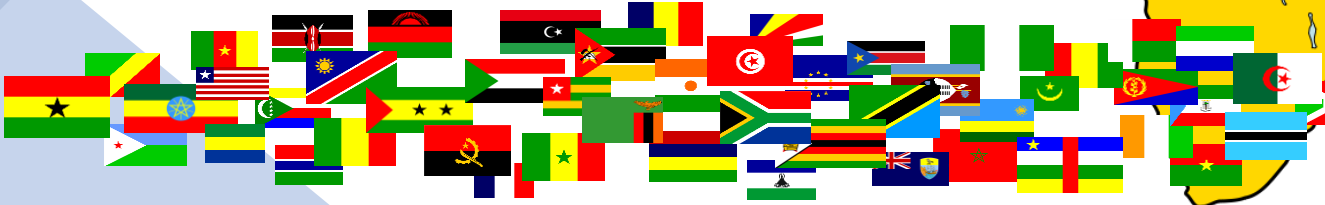
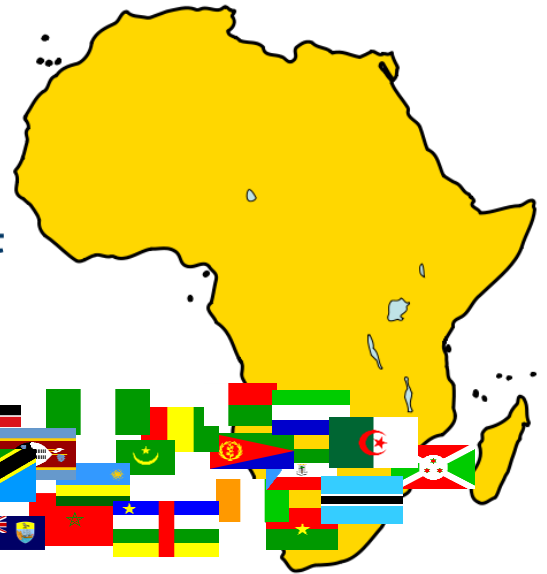


VEDP

Virginia
Economic
Development
Partnership



Industry Report Africa - Manufacturing Industry

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Date: July 2020

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EXECUTIVE SUMMARY

Zurcom International was commissioned to prepare an in-depth industry report covering the **Manufacturing Sector** in Africa while highlighting the economies of South Africa and Tanzania.

The **Current Trends** section of this report is intended to provide Virginia companies with a general overview of the manufacturing sector in Africa with a special focus on South Africa's and Tanzania's current manufacturing statuses.

The report then discusses **recent developments** in the manufacturing industry and offers specific insights into the **opportunities** found in Africa's manufacturing industry. For that portion, the following subsectors have been covered:

- Textiles and Apparel
- Iron, Steel, and other Metals
- Vehicle Parts and Assembly
- Electronics
- Electrical Equipment
- Plastics
- Chemicals
- Pharmaceuticals
- Beverages
- Packaging

The final section of the report provides information and general recommendations regarding:

- Market Entry Strategy
- Government Agencies / Networks
- Industry Associations
- Research Centers
- Industry Publications
- Industry Events

We encourage any Virginian companies with questions or enquiries to contact VEDP for further information.

We look forward to continuing to assist VEDP and Virginian exporters in the African Market.

July 2020

INTRODUCTION

African Outlook Present and Post Covid-19

Africa will emerge out of the Covid-19 pandemic relatively stronger. The continent has been on an ascendant rise in the past two decades but trending better with several national economies in the 6 – 9 % growth range prior to the pandemic: Cote d'Ivoire, Ghana Kenya, Rwanda, Tanzania, and others. Demographics, business culture, competition among other powers for market share and a generally buoyant economy are key to Covid-19 recovery and future trends. Businesses in sectors such as healthcare and life sciences, information technologies, manufacturing technologies as well as mining and agriculture will be able to find immediate interest in some specific instances and an expanded general interest once the pandemic passes.

Covid-19 risk load in Africa as of June 2020 appears relatively low against other global regions. This may be due to several factors including relative isolation from air traffic coming from previously infected regions. Most of South Africa's early infections were from Europe for example, so the travel patterns and infection timing mitigated the virus hitting most parts of Africa. Secondly, the amount of people traveling relative to population was lower than other regions' air traffic to key infected zones – a case where less development may be considered a good thing. Thirdly, and importantly, lock-downs and airport closures were done very early – many countries closing their borders with no known Covid cases. Lock-downs, where they happened, were done concurrently with most of the rest of the world meaning that Africa had a lower base-load of infections prior to the lock-down and hence lower transmissions afterward. Africa, though, seems to be facing an increasing wave as cases continue to peak while other regions of the world are decreasing their daily newly reported rates and lock-downs are lifted.

Demographics figure importantly in how Africa will rebound from the pandemic. With an average age of just less than 20 years old, Africa is the youngest large global region. Of its total population of approximately 1.3 billion, only 43 million are 65 years and older. Covid-19 puts those with co-morbidities and elderly, particularly those over 75, at the very highest risk. Seeing this, very few will be affected by the pandemic directly. Africa does have several co-morbidity issues such as HIV/AIDS and Tuberculosis and non-communicable diseases are on the ascendency. These will not outweigh the demographic differences in term of Covid deaths. One estimate puts Covid-19 maximum deaths at 83,000 to 190,000 if no precautions are taken ("Covid-19 in Africa: The long game", Economist May 16, 2020). Given the knowledge about Covid-19 at present, the absolute number of deaths will be relatively low compared to other regions such as North America, Europe and/or parts of Asia. These deaths also represent a small ratio due to other causes.

As of writing this in late June 2020, enforced isolations are being lessened around the world. In Africa, this is likewise happening. Absolute morbidity from Covid will be lower than other diseases. In fact, one South Africa study created by a group of actuaries indicated that deaths relating to lock-down that were not Covid related would be 29 times more deadly than Covid itself ("Lockdown disaster dwarfs Covid-19, say SA actuaries" www.businesslive.co.za

5 May 2020) making the medicine possibly worse than the cure. African countries will open up eagerly once it becomes the accepted norm in the rest of the world. Countries will deal with the Covid response as they will with the larger threats from other diseases in the background ecology.

Africa's entrepreneurial business culture is critically important to resilience in the pandemic era. While most of the developed world are several generations removed from high childhood morbidity rates, Africa is only now coming to a point where people can easily expect to live to old age. Culture can only be measured indirectly in economics but it remains possibly the key ingredient to what a response will look like. African culture is very family-based, very stoic and resilient to hardship. The youth culture is dynamically entrepreneurial, and tends toward merit over the collectivist thinking of previous generations, while retaining a very strong linkage to family and faith communities. All this to say that many in Africa have come to look at any new situation as an opportunity through the recent decades of radical change.

Sectors hit by Covid-19 include energy, particularly crude oil production as global demand has decreased. African countries that have oil based revenues, such as Nigeria, Angola and Gabon, will have harder hills to climb in recovery. Countries such as Kenya, Rwanda, South Africa, Tanzania and Cote d'Ivoire are net energy importers and will benefit from lower fuel prices. Mining remains relatively strong as metals prices have remained high although logistics have created issues for output to reach markets. Agriculture, food processing, and healthcare will remain strong sectors due to the impressive middle class growth demand that is occurring across the continent. The healthcare economy tracks roughly double the GDP growth in many African countries indicating that life sciences will remain robust during and after the Covid event.

Competition amongst powers over Africa's resources will likely benefit economic growth. China, having reached a high point after becoming Africa's largest trading and investment partner may be on the relative decline. Other powers, particularly the USA, India, UK, EU, Japan and Korea all see Africa as a natural partner in trade and are eager to compete for a share of the market in the region. More competition will allow for greater choices and optimal outcomes in some ways. African economies will have more suitors as the curtain rises in a post-Covid world although we are already seeing a geo-strategic realignment in recent months that will benefit Africa.

Overall, Africa will come out of the pandemic not unscarred but resilient and resume a good economic growth pattern. Africa's growth will depend on an energetic youthful business culture which is and will be looking for new business opportunities.

