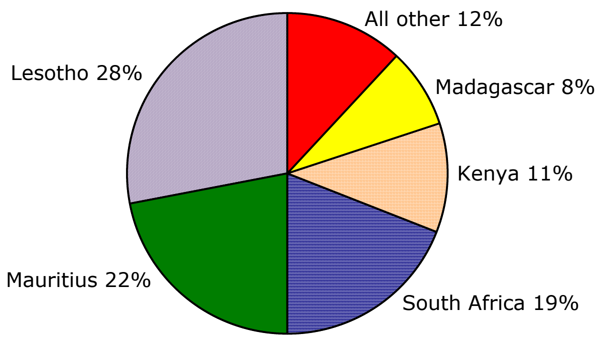
Source: United Nations.

Major Export Market (2001)	Share of Total (percent)	Major Export Item (6-digit HS) (2001)	Share of Total (percent)
EU15	46	Cotton sweaters (6110.20)	11
United States	36	Cotton men's trousers (6203.42)	11
Botswana	4	Cotton T-shirts (6109.10)	10
		Cotton women's trousers (6204.62)	9
		Wool sweaters (6110.10)	7

Source: United Nations.

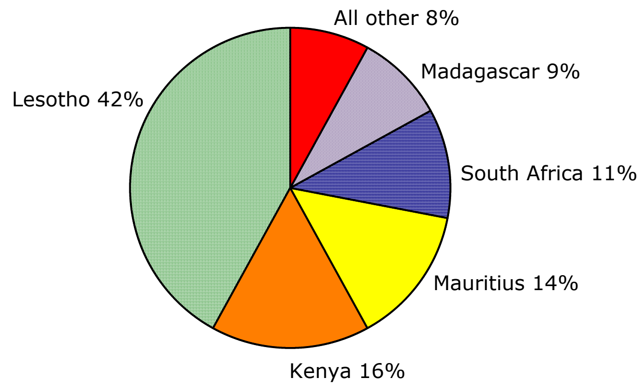
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($1.1 billion)



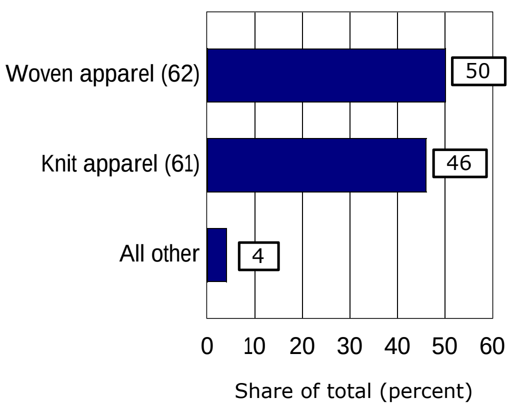
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($803 million)



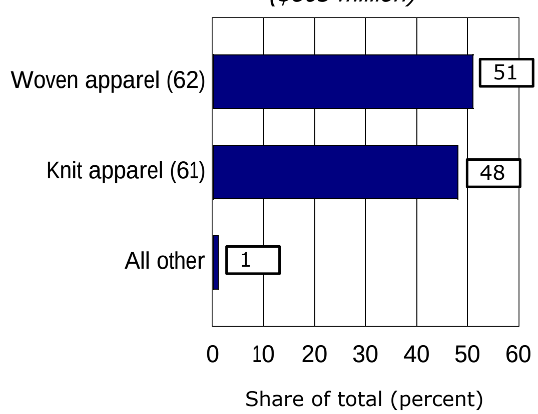
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports from SSA, by HTS heading, 2002
($1.1 billion)



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

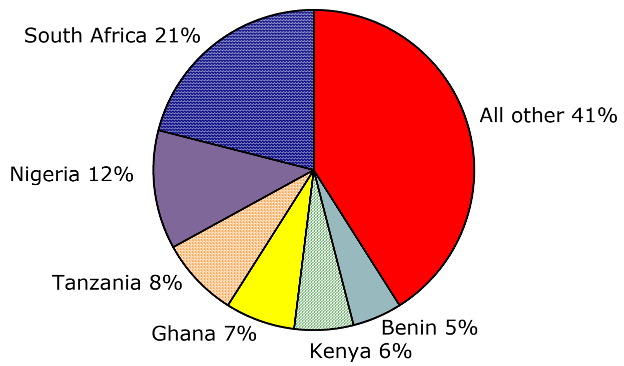
U.S. sector imports under AGOA (including GSP), by HTS heading, 2002
($803 million)



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

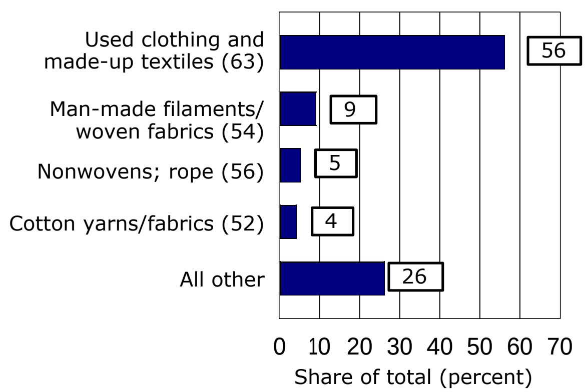
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($124 million)



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

U.S. sector exports to SSA, by HTS heading, 2002
($124 million)



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

Key U.S. Import Developments

- U.S. sector imports from SSA in 2002 rose 14 percent over the 2001 level to $1.1 billion, or less than 1 percent of total U.S. sector imports. SSA shipments consisted almost entirely of apparel, particularly cotton goods. Almost 60 percent of the shipments were knit cotton tops and related goods (HS subheading 6110.20) and woven cotton pants and shorts for men and boys (6203.42) and women and girls (6204.62). The shipments came mostly from Lesotho (28 percent of the total), Mauritius (22 percent), and South Africa (19 percent). Lesotho supplanted Mauritius as the largest SSA supplier of sector imports in 2002, and has been the major beneficiary of AGOA benefits for sector goods to date.

Key AGOA Trade Developments

- SSA shipments of sector goods under AGOA (including GSP) in 2002 rose 123 percent over the 2001 level to $803 million, representing about three-fourths of total U.S. sector imports from SSA and 9 percent of total imports under AGOA. AGOA sector shipments consisted entirely of apparel, which came mainly from Lesotho (40 percent of AGOA apparel imports), Kenya (15 percent), Mauritius (13 percent), and South Africa (11 percent).
- Most AGOA apparel imports in 2002 entered under a special provision that allows apparel from "lesser developed" SSA countries to be made of third-country fabrics (fabrics other than of U.S. or SSA origin) for the first four years, through September 2004. Imports of such apparel totaled about $600 million, of which more than half (or $318 million) came from Lesotho, whose sector shipments of $321 million consisted almost entirely of such goods. Other major SSA suppliers of apparel under the special provision were Kenya ($121 million), Swaziland ($74 million), and Madagascar ($69 million). All but two (Mauritius and South Africa) of the 19 SSA countries that have met the additional requirements to qualify for AGOA apparel preferences are eligible for the lesser-developed country benefits.
- The rest of the AGOA apparel imports in 2002 consisted mainly of apparel made from "regional fabrics" produced in SSA countries from U.S. or SSA yarns. SSA shipments of such apparel totaled $176 million in 2002, and came almost entirely from Mauritius ($90 million) and South Africa ($82 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, 2002, the cap was equal to 1.8 percent of the total quantity of U.S. apparel imports in the preceding 12-month period, or 313 million square meter equivalents (SMEs). SSA countries filled 60 percent of the cap, or 188 million SMEs. Most apparel entered under the cap was made from third-country fabric (85 percent of the total).

Key U.S. Export Developments

- U.S. exports of sector goods to SSA in 2002 fell 5 percent from the 2001 level to $124 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) and Nigeria (12 percent). The principal U.S. sector exports to SSA are used clothing and other used textile articles (HS headings 6309 and 6310). U.S. exports of such goods to SSA in 2002 totaled $67 million, of which $59 million were used clothing. The rest of the exports consisted mainly of textile materials such as yarn and fabric. Certain SSA sources report that U.S. fabrics are expensive, take a long time to obtain, and require extra freight costs.[13]

INVESTMENT[14]

- AGOA has spurred both local and foreign investment in the textile and apparel sector of several SSA countries, particularly Lesotho, Mauritius, Kenya, and Namibia. Most of the foreign direct investment (FDI) has come from Asia and has gone into expanding apparel production capacity and building textile mills to produce yarns and fabrics that 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, 2004.
- Lesotho has attracted textile and apparel FDI mainly from investors in Taiwan and China.[15] In November 2002, the Taiwanese firm Nien Hsing Textile Co. Ltd. reported that it would invest $50 million to build a yarn-spinning plant in Lesotho and that other Taiwanese firms will join this investment, providing an additional $10 million to construct a separate weaving mill and dyeing facility.[16] In January 2003, it was reported that Nien Hsing Textile entered into a partnership with another Taiwanese firm (Precious Garments) to build a fabric knitting mill in Lesotho, scheduled to begin construction in April 2003.[17]
- The Government of Mauritius is reportedly encouraging the country's textile and apparel sector to restructure and become vertically integrated.[18] To help the sector restructure, the Government created a national equity fund of 1 billion Mauritian rupees ($34.5 million) that will subscribe up to 30 percent of the share capital of new ventures in key sectors, including yarn spinning. It also introduced fiscal incentives to spur investment in spinning mills, including a special tax credit of up to 60 percent of the equity invested and leases on land at highly concessionary rates. The Government proposed a fourfold increase to RS20 million ($690,000) in the ceiling under the Development Bank of Mauritius' textile modernization scheme and a reduction in the interest rate to 8 percent. The Bank will also introduce a scheme to finance the working capital needs of textile firms. Two spinning mills, built by Chinese and Indian investors, have recently become operational, and the construction of two more spinning mills will begin during 2003, financed by Mauritian and Indian investors. In addition, two Pakistani textile groups have "firm plans" to set up mills in Mauritius during 2004.
- Namibia has reportedly attracted more than $300 million in textile and apparel investment from three firms as a result of AGOA, leading to the creation of 10,000 jobs.[19] Malaysian-based Ramatex Behrad has invested more than $200 million in a state-of-the-art, vertically integrated textile and apparel plant that became operational in June 2002 and employs more than 4,200 workers, mainly to produce apparel for export to the United States. Another $115 million in investment for apparel production came from Taiwah Manufacturing ($65 million) and Rhino Garments ($50 million), both of whose facilities were expected to become operational in mid-2003 and employ 3,000 workers each. It was reported that a South African firm (Diamond Coast Textiles) is finalizing plans for a $130 million weaving and dyeing facility in Namibia, which is expected to employ more than 1,000 workers and, importantly, attract additional apparel producers to buy its Namibian-made woven fabric. U.S. apparel imports from Namibia rose from $95,000 in 2001 to $6.7 million in 2002, and are $14.5 million in January-July 2003.
- Kenya has reportedly attracted about $60 million in FDI in apparel export production from India, China, Sri Lanka, and Mauritius.[20] The resulting growth in Kenya's apparel industry has had a multiplier effect upon the economy by boosting demand for local suppliers of sewing machines and laundry chemicals.[21]

ENDNOTES

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

[2] Except as noted, information on Lesotho in the paragraph is from U.S. Department of State telegram 108, "Lesotho's Trade Minister Writes to USTR Zoellick Requesting Extension of AGOA Duty-Free Preferences for Textiles and Apparel Containing Third-Country Fabric," prepared by U.S. Embassy, Maseru, Lesotho, Feb. 11, 2003; telegram 121, "Labor Progresses in Lesotho's Garment Industry," prepared by U.S. Embassy, Johannesburg, Mar. 26, 2003; and telegram 474, "Lesotho Investment Climate Statement 2003," prepared by U.S. Embassy, Maseru, July 16, 2003.

[3] Wage rates include social charges and are from Jassin-O'Rourke Group, "Global Competitiveness Report: Selling to Full Package Providers – The Winners and Losers" (New York), Nov. 15, 2002.

[4] "Lesotho Overview," *Cotton Importer Update* (a quarterly publication of the Cotton Board and Cotton Incorporated, Memphis TN), Mar. 2001.

[5] Information on Mauritius in the paragraph is from U.S. Department of State telegram 319, "Mauritius Input for 2003 President's Report on AGOA," and telegram 602, "Mauritius FY 2003-2004 Budget," prepared by U.S. Embassy, Port Louis, Apr. 16 and July 28, 2003, respectively; EmergingTextiles.com, "Mauritius Intends [on] Becoming a Regional Hub," Apr. 4, 2002, found at *www.emergingtextiles.com*, retrieved Nov. 27, 2002; and "Mauritius Overview," *Cotton Importer Update*, Mar. 2001.

[6] Information on Madagascar is from U.S. Department of State telegram 97, "AGOA In Madagascar Forum Highlights Improved Investment Climate," prepared by U.S. Embassy, Antananarivo, Jan. 27, 2003, and EmergingTextiles.com, "Mauritian Textile Groups Confronted with Financial Difficulties," Apr. 12, 2001, found at *www.emergingtextiles.com*, retrieved Nov. 27, 2002. The trade data are "Major Shippers" data of the U.S. Department of Commerce, available online at *http://otexa.ita.doc.gov*.