Africa Economic overview

Africa's economic position is set to advance in the coming years as African economies are growing at a rate higher than the global average. Africa is home to six of the world's fastest growing economies: Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania, and Benin. According to the [2020 African Economic Outlook](#) (AEO) Africa's real GDP growth, estimated at 3.4 % for 2019, is projected to accelerate to 3.9 % in 2020 and to 4.1 % in 2021.

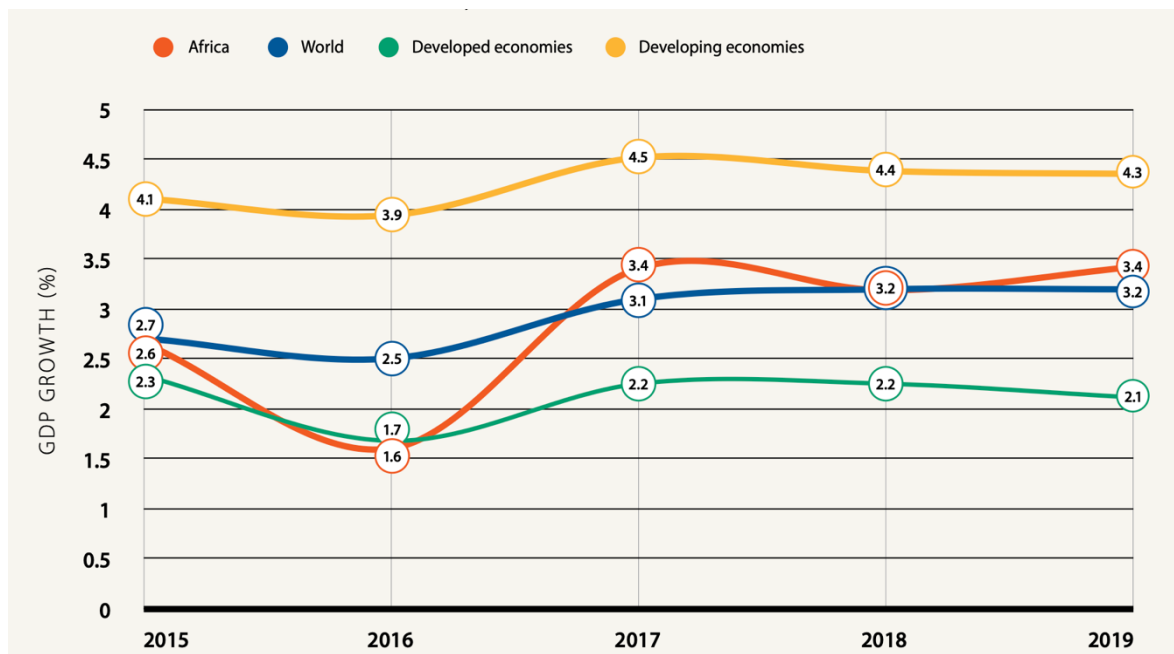


Figure 1: Global Economic Growth, 2015 -2019/ Source: [The United Nations Economic Commission for Africa](#)

Africa's GDP growth is comprised of a number of external factors, with the largest being private consumption and the least being its net exports (Figure 2). According to [the United Nations Economic Commission for Africa](#), in order to eradicate poverty on the continent, Africa needs to boost its productivity output.

Africa is at a critical point in its development trajectory and in 2015 a number of African countries signed the global 2030 [Sustainable Development Goals](#) (SDG) agreement, an agenda with a set of development goals to achieve a better and more sustainable future for all. Included in the SDGs was the goal of significantly raising industry's share of employment and gross domestic product by 2030. However, there is a long road ahead in order to reach this goal, Africa will need to raise an estimated 11% of GDP per year for the next 10 years to close the financing gap. Much needs to be done by the public and private sectors to increase Africa's economic productivity and while policy solutions are likely to differ from country to country, it is clear manufacturing and industrial development will be a key factor in Africa's ability to meet its development goals.

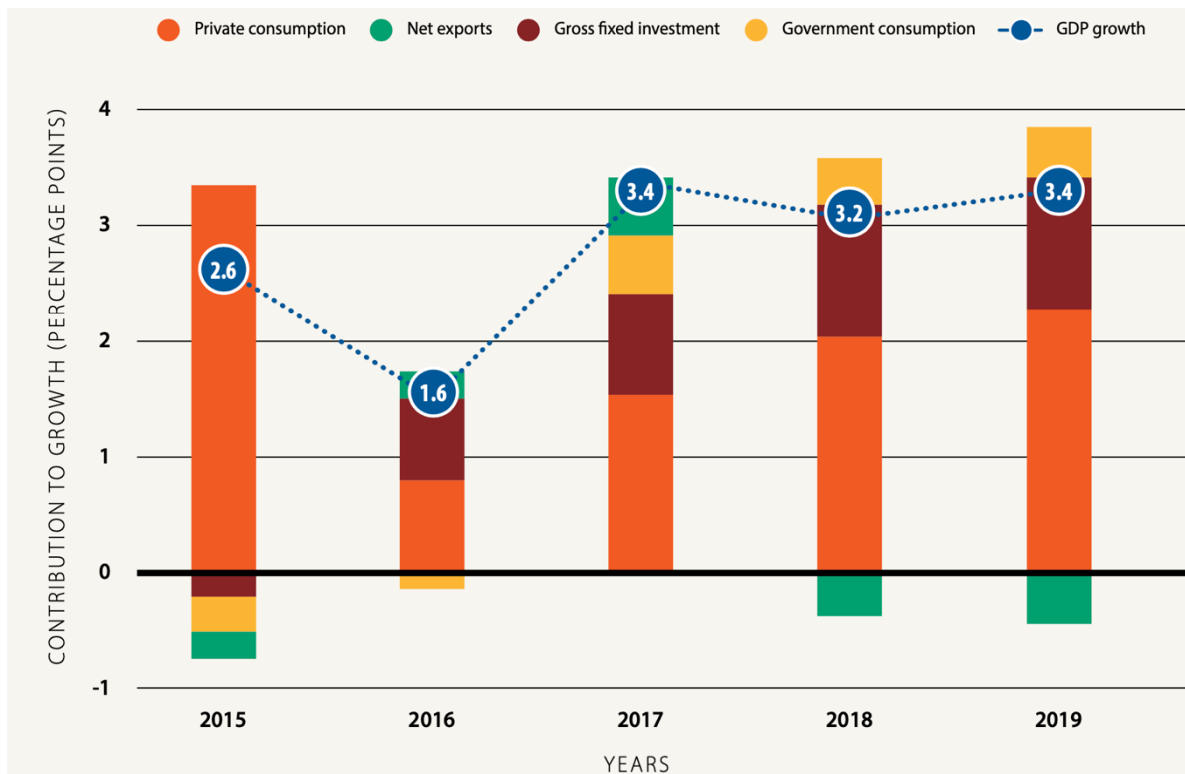


Figure 2: Components of Economic Growth in Africa, 2015 -2019/ Source: [The United Nations Economic Commission for Africa](#)

South Africa Economy

After Nigeria, South Africa is the 2nd biggest economy in Africa and according to data from the [World Bank](#), South Africa's economy grew by 1.3% in 2017 and 0.8% in 2018. The World Bank projected 2019 growth at 1.3%, and further to 1.7% in 2020. A country of **58 million people**, South Africa enjoys relative macroeconomic stability and a largely pro-business environment. It is an attractive option for U.S. companies seeking to enter the Sub-Saharan Africa marketplace.

According to official data from the World Bank and Projections from [Trading Economics](#), the Gross Domestic Product (GDP) in South Africa was worth **350 billion US dollars** in 2019. The GDP value of South Africa represents 0.29 % of the world economy.

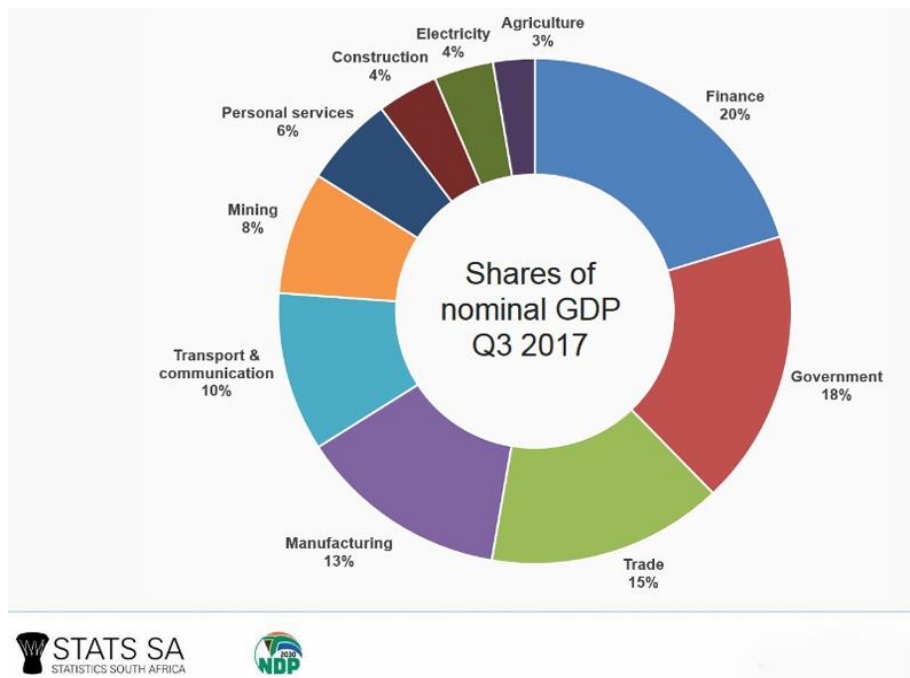


Figure 3: Contribution per sector to the South Africa's gross domestic product/ [Source Stats SA](#)

Further, in 2019, the Republic of South Africa **imported US\$88.1 billion worth of goods** from around the globe. That dollar value reflects a 3.1% increase over the 5-year period starting in 2015 but a -5.7% decline from 2018 to 2019. (<http://www.worldstopexports.com/>)

From a continental perspective, 45% of South Africa's total imports by value in 2019 were purchased from Asian countries. European trade partners supplied 31.5% of imported bought by South Africa while about 12% worth originated from fellow African nations. North American exporters accounted for 7.6% of South Africa's imports, with 2.3% coming from Latin America (excluding Mexico) plus the Caribbean and 1.3% shipped from Oceania led by Australia.

The following product groups represent the highest dollar value in South Africa's import purchases during 2019. Also shown is the percentage share each product category represents in terms of overall imports into South Africa. (<http://www.worldstopexports.com/>)

- Mineral fuels including oil: US\$14.8 billion (16.8% of total imports)
- Machinery including computers: \$11.2 billion (12.7%)
- Electrical machinery, equipment: \$8.6 billion (9.7%)
- Vehicles: \$7 billion (8%)
- Plastics, plastic articles: \$2.5 billion (2.8%)
- Pharmaceuticals: \$2.4 billion (2.7%)
- Optical, technical, medical apparatus: \$2.2 billion (2.5%)
- Other chemical goods: \$1.6 billion (1.8%)
- Organic chemicals: \$1.4 billion (1.6%)
- Books, newspapers, pictures: \$1.3 billion (1.5%)

South Africa's top 10 imports accounted for three-fifths (60.7%) of the overall value of its product purchases from other countries.

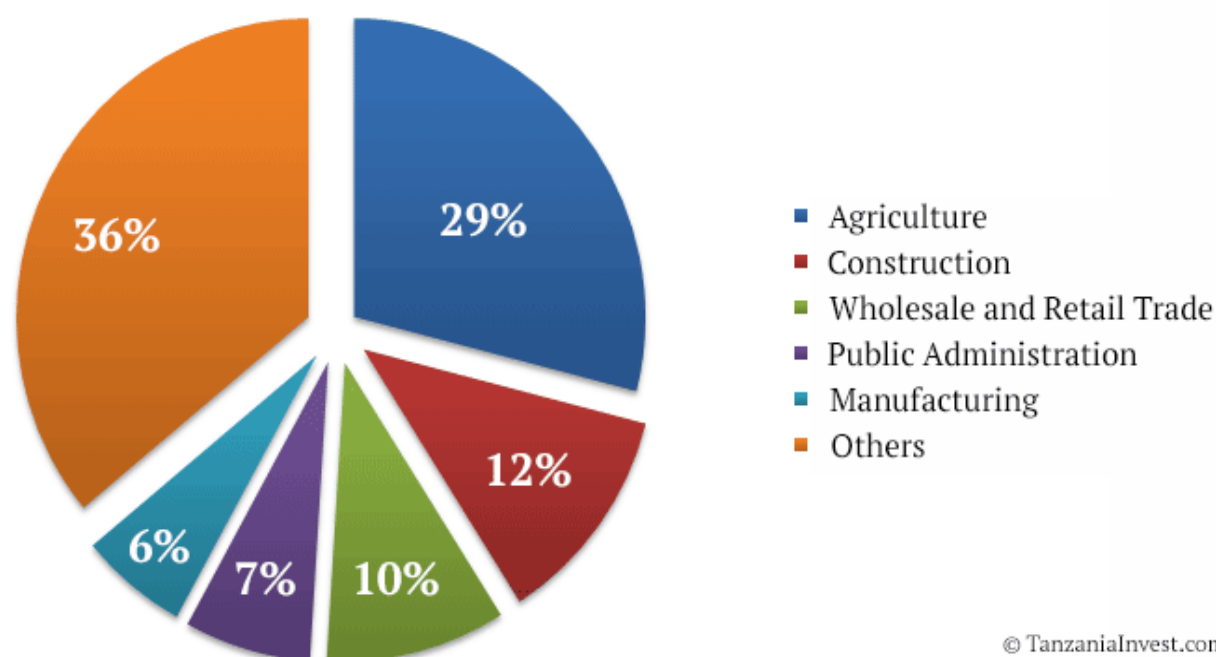
Tanzania Economy

Tanzanian economic performance showcases a high rate of growth and a low rate of inflation over the past five years. Today, agriculture is the main contributor to the value of Tanzania's economy, while tourism is the leading sector in terms of foreign exchange earnings.

Tanzania's economic potential comes from the Mining and Energy sector which draws increasing amounts of global investments due to the country's position as a net exporter of gold and its recent discoveries of natural gas reserves. **The Gross Domestic Product (GDP) in Tanzania was worth 59 billion US dollars in 2019**, according to official data from the [World Bank](#) and projections from [Trading Economics](#). Tanzania's annual GDP growth rate averaged 7% over the past 5 years, making it one of the 20 fastest growing economies in the world and beating the Sub-Saharan Africa's average GDP growth rate of 4.4% during the same period.

Real GDP growth was estimated at 6.8% in 2019, down slightly from 7% in 2018. A markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth, and an upturn in exports underpinned the positive outlook. Tourism, Mining, Services, Construction, Agriculture, and Manufacturing are notable sectors. [African Development Bank Group](#) projects growth to be broadly stable at 6.4% in 2020 and 6.6% in 2021, subject to favorable weather, prudent fiscal management, mitigation of financial sector vulnerabilities, and implementation of reforms to improve the business environment.

Tanzania GDP Composition



© TanzaniaInvest.com
Source: Tanzania National Bureau of Statistics

Why Africa?

As a continent of 54 countries and abundant resources, Africa holds immense promise and untapped opportunities as a trading partner for Virginian exporters. As the continent with the world's youngest population, Africa's youth is one of its largest resources and can offer enormous potential in the form of a large and skilled workforce if mobilized properly. Coupled with the growth of Africa's middle class, there is a new generation of consumers in the form of young, educated, and urban African professionals ready to consume and inject revenue into their economies.

With regards to manufacturing, Africa's growing Manufacturing Industry leaves ample room for investment and key partnerships. Africa is in the process of becoming the world's next great manufacturing center and African businesses and governments have recognized that manufacturing offers the perfect opportunity to create the next wave of economic growth. According to a report by [the Africa Growth Initiative](#) at Brookings, there is great potential for expansion in Africa's manufacturing sector as it is expected that Africa will capture part of the 100 million labor-intensive manufacturing jobs said to leave China by 2030. Such is the importance of the manufacturing sector that the African Union highlighted it's significance in reaching their goals in its [Agenda 2063](#).