[7] "World Textile and Apparel Trade and Production Trends: Sub-Saharan Africa," *Textile Outlook International*, Mar.-Apr. 2003, p. 39, and International Monetary Fund, *International Financial Statistics*, Aug. 2003, pp. 880-881.

[8] Textile Federation of South Africa, *South African Textile Statistics & Economic Review 2001/2002* (Bruma, South Africa), p. 6.

[9] "Textile Sector is Hopeful of State Help in Jobs Crisis," *Business Day* (BDFM Publishers (Pty) Ltd., Johannesburg), Sept. 30, 2003, found at *http://www.bday.co.za/bday/content/direct/1,3523,1442170 6099 0,00.html*, retrieved Sept. 30, 2003.

[10] "South Africa: Strong Rand Hitting Clothing Industry Hard," found at *http://www.just style.com,* retrieved July 24, 2003.

[11] U.S. Department of State telegram 1869, "Updated Information on South Africa for 2003 President's Report on AGOA," prepared by U.S. Embassy, Pretoria, Apr. 10, 2003.

[12] Information on Nigeria is from the U.S. Department of Agriculture, Foreign Agricultural Service, "Nigeria: Cotton and Products Annual 2003" (Global Agriculture Information Network (GAIN) Report No. NI3017), May 30, 2003.

[13] U.S. Department of State telegram 1380, "Anxiety Over Lifting of MFA Quotas and End of AGOA Third Country Fabric Provisions," prepared by U.S. Embassy, Pretoria, Mar. 14, 2003.

[14] Data on U.S. foreign direct investment in the SSA textile and apparel sector are not available.

[15] U.S. Department of State, "Labor Progress in Lesotho's Garment Industry," prepared by U.S. Embassy, Johannesburg, Mar. 26, 2003.

[16] U.S. Department of State telegram 748, "AGOA Lesotho: Taiwanese Companies to Invest USD60 Million in Spinning and Weaving Plants," prepared by U.S. Embassy, Maseru, Nov. 29, 2002.

[17] U.S. Department of State telegram 662, "Cotton Board Visits Lesotho; Finds Good Working Conditions and Market Possibilities," prepared by U.S. Embassy, Maseru, Jan. 31, 2003.

[18] Information on Mauritius in the paragraph is from U.S. Department of State telegram 602, "Mauritius FY 2003-2004 Budget."

[19] Information on Namibia is from U.S. Department of State telegram 337, "Namibia Input for President's 2003 Report on AGOA," prepared by U.S. Embassy, Windhoek, Apr. 10, 2003.

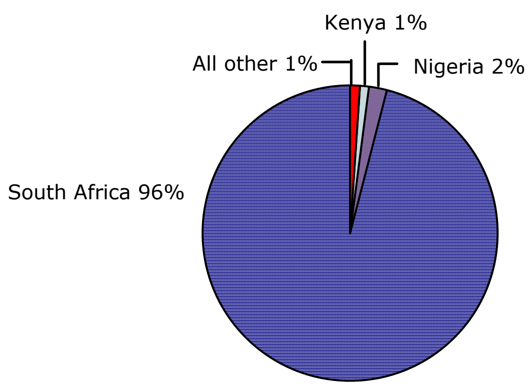
[20] "African Governments to WTO: We Need More Time to Compete," *Daily News Record: Textile News*, Jan. 27, 2003.

[21] U.S. Department of State telegram 1354, "Kenya: AGOA Update for President's Report to Congress," prepared by U.S. Embassy, Nairobi, Apr. 3, 2003.

CERTAIN TRANSPORTATION EQUIPMENT[1]

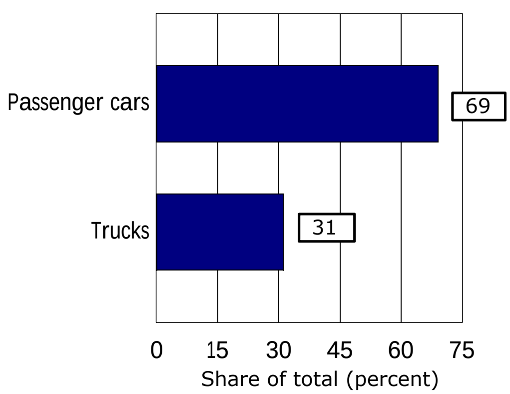
OVERVIEW

SSA sector production, by country, 2002
433,615 vehicles



Source: *Automotive News Market Data Book 2003.*

SSA sector production, by product, 2002
433,615 vehicles



Source: *Automotive News Market Data Book 2003.*

- South Africa is the dominant producer of motor vehicles and motor-vehicle parts in the SSA region, accounting for 96 percent of SSA motor vehicle production in 2002. Nigeria was the second-leading producer with 2 percent, and Kenya was third with 1 percent. Other SSA countries with some motor vehicle production or assembly include Ethiopia, Ghana, Côte d'Ivoire, Mozambique, Tanzania, and Zimbabwe; these countries assemble trucks on a very small scale.[2.] South Africa ranks as the 18th 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,[3] and 10 percent of total manufacturing in South Africa.[4]

- Production of cars in South Africa increased steadily over the past few years, from 189,283 units in 1999 to 231,602 units in 2002. Production of commercial vehicles increased during 1999-2001, from 106,405 units to 127,839 units, before declining to 118,452 units in 2002.[5] Most motor vehicle production is from completely knocked down (CKD) kits, incorporating some locally produced components.[6]

- The automotive industry in South Africa comprises foreign subsidiaries and local-foreign joint venture operations. In 2002, European-based automakers accounted for 42 percent of South Africa passenger car and light commercial vehicle production; Japanese-based automakers accounted for 33 percent, and U.S. producers GM (through its 49-percent ownership of Delta) and Ford (through its 100-percent ownership of Ford Motor Co. of Southern Africa) accounted for 25 percent.[7]

- Leading South African passenger vehicle producers include BMW South Africa, DaimlerChrysler SA, Delta Motor Corp., Ford Motor Company of Southern Africa, Nissan South Africa, Toyota South Africa, and Volkswagen of South Africa. As of 2002, DaimlerChrysler, BMW, and Toyota were using their South African operations as a manufacturing base for world markets; Ford is planning to integrate its local manufacturing operations in the same way during 2003.[8]

- 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 65 percent of SSA motor vehicle sales in 2002. Nigeria was the second-largest market (6 percent), followed by Zambia (3 percent), Côte d'Ivoire (3 percent), and Sudan (3 percent).[9] Because the level of motor vehicle (particularly passenger car) ownership is directly related to macroeconomic trends and personal income, South Africa ranks first in terms of per capita vehicle ownership in SSA, with 10.2 people per passenger car. Ethiopia has the most people per passenger car at 1,392.[10] South Africa accounts for 1 percent of global passenger car sales.[11]