AFRICA MANUFACTURING SECTOR

Manufacturing Sector Overview

Africa is in the process of becoming the world's next great manufacturing center and African businesses and governments have recognized that manufacturing offers the perfect opportunity to create the next wave of economic growth. The Sector is a key driver of economic growth and accounts for about 10% of Africa's Gross Domestic Product (GDP). Data from the [World Bank](#) shows that while the average share of manufacturing in GDP in sub-Saharan Africa has fallen from a high of 12.8% in 2001 to its lowest point of 9.4% in 2011, it has since steadily risen to its current level of 10.9%.

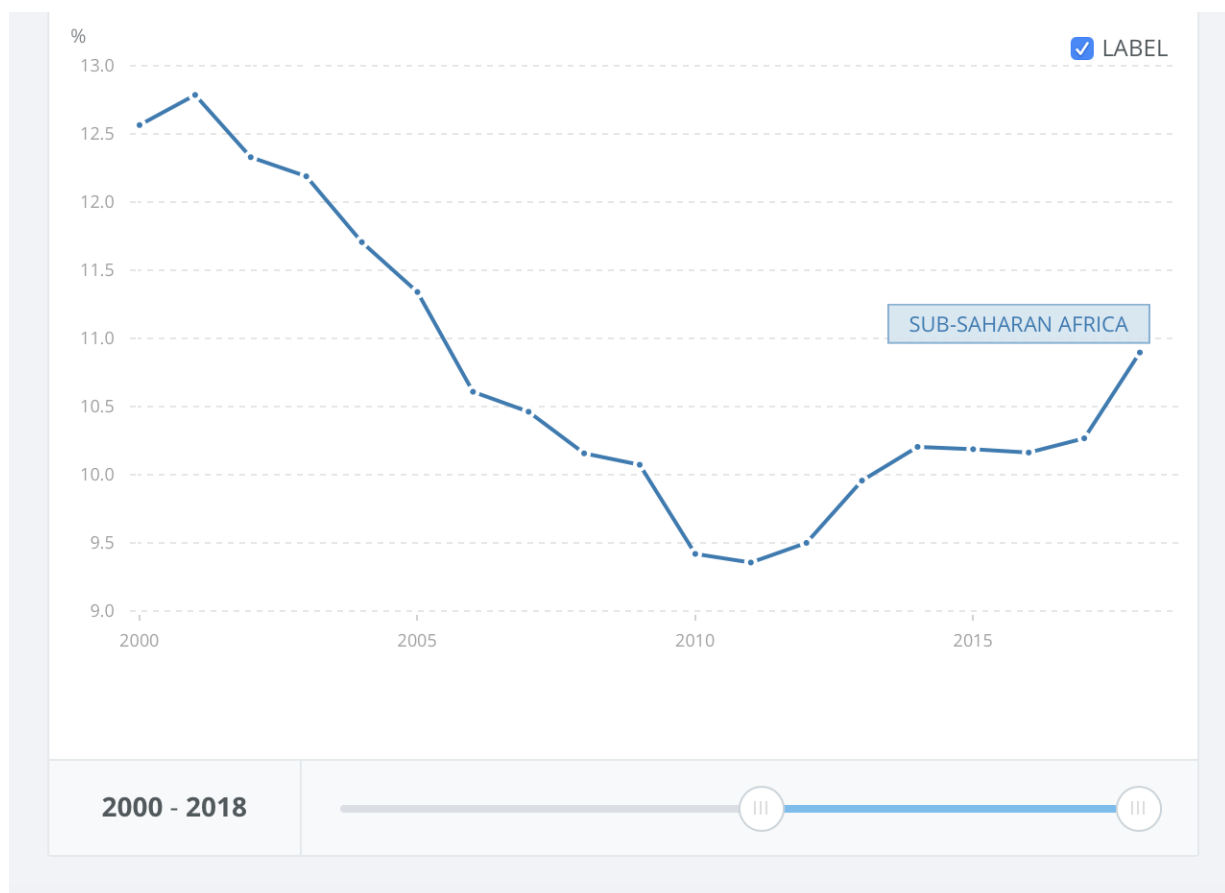


Figure 4: Manufacturing, value added (% of GDP) – Sub-Saharan Africa, 2000-2018/ Source [World Bank](#)

According to a report by the Africa Growth Initiative at Brookings, Africa's competitive advantage in manufacturing is currently being driven by its demographic make-up and resource abundance. Therefore, prime business opportunities are currently concentrated in industries that are either labor-intensive or that require inputs of raw materials that can be sourced locally, such as minerals and agricultural products. Thus, the manufacturing sub-sectors that have benefited the most from the rise in FDI in recent years include software, auto components, industrial and business machinery, and chemicals production.

At the same time, growth in manufacturing in the coming years will be driven by increasing linkages among African countries and with the rest of the world and growing consumer markets on the continent. Analysts predict that the fastest growth over the next decade will occur in

agro-processing (projected revenue increase of \$122 billion), cement production (\$72 billion), and clothing and footwear (\$27 billion) subsectors. For companies looking to invest or do business in Africa, therefore, consumer-facing and infrastructure-related industries look to be among the most valuable in terms of annual revenue by 2025. (www.brookings.edu/)

It is important to note that there is a vast variation among sub-Saharan African countries in terms of manufacturing value added (MVA) per capita, which measures the relative value of net manufacturing output to the population size, and MVA's share in GDP, which measures the role of manufacturing in the economy (See Figure 4).

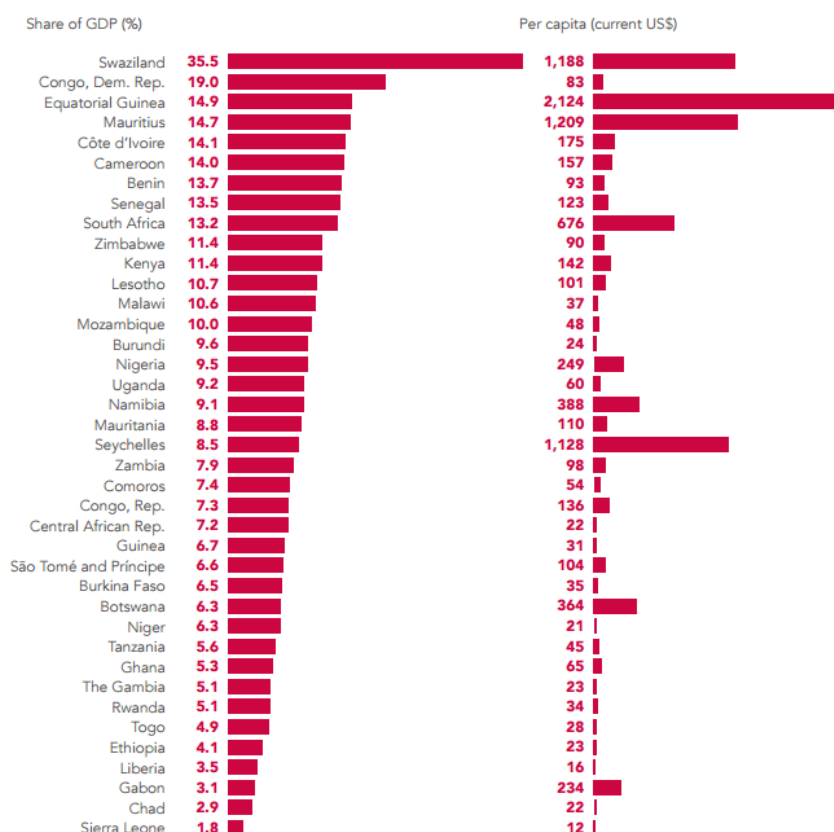


Figure 5: Manufacturing value added varies considerably in sub-Saharan Africa (manufacturing value added, most recent value available for 2014–15) / Source: [Brookings Intuitions](#)

Furthermore, African governments are establishing special economic zones (SEZ) that will help manufacturing companies with higher quality infrastructure, tax benefits, protection from import competition, and duty-free movement of goods. Alongside the launch of the [African Continental Free Trade Area](#) (AfCFTA) which aims to facilitate industrialization and create a single market for goods and services in Africa, African countries are taking noteworthy steps to boost the manufacturing sector. The AfCFTA will make Africa the largest free trade area in the world, with more than **1.2 billion consumers and a GDP of about \$3.4 trillion**. Additionally, thanks to the AfCFTA, Africa's intra-continental trade is set to increase by 52% by 2022 as small and medium-sized enterprises (SMEs) will have access to a more expanded market. SMEs represent about 80% of Africa's businesses.

Africa's manufacturing sector has only begun to unleash its potential and according to the [Global Africa Network](#), if African industry stakeholders remain committed to their objectives, Africa's manufacturing output has the capacity to exceed US\$1-trillion by 2025.

Africa's position in the global manufacturing sector can be understood in context of these drivers.

1. **Human capital**; according to [the Economist](#) Africa is well on its way in the development of its human capital that is required industrialize. Standards of education across the continent are constantly improving and the number of Africans who have completed a primary education has risen continuously in the last 40 years. Additionally, in terms of innovative capacity, many emerging markets in Africa have ranked relatively high. For instance, the [Global Innovation Index](#) ranked South Africa 63rd and Kenya 77th in the world for innovation.
2. **The cost of doing business** in a country is due in part to the policies put in place by governments. The cost of manufacturing in Africa is affected by factors like structural constraints, transport costs and the quality of infrastructure. As such, Africa's weak capacity in these realms means they cannot reduce the costs of doing business. However, it important to note that the African governments are working hard to establish Special Economic Zones (SEZs) that will help manufacturing companies with higher quality infrastructure, tax benefits, protection from import competition, and duty-free movement of goods.
3. **Supplier networks** refers to the quality and availability of inputs in the local market, such as raw materials and equipment. As a continent rich in natural resources, Africa's supplier networks and business to business market is relatively well developed and growing rapidly. According to [McKinsey Global Institute \(MGI\)](#), Domestic African companies spent approximately **\$2.6 trillion in 2015 which is expected to rise to \$3.5 trillion by 2025.**
4. **Domestic demand** has been spurred by rising income levels on the continent. It is estimated by [McKinsey](#) that household consumption will grow by **3.8% to reach nearly \$2.1 trillion per year by 2025** this is due in part to the new generation of consumers in the form of young, educated and urban African professionals ready to consume and inject revenue into their economies.

Current manufacturing Status in South Africa

South Africa's manufacturing industry is the 4th largest industry in the country. Within the sector, the food and beverages contribute the largest percentage, with 26% to the total manufacturing value added. After that is Petroleum and chemical products at 24%, followed by basic iron and steel (19%). Over half of South Africa's manufacturing industry is located in 3 of South Africa's provinces, Johannesburg, Cape Town, and Durban.

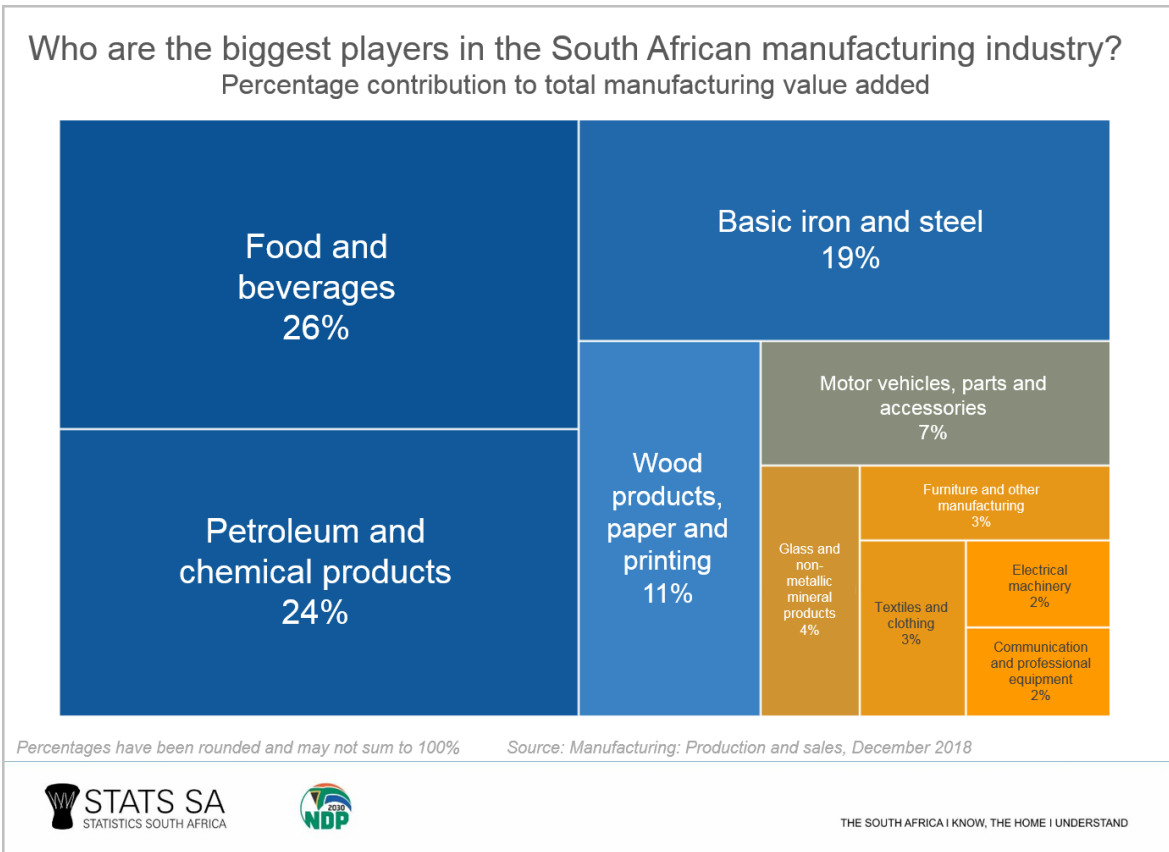


Figure 6: The biggest players in South Africa’s manufacturing industry/ Source Stats SA

According to information from [Statistics South Africa](#), manufacturing currently accounts for 13.5% of South Africa’s GDP. It also showed that South Africa is only using 81% of its current manufacturing capacity. This underutilization has been ascribed to a lack of demand, and to a lesser extent, a lack of skilled and semi-skilled labor. South Africa’s annual percentage change in its manufacturing production increased by 1,2% in 2018 compared with 2017 which helped lift the country out of recession.

Currently, enjoying a 9,2% rise in activity, the vehicle accessories manufacturers had the most to celebrate, followed by Motor vehicle manufacturing. After two years of decline, the automobile production managed to spring back in 2018 with a 3,5% growth rate which was great news for car manufacturers in the provinces of Eastern Cape and Gauteng.

The second top performer, up by 4,6% was the Food and beverages subsector which contributed the most to overall manufacturing growth. According to [Statistics South Africa](#) all the food groups had a successful year, in particular, food such as sugar went up by 5,4%, dairy, up by 5,0%, and meat, fish and fruit up by 4,2%.

Factories that performed poorly in the same year included those involved in the production of textiles and clothing, wood and paper, and petroleum and chemical products as well as communication equipment.

With the Textiles industry experiencing another year of slow production, going down by 2,4% the production of wearing apparel products also declined, recording a 4,9% drop in production. Falling by 3,9% the Leather products also did not do too well. The clothing sub-divisions that observed positive growth in 2018 were footwear (up by of 3,5%) and the miscellaneous group ‘other fabric products’ (up to 1,3%). Manufacturers in automobile textiles (cloth for seats and

upholstery) had a very good year, contributing to the upward push in the 'other textile products' sub-division. (www.statssa.gov.za/)

Manufacturing indeed plays an important role in the South African economy. It is also a vital source of employment, imparting work for one in every ten people in South Africa's workforce. If manufacturing gains momentum, it will bode well for its workforce of 1,7 million people and the country as whole.

Current Manufacturing Status in Tanzania

Tanzania's manufacturing sector is relatively small as the majority of its activities focus on the creation of simple consumer products such as foods, beverages, tobacco, textiles, furniture and wood allied products. Despite its small size, the manufacturing industry is particularly important to Tanzania and serves as one of the most reliable sources of government revenue which include import sales as well as corporate and income taxes.