- In South Africa, sales of both cars and light commercial vehicles (e.g., pickup trucks and commercial vans) increased during 1999-2001, but declined in 2002. Sales of cars increased from 214,370 units to 251,560 units before dropping to 241,602 units. Sales of light commercial vehicles increased from 99,669 units to 117,646 units before dropping to 106,247 units in 2002. Sales of medium and heavy commercial vehicles increased steadily during the same period, rising from 11,736 units in 1999 to 14,335 units in 2002.[12] Expected passenger vehicle price hikes in 2002 resulting from the weak rand helped spur vehicle purchases at the end of 2001, pulling forward some purchases that would have been made in 2002.[13]

- In 2002, Toyota garnered the most South African sales of passenger cars and light commercial vehicles, selling 78,373 units. Volkswagen was the second-leading seller with 56,016 units, and Ford was third with 46,371 units in 2002.[14] In 2002, sales of medium and heavy commercial vehicles were led by DaimlerChrysler at 3,733 units, followed by Toyota (2,404 units), Nissan/Renault (1,873 units), and MAN (1,585 units).[15]

- There are more than 300 dedicated automotive component suppliers in South Africa, with another approximately 200 others supplying the industry on a "non-exclusive basis."[16] The automotive component industry is highly concentrated, with only 14 firms accounting for more than half the industry's employment and output.[17]

OVERVIEW-Continued

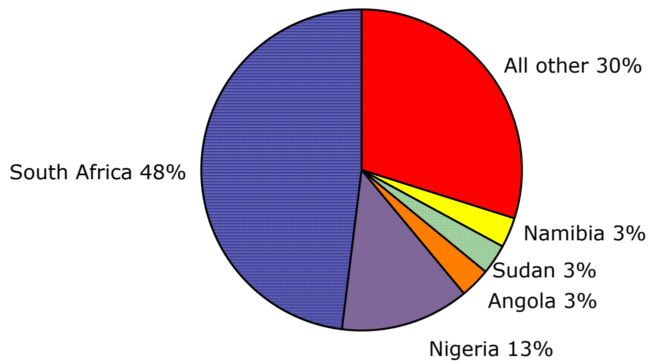
- Local content, or the level of South African components on South African-assembled motor vehicles, is approximately one-third. According to the local automotive components trade association, this level is expected to increase as local vehicle output increases.[18]
- In recent years, the South African automotive industry has made substantial productivity gains. According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), direct labor costs have been reduced by approximately 30 percent during 1998-2002.[19]
- Capacity utilization in the South African automotive industry is increasing; capacity utilization was 66 percent in 2000, rising to 72 percent in 2001. By the first half of 2002, the local industry had reached the global average - approximately 76 percent.[20]
- The South African automotive industry has benefitted from a growing domestic economy and favorable policies including a reduction in personal income taxes which bolsters consumer spending. In addition, the industry has achieved an improved balance between foreign exchange spending and foreign exchange earnings.[21]
- While the South African automotive industry does not currently benefit from a well-developed steel supplying industry, the industry does take advantage of other raw materials abundantly available in South Africa. For example, abundant coal reserves translate into low energy costs, and South African technology excels at converting coal into petrol as well as other specialized materials used in the manufacture of automotive components. South African firms have expertise with aluminum and lightweight alloys as well. Other inputs that are readily available locally and used in automotive manufacturing include ore, natural fibers such as sisal,[22] and platinum group metals used in catalytic converters.
- Other advantages realized by the South African industry include lower labor and social costs, extremely low electrical energy costs, low infrastructure costs, available manufacturing capacity, stable banking and communications systems, ability to provide short production runs at very low cost, competitive tooling costs, high degree of manufacturing flexibility (due largely to the relatively more labor-intensive factory setup), and low transportation costs to the Southern Hemisphere. Finally, because South Africa is a right-hand-drive country, it is a good choice for production of these models for domestic consumption as well as for export to other right-hand-drive markets.[23]
- The South African automotive industry is generally at a competitive disadvantage with respect to innovative technology, using technology primarily supplied by U.S., German, and British companies. However, South African firms excel in certain technologies, particularly those that relate to local climatic challenges, as well as certain off-road vehicle technologies and aluminum welding technology for radiators.[24]
- Several foreign investors in the South African automotive industry have increased their holdings in recent years, and the South African automotive components industry is consolidating, with approximately 10 percent of manufacturing firms closing since 1995.[25] The component manufacturing industry is aggressively seeking technology-sharing arrangements with foreign partners.[26]
- The South African Government's goal of reducing the number of models produced locally and lengthening production runs has been achieved; the number of locally produced models has been reduced from 42 in 1995 to 27 in 2002. Benefits derived from improved economies of scale have facilitated investment in plant and equipment.[27]
- Lower import barriers implemented through the Motor Industry Development Program (MIDP) in the first years of the program resulted in large reductions in sector employment.[28] However, employment levels have stabilized and recently, strong growth in component-manufacturing employment has been reported.[29] The motor vehicle manufacturing industry currently employs approximately 33,000, and the component manufacturing industry employs nearly twice that amount, 60,000.[30]
- Current competitive pressures felt by the South African automotive industry include increased price competition in the global marketplace, increased competition from other low-cost manufacturing countries that have potentially large or growing markets, rising logistical and distribution costs, and rising domestic inflationary pressures as well as a strengthening exchange rate.[31]
- The South African motor vehicle industry benefits from the MIDP, initiated in September 1995. There is one MIDP for passenger cars and light commercial vehicles, and another for medium and heavy commercial vehicles. The goal of the MIDP is to make South Africa a world-class motor vehicle producer by lowering import barriers and promoting exports. Through this process, the industry has restructured considerably. The program encourages manufacturers to become more efficient through higher production volumes and economies of scale, or by identifying and successfully targeting niche markets.
- A midterm review of the MIDP in July 2000 resulted in the extension of both MIDPs until 2007. In December 2002, the MIDP for cars and light commercial vehicles was extended so as to cover the period 2008-2012. Extension of the program is considered important in that it ensures a stable and predictable market for investors. Import duties will continue to be phased down during this extended period, but at a slower rate. The MIDP for the medium and heavy commercial vehicles sector was not reviewed in 2002.
- At the start of the MIDP in 1995, the tariff on cars and light commercial vehicles was 65 percent; in 2002 it was 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; in 2002 it was 30 percent, and will be reduced to 25 percent in 2007 and to 20 percent by 2012. The tariff on medium and heavy commercial vehicles, which was 40 percent at the start of the MIDP, fell to 20 percent in 2000 and remains at that level through 2007. Most components for medium and heavy commercial vehicles enter free of duty; tires are assessed a duty of 15 percent.[32]
- The MIDP offers four provisions for registered local manufacturers to reduce duties paid on imports:
  - The Duty Free Allowance provision allows for 27 percent of the wholesale value of a vehicle to be imported free of duty. This allowance was extended through 2007.