Over the last 10 years, Tanzania's manufacturing sector has contributed an average of 8% to the overall GDP and is ranked after agriculture and tourism in terms of importance to Tanzania's economy. Additionally, due to the expansion of regional markets, manufacturing sub-activity grew by 8.3% in 2018 growing from 8.2% in the previous year. The [2018/19 Bank of Tanzania \(BoT\) annual report](#) indicated that manufacturing commodities are continually exploring new markets opportunities particularly in the East African Community (EAC) and the Southern Africa Development Community (SADC) regions.

Given that agriculture is the centerpiece of Tanzania's economy, its manufacturing industry is centered around the processing of local agricultural goods. The manufacturing sector in Tanzania consists mainly of food processing (24%), textiles and clothing (10%), chemicals (8.5%), and many others, including beverages, leather and leather products, paper, and paper products, publishing and printing, and plastics. Moreover, the ongoing investment and improvement of infrastructures as well as the stability in power supply has reduced production costs. Manufacturing commodities with notable increases include building materials such as cement, metal products and paints, food and beverages and wheat.

(Source: <https://www.tanzaniainvest.com/>)

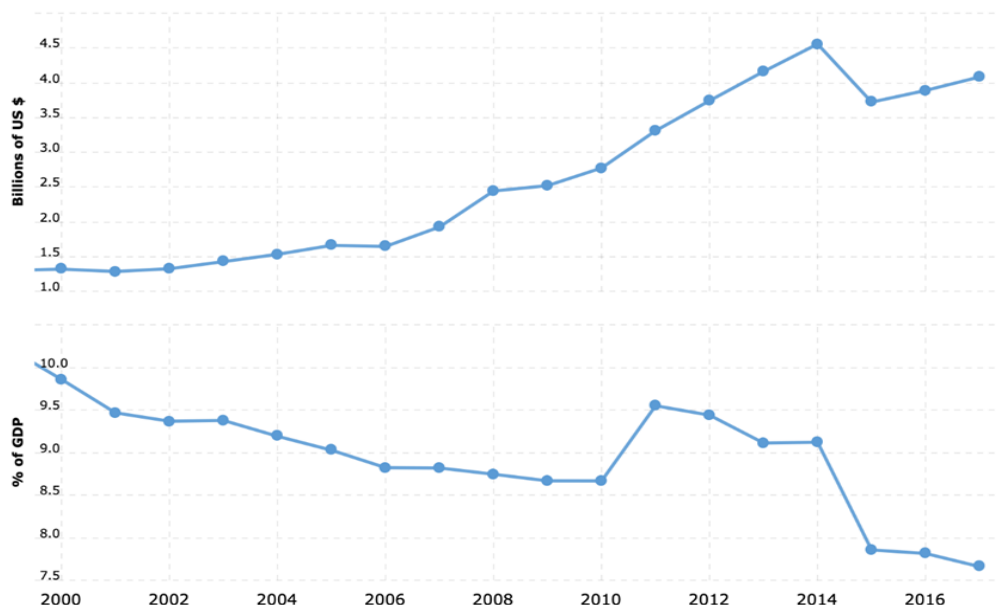


Figure 7: Tanzania GDP Composition / Source [Tanzania Invest](#)

RECENT DEVELOPMENTS

General Developments in Africa

Africa is currently taking steps to catch up to other continents in terms of capturing the full economic potential of the manufacturing industry. Many African leaders are now seeking ways to attract investment and innovation in a bid to grow and nurture the manufacturing industry.

African Continental Free Trade Area (AfCFTA)

Today, leaders are increasingly realizing that manufacturing is a major factor in helping Africa achieve their goals of successfully reaching the next stage of economic development. The African Union has put the sector front and centre in its Agenda 2063.

Fifty-five member states of the Africa Union (AU) are establishing the African Continental Free Trade Area (AfCFTA) to create a single continent-wide market for goods and services, in order to unlock manufacturing potential, promote the movement of capital and natural persons, facilitate industrialization so as to drive sustainable growth and jobs among other objectives. The Agreement seeks to create a single market of 1.27 billion consumers with an aggregate GDP between US \$2.1 and \$3.4 trillion according to the [International Trade Centre](#). It is also a fast-growing market, as consumer numbers are expected to increase to 1.7 billion by 2030. The AfCFTA market has a growing middle class as well, currently standing at 350 million and expected to rise to 600 million by 2030.

AfCFTA was launched in March 2018 and is supposed to come into effect in July 2020. The terms of the roll out of AfCFTA will be different for developed, developing and least developed countries within the African continent. The AfCFTA has the potential to put in place mechanisms to address many of the non-tariff challenges frustrating intra-African trade. It could do so in a manner which will provide more certainty and predictability and improve the trade facilitation environment. The potential dynamic benefits of the AfCFTA are particularly important. Larger integrated markets may well be more attractive to investors and along with new trade could come new technologies and learning that could boost productive capacity.

African Growth and Opportunity Act

In May 18, 2000, the US Congress signed the African Growth and Opportunity Act, commonly known as AGOA, into law. AGOA is the cornerstone of U.S. economic engagement with the countries of sub-Saharan Africa and is meant to establish stronger commercial ties between the 2 regions. [The agreement provides duty-free access to the U.S. market and establishes a preferential trade agreement between the U.S.](#) and selected countries in the sub-Saharan region. Initially approved for fifteen years, AGOA was reauthorized for ten years on June 25, 2015, by the Obama administration. In its current form AGOA will last until September 30, 2025.

AGOA has succeeded in helping eligible nations grow, diversify their exports to the United States, and create employment and inclusive economic growth. Under AGOA, eligible countries can export products, including value-added manufactured items such as textiles, to the United States duty-free.

Currently, all 5 EAC Partner States are currently eligible for the AGOA benefits; however, Burundi's eligibility has been revoked with effect from 01 January 2016.

Recent Developments in South Africa

South Africa's manufacturing's outlook is improving, with the help of strengthening international demand and rising commodity prices. A report by South Africa's [Standard Bank](#) outlines 3 trends that are currently shaping South Africa's manufacturing industry. They are as follows:

1. Virtual reality tools

Through the use of virtual reality tools, South African manufacturers are beginning use these new strategies to create and test mock-ups in the virtual world. These tools are used to simulate the design process and the assembly line before the development of the actual product which can decrease production time and waste. Virtual reality tools ensure that manufacturing processes deliver exactly what the manufacturer planned to create.

2. Connected factories

New factory environments are equipped with smart sensors that can record information, communicate with multiple machines, while recording statistics and shut down devices if a safety or performance issue arises. These new factories can function to track and analyze production quotas, consolidate control rooms, and create models for sustainable maintenance. This connectedness offers South African manufacturers the right data at the right time to make strategic and accurate decisions without waste.

3. Autopilot manufacturing

Automation is the next growing trend that can influence the future of the South African manufacturing industry. Productivity gains are vital and automation can cut down on production times dramatically. The next generation of machines and robots will be equipped with the ability to recognize audio and images to re-create complex human tasks. Automation will rely further on this machinery and eliminate some of the most tedious manufacturing functions, it will also create new jobs for a re-trained workforce.

Recent Developments in Tanzania

Tanzania 2025 Vision:

Tanzania aims to become a semi-industrialized country by 2025, for which the contribution of manufacturing to the national economy must reach a minimum of 40% of the GDP. To achieve this, Tanzania aims to transform from being dominated by natural resource exploitation activities and extractive industries (agriculture, tourism, and mining) to become an economy with a broad and diverse base of manufacturing, processing, and packaging industries.

Tanzania Government's Priority: Industrialization

According to President John Magufuli's speech during the inauguration of the new Parliament at the end of 2015, **industrialization will be a key priority to the government**. Industries, producing goods for mass consumption, such as food, clothes, textiles, and edibles, will be encouraged. The Government will also focus on electricity development, which is a necessary step for achieving industrialization. In addition, the Government will support Tanzania's industry through the establishment of an industrial development bank and reduction of taxes on locally produced goods.

INDUSTRY OPPORTUNITIES

A robust manufacturing sector is a critical ingredient to the Africa’s development and ongoing economic success. It is expected that by 2030, business-to-business spending in manufacturing in [Africa will reach \\$666.3 billion, \\$201.28 billion more than in 2015](#) (Africa Portal Roundup Newsletter). According to the Global Africa Network, if African industry stakeholders remain committed to their objectives, Africa’s manufacturing output has the capacity to exceed US\$1-trillion by 2025.

Currently, Africa’s share of total world manufacturing exports is less than 1%. Although it is important to note, that there are certain manufacturing sub-sectors where Africa holds a larger share of global exports. According to the [Supporting Economic Transformation \(SET\)](#), Africa manufactures over 5% of global exports of fertilizers and inorganic chemicals; more than 4% of world exports of leather and manufactured leather products; and close to 2% of global exports of articles of apparel and clothing accessories.

There are also encouraging signs of growth in African manufacturing exports in many product groups. **Exports from Africa grew at an annual rate of 6% or higher between 2005 and 2016** in nearly half (16 out of 34) of the core manufacturing product groups (Figure 6).

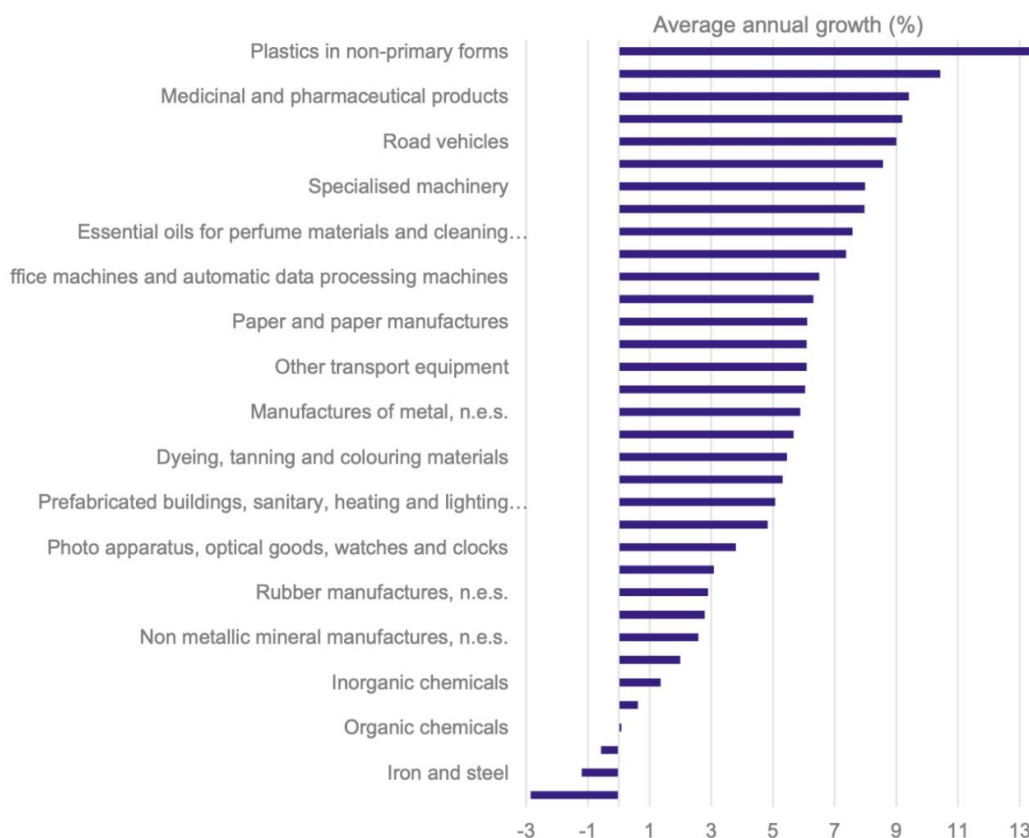


Figure 8: Average annual growth in value of African manufacture’s export by sector, 2005 – 2016 (%) /Source [Supporting Economic Transformation \(SET\)](#)

African governments have recognized manufacturing can serve as a means of diversifying the economy and offers African states a variety of economic opportunities. As a net importer of manufactured products such as machinery and transport equipment, Africa has created various manufacturing incentive schemes such as zero rating of various raw materials. The following information is sourced from the [East Africa Community \(EAC\)](#).

Opportunities in the Manufacturing Industry can be found in the different Manufacturing subsectors:

Food Processing Industry

South Africa has a well-defined and developed agricultural sector. The Industry (inputs, primary production, processing) contributes approximately R124 billion (\$ 6.7 billion) to South Africa's GDP and employs 451,000 people within the formal sector. The sector is mostly comprised of cattle and sheep farming, and only 13% of land is used for growing crops ([miningweekly.com/](#)).

According to the Department of [Agriculture, Forestry & Fisheries](#) the South Africa's total exports and imports of Agro-processing products amounted to about R124.21 billion (\$ 6.8 billion) and R160 billion (\$ 7 billion), respectively in 2018.

Furthermore, the strong Agriculture Sector, has created a big demand for Agricultural Equipment. In terms of revenue during 2012-2018, the South Africa's Agricultural Equipment Market documented a CAGR of nearly 6% ([Globe Newswire, 2019](#)). The market growth has been fueled as the result of the growing agricultural industry, and the fact that more farmers are becoming aware of machine mechanization / automation. Moreover, the Government has been giving more grant to farmers for farm mechanization. However, as the result of low buying power and high cost, frequent adverse climatic shocks, and reliance on import of agricultural machinery, the local equipment market has shown a slow growth pace.

The domestic demand for equipment is generally being met through imports which are sourced primarily from Asia. Forming extensive dealer networks, farmer-magazine advertising; new product launches, product innovation and improved after sales services are the key strategies adopted by the major players in the Sector. The main stakeholders in the market include the international OEMs, domestic distributors & importers, and domestic OEMs.

In Tanzania, the Food Processing Industry mostly relies on imported machinery and technologies. Machinery and equipment for the following are in the greatest demand:

- ✓ Production of fruit concentrates and juices and all forms of fruit and vegetable canning
- ✓ Cashew nut processing
- ✓ Specialty coffee processing
- ✓ Sugar cane processing at sugar factories
- ✓ Fish processing and packaging for export
- ✓ Meat processing and packaging from both cattle and game meat
- ✓ Production of processed dairy products such as sweetened condensed milk, milk powder, infant milk formula, butter, margarine, ice cream, yogurt, cheese, etc.
- ✓ Horticultural packaging, including cut flowers and fresh vegetables.
- ✓ Quality storage technologies

Textiles and Apparel

EAC countries particularly Tanzania and Kenya known for the production and export of handpicked cotton. The East African textile industry has been rejuvenated by the signing of the [African Growth and Opportunity Act](#), which provides a number of Saharan African countries with market access to the United States. This access has provided opportunities in cotton ginning, production of yarn and finished textiles, marketing and trading in cotton and textiles as well as in cut, make and trim units. Rwanda offers opportunities in development of sericulture and the silk textile industry.

Further, in 2016, Tanzania launched the 5-Year National Cotton-to-Clothing Strategy. This strategy is the government's blueprint to develop the cotton, textiles, and apparel industry, and aims for annual exports of \$150 million and 10,000 jobs by 2021. As with other countries in the region, Tanzania is also interested in building a competitive sector to reduce its reliance on imports of second-hand clothing. In a bid to attract foreign investment, the Tanzania government has established a special economic zone (SEZ) specifically for textiles and apparel manufacturing.

Iron, Steel, and other Metals

The abundance of metals on the African continent offers many opportunities such as the mining of iron ore, the production of sponge iron and the production of steel products. Other opportunities are available in the development of nucleus foundry which can be processed into precision components, aluminum cans, high-strength reinforcement bars, ductile iron rolls, casting sand and moulding.

Vehicle Parts and Assembly

Although a few car parts are produced locally in most African countries, many vehicle accessories specifically those of European origin, are often lacking in the market. There is a market for the manufacture of vehicle components for use by local assemblers and for export to regional markets. There is also a market for the assembly of bicycles, as bicycle-use as a mode of transport is widespread in the region.