OVERVIEW-Continued

- The Small Vehicle Initiative was eliminated at the end of 2002. It offered duty savings to importers of less expensive vehicles to enhance vehicle affordability for the domestic populous.
- The Productive Asset Allowance (PAA) was introduced in the 2000 midterm review as a means to encourage higher volume production of a fewer number of models. It is a nontradable credit calculated at 20 percent of the qualifying investment in productive assets spread equally over 5 years, to be used against imports of fully assembled vehicles. Component makers may apply for the allowance; when qualifying, 80 percent of the duty savings is passed to the component maker, and the other 20 percent goes directly to the automaker that the component maker supplies. (This allowance is not available to operations receiving other investment incentives from the Department of Trade and Industry.) The PAA is to be reviewed in 2005.
- Import Rebate Credit Certificates (IRCCs) are designed to encourage large volume production of fewer products so as to result in economies of scale. IRCCs are earned through the export of motor vehicles, automotive components, and tooling by authorized manufacturers or exporters. The eligible local content value generates the IRCCs, which entitle the holder to import vehicles, parts, or tooling to the value of the IRCC duty free, or allows them to claim a refund of duty. Reportedly, some automakers are able to import the full range of vehicles they sell locally with export credits earned on components manufactured in South Africa.[33] For 2002-12, every rand of CBU light motor vehicle exports earns 1 rand of duty free imports of CBU light motor vehicle, heavy motor vehicle, tooling, or components. Also during 2002-12, every rand of components, heavy motor vehicles, and tooling exported earns 1 rand of duty free imports of components, heavy motor vehicles, and tooling. Exports of heavy vehicles, components, and tooling do not earn equal credits for light vehicle imports; in 2002 the ratio was 100:65, the ratio declined to 100:60 in 2003 and will remain there through 2012. In addition, the value of light motor vehicle and components exports for import rebate purposes declines over time, from 100 percent in 2002 to 78 percent in 2007 and 70 percent during 2009-12. Finally, the qualifying precious metal content in exported catalytic converters was 50 percent in 2002, falling to 40 for 2003-07.[34] IRCCs are tradable and are issued once the foreign funds have been repatriated.[35]

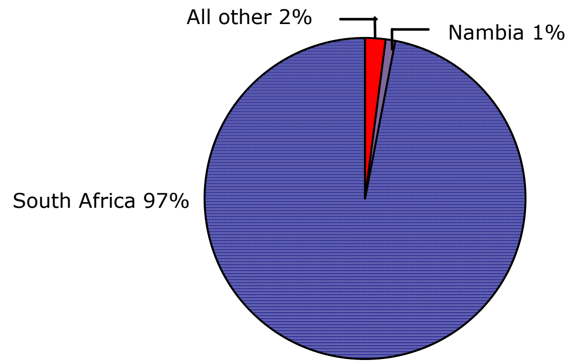
TRADE

SSA sector imports global, by country, 2001
($7.3 billion)



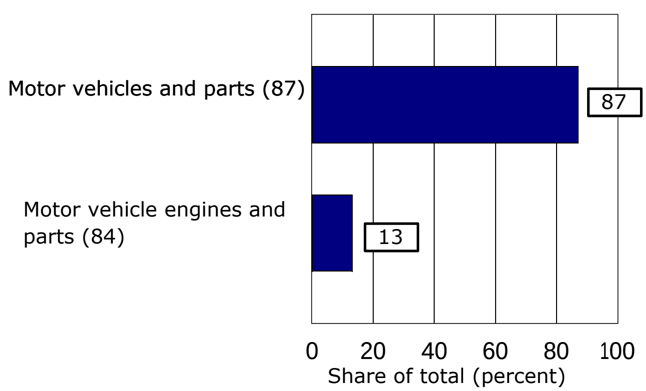
Source: United Nations.

SSA sector global exports , by country, 2001
($2.5 billion)



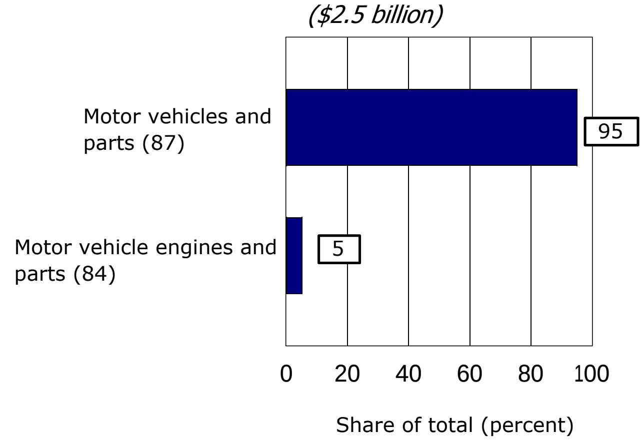
Source: United Nations.

SSA sector global imports, by HS chapter, 2001
($7.3 billion)



Source: United Nations.

SSA sector global exports, by HS chapter, 2001
($2.5 billion)



Source: United Nations.

Major import source (2001)	Share of total (percent)	Major Import item (6-digit HS) (2001)	Share of total (percent)
EU15	56	Passenger vehicles (8703.23)	20
United States	8	Motor vehicle parts (8708.99)	14
South Africa	4	Diesel trucks (8704.21)	6
Brazil	3	Diesel trucks (8704.22)	9
Korea	2	Motor vehicle parts (8708.29)	5
Swaziland	3	Road tractors (8701.20)	4

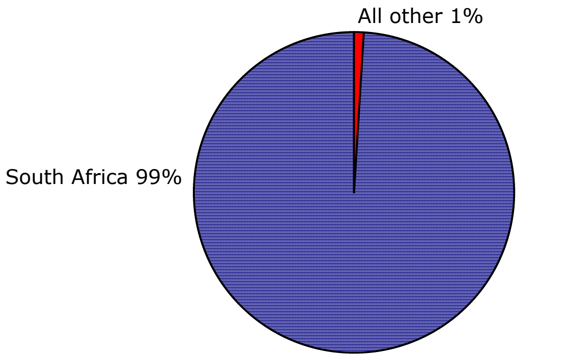
Source: United Nations.

Major export Market (2001)	Share of total (percent)	Major export item (6-digit HS) (2001)	Share of total (percent)
EU15	38	Passenger vehicles (8703.23)	47
United States	15	Passenger vehicles (8703.24)	13
Botswana	15	Trucks (8704.31)	4
Japan	12	Passenger vehicles (8703.32)	4
Australia	7	Wheels and parts (8708.70)	4
Swaziland	3	Motor vehicle parts (8708.29)	3

Source: United Nations.

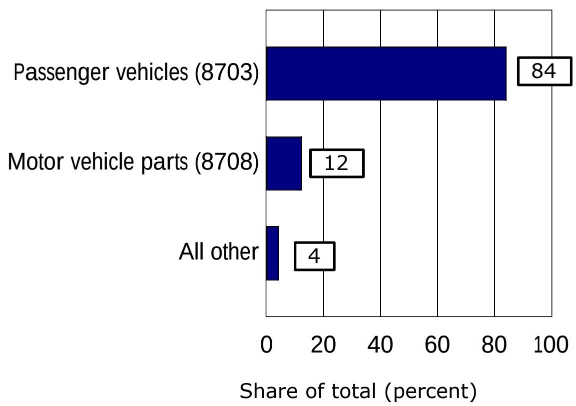
TRADE-Continued

U.S. sector imports from SSA, by source, 2002
($560 million)



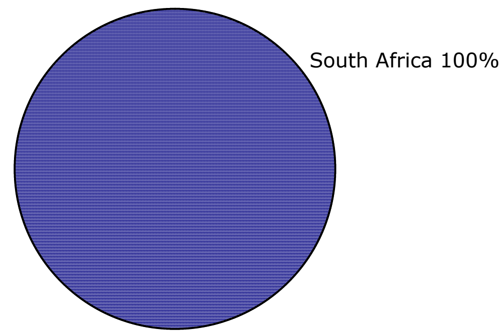
Source: Compiled from official statistics of the U.S. Department Commerce.

U.S. sector imports from SSA, by HTS heading, 2002
($560 million)



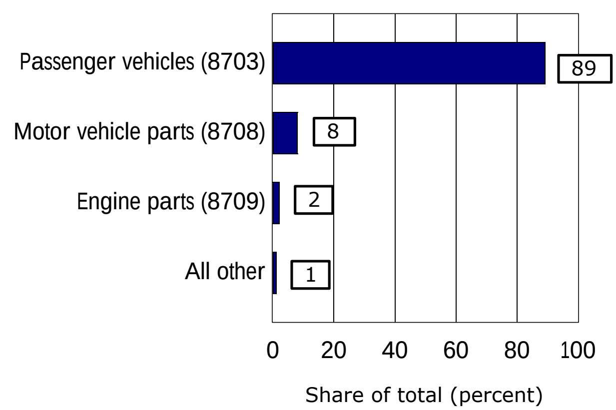
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. sector imports under AGOA (including GSP), by source, 2002
($533 million)



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

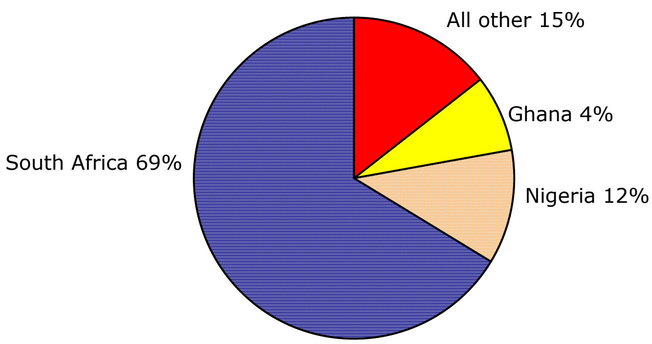
U.S. sector imports under AGOA (including GSP), by HTS heading, 2002
($533 million)



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

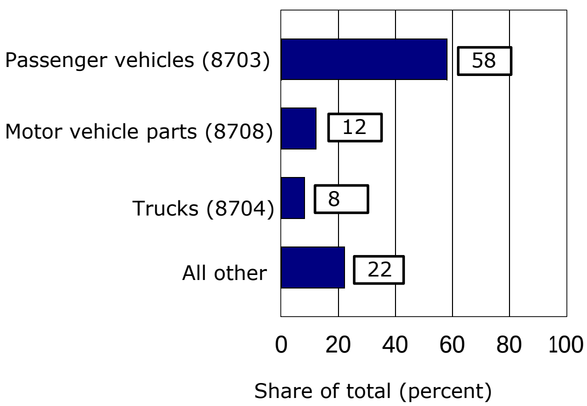
TRADE-Continued

U.S. sector exports to SSA, by market, 2002
($303 million)



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

U.S. sector exports to SSA, by HTS heading, 2002
($303 million)



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

Key U.S. Import Developments

- U.S. imports of transportation equipment from SSA reached $560 million in 2002, up by $229 million (69 percent) over the 2001 level of $331 million. SSA accounted for about 1 percent of the value of total U.S. sector imports in 2002.
- Virtually all U.S. sector imports from SSA in 2002 were supplied by South Africa. The principal sector import items that year included motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cubic centimeters (HTS subheading 8703.23, 61 percent of the total value), and motor vehicles with an engine cylinder capacity exceeding 3,000 cubic centimeters (HTS 8703.24, 24 percent).

Key U.S. Import Developments-Continued

- Passenger cars accounted for 84 percent of the value of total U.S. sector imports from South Africa in 2002. Leading components imported from South Africa in 2002 included road wheels, engine parts, shock absorbers, and mufflers and exhaust pipes.

Key AGOA Trade Developments

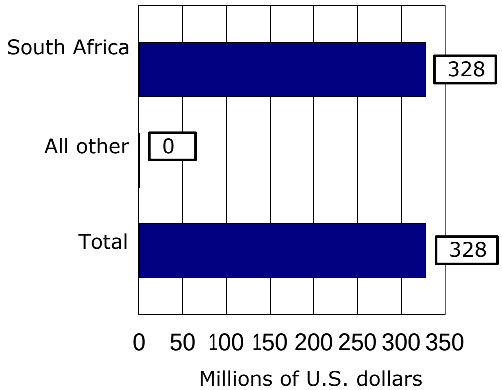
- U.S. transportation equipment imports under AGOA (including GSP) increased by 85 percent in 2002, reaching $533 million. All such imports were from South Africa. In 2002, imports under AGOA accounted for 95 percent of total U.S. sector imports from SSA. The sector accounted for about 6 percent of total AGOA imports that year.
- The leading U.S. sector import items under AGOA in 2002 included motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cubic centimeters (HTS subheading 8703.23, 64 percent of the total value), and motor vehicles with an engine cylinder capacity exceeding 3,000 cubic centimeters (HTS 8703.24, 25 percent).

Key U.S. Export Developments

- In 2002, the United States ran a $257-million deficit in transportation equipment trade with SSA. In 2001, that sector's trade balance was in favor of the United States, with a surplus of $153 million.
- In 2002, U.S. transportation equipment exports to SSA reached $303 million, down 37 percent from the previous year. SSA accounted for about 1 percent of the value of total sector exports in 2002.
- The major U.S. sector export items to SSA in 2002 were the same as those imported motor vehicles with an engine cylinder capacity between 1,501 and 3,000 cubic centimeters (HTS subheading 8703.23, 33 percent of the total value); and motor vehicles with an engine cylinder capacity exceeding 3,000 cubic centimeters (HTS 8703.24, 15 percent).
- In contrast to sizeable increases in U.S. exports of certain large passenger vehicles (HTS 8703.23, an increase of $19 million, or 68 percent; HTS 8703.33, an increase of $14 million, or 140 percent), large decreases were registered in miscellaneous auto parts (HTS 8708.99, a decrease of $177 million, or 89 percent), certain small passenger vehicles (HTS 8703.23, a decrease of $21 million, or 17 percent), and road tractors for semitrailers (HTS 8701.20, a decrease of $16 million, or 51 percent). U.S. exports of these products may have been replaced by increased local production.

INVESTMENT

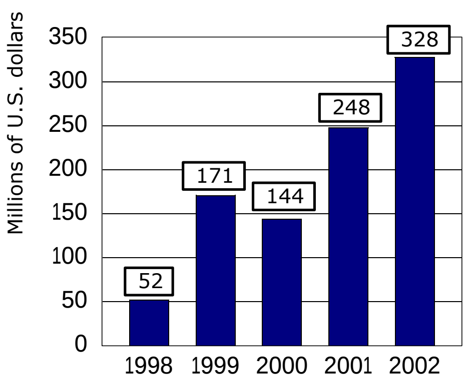
U.S. sector SSA FDI position, by country, 2002



Note.-Data for some countries 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, 1998-2002



Note.-Industry classification changed from SIC to NICS in 2002; data from 1999-2001 have been converted to NAICS.

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 $328 million in 2002, up from $248 million the previous year.[36] This investment trended upward during 1998-2002. South Africa was the primary SSA location for U.S. sector FDI in 2002. The transportation equipment sector accounted for about 4 percent of the total U.S. FDI position in SSA in 2002, and SSA accounted for nearly 1 percent of the global U.S. FDI position in the sector that year.[37]

- A recent survey of 12 members of the National Association of Automobile Manufacturers of South Africa (NAAMSA) revealed rapidly increasing capital expenditures in the South African automotive industry, from R1,521.5 million in 2000 (approximately $194 million) to R2,078.2 million in 2001 and R2,725.8 million in 2002; the projection for 2003 is R3,123.1 million. In 2002, "Product, Local Content, Export Investment" accounted for 52 percent of these firms' capital expenditures, followed by "Production Facilities" at 33 percent, "Support Infrastructure (I.T., R&D, Technical, etc.)" at 9 percent, and "Land and Buildings" at 6 percent.[38]

- According to NAAMSA, overall capital investment in South Africa by motor vehicle companies exceeds R12.5 billion (approximately $1.5 billion), while capital investment in component manufacturers is approximately slightly more than half that amount, at R6.5 billion (approximately $752 million).[39]

- In 2002, the Gauteng provincial government committed to investing some $100 million to establish an automotive supplier park in Rosslyn, South Africa. The park will accommodate 200 facilities of varying sizes for suppliers of a variety of components. The goal of the investment is to further South Africa's competitiveness in the auto industry by improving logistics for manufacturers.[40]

- In 2000, Ford became the full owner of its subsidiary in South Africa, Ford Motor Co. of Southern Africa (FMCSA). Ford repurchased its South African franchise and facilities from Samcor, which assumed their operation when Ford left South Africa in the 1980s. FMCSA acts as Ford's regional production and distribution center for SSA.[41]

- As of 1997, GM owns 49 percent of Delta Motor Corp., which was created through a management buyout in 1986 when GM withdrew from South Africa.[42] Delta assembles Isuzu and Opel (GM's European vehicle line) vehicles at its two plants, and imports and distributes Opel and Suzuki products.[43]

- BMW announced in late 2001 that it planned to invest R2 billion (approximately $232 million) during 2002-03 to upgrade its South Africa facilities for production of new export models. The upgraded plant is to have an installed capacity of 60,000 vehicles per year. In 1998, BMW invested R1.5 billion to upgrade its Rosslyn assembly facility, making the plant part of its global sourcing worldwide production network.[44]

- In 2002, Toyota Motor Corp. raised its stake in Toyota South Africa to 74.9 percent. Toyota engaged in a $100 million capital improvement program for South Africa in 2002 in preparation for production of new generation Corollas for export. Toyota's increased investment in its South African operation signifies the company's intention to include South Africa in its global supply network.[45] The company also announced at the end of 2002 that it plans to more than double its export capacity to 200,000 vehicles per year by 2005. Targeted markets include other African countries, Australia, and possibly Europe. Toyota also hopes to increase its local market share.[46]

INVESTMENT-Continued

- In 2002, Volkswagen announced it would invest slightly more than R2 billion (approximately $232 million) over the next 6 years in an effort to expand its export capabilities. Volkswagen plans to add the new Polo model to its South African export portfolio.[47]
- As discussed above, with the 2000 review of the MIDP, the Government of South Africa initiated the PAA. Under the PAA, "investors in new plant and equipment can qualify for a duty credit certificate up to 20 percent of the value of their investment over a 5-year period."[48]

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.

[2] Automotive News, *2003 Market Data Book*, May 26, 2003, p. 44.

[3] NAAMSA, *NAAMSA Annual Report 2001/2002*, p. 6, found at *http://www.naamsa.co.za*, retrieved June 19, 2003.

[4] U.S. Commercial Service South Africa, "Automotive Parts," found at *http://www.buyusa.gov/southafrica/en/page164.html*, retrieved June 19, 2003.

[5] Data collected by the National Association of Automobile Manufacturers of South Africa, provided by Ward's Communications, fax communication to USITC staff, Sept. 10, 2003. Data may not match data in production graphs.

[6] BMW South Africa, however, is moving away from CKD production; most of the parts, save the engine and transmission, on the locally produced 3-Series vehicles, are sourced domestically. Nicole Itano, "U.S. Pact Lifts South Africa Car Exports," *New York Times*, July 9, 2003, found at *http://www.NYTimes.com*, retrieved July 9, 2003.

[7] This includes Nissan and Subaru as Japanese, and Saab as European. NAAMSA, found at *http://www.naamsa.co.za/papers/20030127/imports_2002.htm*, retrieved June 19, 2003.

[8] Just-auto.com editorial team, "South Africa: Ford plans to export two models to UK market," Feb. 14, 2003, found at *http://www.just auto.com*, retrieved Feb. 14, 2003.

[9] Automotive News, 2003 Market Data Book, May 26, 2003, p. 47.

[10] Not included in SSA people-per-car statistics are Cape Verde, Comoros, Eritrea, and São Tomé and Principe. National Association of Automobile Manufacturers of South Africa (NAAMSA), NAAMSA Annual Report 2001/2002, p. 24, found at *http://www.naamsa.co.za*, retrieved June 19, 2003.

[11] Nicole Itano, "U.S. Pact Lifts South Africa Car Exports," *New York Times*, July 9, 2003, found at *http://www.NYTimes.com*, retrieved July 9, 2003.

[12] NAAMSA, "Industry Vehicle Sales, Export and Import Data: 1995-2005," found at *http://www.naamsa.co.za/papers/20030127/export_import_1995_2005.html,* retrieved June 19, 2003.

[13] Just-auto.com editorial team, "South Africa: 'Challenges" ahead in 2002 - NAAMSA," Jan. 11, 2002, found at *http://www.just auto.com*, retrieved Jan. 11, 2002.

[14] Included in Ford's domestic production volume are Volvo, Jaguar, and Land Rover models. NAAMSA, found at *http://www.naamsa.co.za/papers/20030127/imports_2002.htm*, retrieved June 19, 2003.

[15] NAAMSA, provided by Ward's Communications, June 23, 2003.

[16] "South Africa: Automotives Overview," *South Africa Business Guidebook 2000/2001*, found at *http://www.africabusinessdirect.com,* retrieved June 19, 2003.

[17] Ibid.

[18] Ibid.

[19] NAAMSA, *NAAMSA Annual Report 2001/2002*, pp. 6 and 11, found at *http://www.naamsa.co.za*, retrieved June 19, 2003.

[20] Business Africa, "Automotive update," EIU Viewswire, found at *http://www.viewswire.com*, retrieved June 17, 2003.

[21] NAAMSA, *NAAMSA Annual Report 2001/2002*, pp. 6 and 11.

[22] Luisa D. Santos, U.S. and Foreign Commercial Service, U.S. Department of Commerce, "Automotive Market," Market Research Reports, Oct. 1, 2002, found at *http://www.stat usa.gov*, retrieved June 18, 2003. Sisal is coupled with polyurethane to form a composite material that is used in linings and structural components for automotive interiors such as door panels and trunk liners. Benefits of using sisal include reduced vehicle weight and lower production costs.

[23] Ibid.

[24] Ibid.

[25] "South Africa: Automotives Overview," *South Africa Business Guidebook 2000/2001*, found at *http://www.africabusinessdirect.com*, retrieved June 19, 2003.

[26] Paulo Fernandes and Fanie Fourie, "Introduction to the Automotive Industry in South Africa," *Automotive Purchasing News*, found at *http://www.theholisticchannel.com/APN/test/04.pdf*, retrieved June 19, 2003.

[27] NAAMSA, *NAAMSA Annual Report 2001/2002*, pp. 6 and 11.

[28] Luisa D. Santos, U.S. and Foreign Commercial Service, U.S. Department of Commerce, "Automotive Market."

[29] NAAMSA, *NAAMSA Annual Report 2001/2002*, p. 11, found at *http://www.naamsa.co.za,* retrieved June 19, 2003.

[30] Ibid.

[31] NAAMSA Media Release, Dec. 9, 2002, found at *http://www.naamsa.co.za/papers/20021209/*, retrieved June 23, 2003.

[32] The Department of Trade and Industry, South Africa, "dti Announces Extension of the Motor Industry Development Programme (MIDP), news release, Dec. 6, 2002; NAAMSA, *NAAMSA Annual Report 2001/2002*, found at *http://www.naamsa.co.za*, retrieved June 19, 2003.

[33] Paulo Fernandes and Fanie Fourie, "Introduction to the Automotive Industry in South Africa," *Automotive Purchasing News*, found at *http://www.theholisticchannel.com/APN/test/04.pdf*, retrieved June 19, 2003.

[34] The Department of Trade and Industry, South Africa, "dti Announces Extension of the Motor Industry Development Programme (MIDP), news release, Dec. 6, 2002.

[35] Luisa D. Santos, U.S. & Foreign Commercial Service, "Automotive Market."

[36] Data may include items not covered by this sector, including aircraft, railroad rolling stock, and ships.

[37] USDOC, BEA, *U.S. Direct Investment Position Abroad on a Historical Cost Basis: Country Detail by Industry, 2002*, found at Internet address *http://www.bea.gov/bea/di/di1usdbal.htm*, retrieved Oct. 17, 2003.

[38] NAAMSA, found at *http://www.naamsa.co.za/papers/20030205/*, retrieved June 19, 2003.

[39] NAAMSA, *NAAMSA Annual Report 2001/2002*, p. 18, found at *http://www.naamsa.co.za*, retrieved June 19, 2003.

[40] Just-auto.com editorial team, "South Africa: Supplier park to be built at Rosslyn," July 4, 2002, found at *http://www.just auto.com*, retrieved July 5, 2002.

[41] Just-auto.com editorial team, "South Africa: Ford strategy includes Ikon brand-rebuilding launch," Feb. 16, 2001, found at *http://www.just auto.com*, retrieved Feb. 23, 2001.

[42] Information found at *http://www.gm.com/company/gmability/environment/plants/plant_db/latin_america/south_africa.html*, retrieved July 1, 2003.

ENDNOTES

[43] "General Motors Appoints Delta Motor Corporation as Chevrolet Service Provider
Port Elizabeth, South Africa," Joint Statement Issued by GM African Operations and Delta Motor Corporation, March, 31, 2003, found at *http://www.opelcorsa.co.za/ViewPublicArticle.asp?articleID=292*, retrieved July 1, 2003.

[44] Lucia Mutikani for Reuters, "South Africa: BMW to invest 2 billion rand in car plant," Dec. 3, 2001, found at *http://www.just auto.com,* retrieved Dec. 3, 2001; and just-auto.com editorial team, "South Africa: BMW increasing assembly capacity to 60,000," Aug. 14, 2002, found at *http://www.just auto.com*, retrieved Aug. 22, 2002.

[45] Just-auto.com editorial team, "South Africa: Toyota takes over African outpost," June 25, 2002, found at *http://www.just auto.com*, retrieved June 25, 2002.

[46] Nicole George, "Toyota to Double South African Capacity to Increase Exports," *The Japan Automotive Digest*, Nov. 11, 2002, p. 7.

[47] Just-auto.com editorial team, "South Africa: Volkswagen invests R2.1 billion to boost exports - report," Dec. 12, 2002, found at *http://www.just auto.com*, retrieved Dec. 12, 2002.

[48] Luisa D. Santos, U.S. & Foreign Commercial Service, "Automotive Market."