South Africa also has an active automotive sector. According to the [National Association of Automobile Manufacturers of South Africa \(NAAMSA\)](#), the automotive industry contributes 6.9% to GDP (4.4% manufacturing and 2.5% retail). **The total automotive revenue in South Africa amounted to R503 billion (\$ 28 billion) in 2018.** NAAMSA also reports that in 2018 the export of vehicles and automotive components reached a record amount of R178,8 billion (\$9.47 billion). South Africa's automotive industry sources and assembles high quality vehicles for both the local and international markets. International vehicles manufacturers like BMW, Ford, Volkswagen, Daimler-Chrysler, General Motors, Nissan, and Toyota all have production plants in South Africa. These companies are strategically placed to take advantage of the low production costs.

Electronics

A number of firms are currently engaged in the assembly, testing, repair, and maintenance of electronic goods and as such the electronics industry has been growing steadily. The Manufacturing Under Bond and Export Processing Zones program has provided opportunity through the production consumer electronics such as TVs, VCRs, disk drives, etc. as well as telecommunications equipment and support industry items such as cables, cords, die casting, metal plating, etc.

Electrical Equipment

There are several opportunities in the production of motors, circuit breakers, transformers, switch gears, irrigation pumps, capacitors, resistors, insulation tapes, electrical fittings and integrated circuit boards for both regional and international markets.

Plastics

Domestic demand as well as demand in the broader region provides an opportunity for the production of plastic.

Chemicals

The chemicals industry provides a number of opportunities such as the production of Polyvinyl Chloride resin from ethyl alcohol, formaldehyde from methanol, melamine-urea, mixing and granulating of fertilizers, cuprous ox chloride for coffee bean disease, caustic soda and chlorine based products, carbon black, activated carbon, precipitated calcium carbonate, textile dyestuff, ink for ball points and gelatin capsules, among other things.

Pharmaceuticals

The manufacture of drugs for treatment of various diseases and the manufacture of medical equipment such as surgical cotton, gauze, sanitary pads, syringes, bandages and infusion syrups offers several business opportunities as well as the production of vaccines, antibiotics and vitamins. Herbal medicine production also provides an opportunity for business because of the rich biodiversity in the region.

Beverages

There is increasing demand for beverages in the region. Coffee roasting, tea processing, and the production of soft drinks and alcoholic beverages form the main beverage production activities and the region has a competitive advantage in processing these products because it produces most of the raw material used in the industry including the fruits, barley, coffee and tea. Opportunities exist in production, targeting both local and export markets.

Packaging

The packing industry is a strategic sub-sector as it supports many other industries (especially pharmaceuticals, horticultural products, beverages, edible oil, fish, and dairy products) in marketing and distribution as well as in international trade. The industry includes all forms of printed paper and plastic packaging, woods, foil and glass packaging. The increased demand for plastic packaging items can be explained by developments in the manufacturing sector, especially the production of consumer goods. Opportunities exist in the production of glass containers, tin cans /boxes, corrugated cases, cartons and labels, flexible packages, rigid plastics, and thin-walled plastics.

GOVERNMENT AGENCIES / NETWORKS

The Confederation of Tanzania Industries (CTI)

Tel: +255222114954

Email: membership@cti.co.tz

Website: <https://cti-tz.silkstart.com/cpages/home>



The Confederation of Tanzania Industries is a Business Membership Organization that was launched in July 1991. It is an independent, self-financed, legally constituted organization that serves its members by speaking out on their behalf and generally representing their interests. Given the unfriendly business environment that existed in the early 1990s, CTI identified few key issues as its priority for advocacy. These included fiscal policy and taxation, the legal and regulatory framework, regional and multilateral trade arrangements, and infrastructure, mainly electricity, roads, railways, and ports. The main aim of CTI is to ensure that there is a conducive legal, financial, and economic environment within which industry can operate effectively, prosper, and contribute to national wealth and development. CTI has been very active in advocating for a conducive business environment for its members so that they can become competitive.

Objectives

The working objectives of the organization have been identified as follows:

- ✓ To be a knowledge facilitator on matters related to industrial development of Tanzania
- ✓ To improve the business environment in Tanzania through evidence-based policy advocacy
- ✓ To provide its members with relevant information on business environment and business opportunities
- ✓ To assist the members in accessing new technology, including in particular, technology related to energy efficiency.

Agriculture Council of Tanzania (ACT)

Tel: +255 22 212 4851

Email: act@actanzania.org

Website: <http://www.actanzania.or.tz>



The Agriculture Council of Tanzania (ACT) is the umbrella organization that promotes the agricultural best practices through effective policies and informed dialogues in Tanzania. ACT unites all stakeholders Farmer groups and associations, cooperatives, companies and institutions whose activities have relationship with agriculture e.g. Farming, livestock keeping fisheries, beekeeping, and people engaged as researchers, traders, processors, transporters, etc. The Council aims to pursue a modern and commercial agriculture that will ultimately increase in job creation and the economy at large. ACT was formerly known as Tanzania Chamber of Agriculture and Livestock (TCAL), established in 1999. It currently consists of 168 members from the farmers' groups and associations, producers, input suppliers, processors, researchers, academicians, and traders based in more than 20 regions across the coastal, northern, central, southern and lake zones of Tanzania. The Council provides a range of

services to its members such as tailored training to enhance their advocacy skills, access to demand driven information, knowledge exchange through networking events and lastly, opportunities to take part in the national exhibitions.

Objectives

- ✓ 1. Strengthen ACT's evidence- based lobbying and advocacy work on key policy issues impacting the agricultural sector.
- ✓ 2. Strengthen ACT's ability to develop and deliver organizational, technical and management capacity programmes and services to ACT members.
- ✓ 3. Increase members awareness of ACT's programmes, capacity building services, and financial resources, to retain at least 85 % of members while doubling membership base by 2018.
- ✓ 4. Diversify financial resources enabling ACT to attain 20 % budgetary sustainability by 2018.

Textile Development Unit (TDU)

Website: <https://tdu.or.tz>



Ministry of
**Industry
and Trade**



The Textile Development Unit (TDU) was established by Tanzania's Ministry of Industry and Trade. The Unit is tasked with developing the resources and skills needed to create the right environment for increased foreign and domestic investment into the sector.

Highlights of the TDU's work so far includes successful lobbying work on the proper declaration of the value of imported cloth. This one step alone (leading to the value of certain imports rising 782% in a year) has enabled fairer competition between local producers and those importing from Asia, resulting in a number of local mills now operating three shifts seven days a week, compared to one shift three days a week in 2011. The TDU has also: brought stakeholders together to form an industry association; established a national training programme for apparel supervisors to become trainers of operators; and supported investments in new equipment and in re-establishing moribund mills.

INDUSTRY ASSOCIATIONS

SA Manufacturing

Tel: +27 799251 007

Email: admin@samanufacturing.co.za

Website: <https://www.samanufacturing.co.za>



SA Manufacturing is Southern Africa's most comprehensive manufacturing resource. SA Manufacturing focuses on increasing international trade, foreign direct investment and economic co-operation on regional, continental and international levels. SA Manufacturing encourages global competitiveness of exports of products, expand market access and encourage trade and investment in the Southern African industry.

Purpose

- ✓ Support Southern African manufacturers and help grow the industry
- ✓ Showcases manufacturing locally and internationally
- ✓ Exposes manufacturing to the African continent
- ✓ Attract international investment to the manufacturing sector
- ✓ Lobby to government, local investors and foreign investment for Manufacturing in Southern Africa
- ✓ (NEW) Largest online platform for the manufacturing sector in Southern Africa
- ✓ Our Aim is to have all manufacturers and suppliers listed and make your company and products easily accessible
- ✓ Most cost-effective marketing with excellent exposure to the entire industry on people, planet and profit.

The National Association of Automobile Manufacturers of South Africa (NAAMSA)

Tel: +2712 807 0152 / +2712 807 0086 / +2712 807 0179

Email: admin@samanufacturing.co.za

Website: <https://www.naamsa.co.za>



The National Association of Automobile Manufacturers of South Africa is an important source of information about the motor industry in sub-Saharan Africa. After 50 years of being the official body representing new vehicle manufacturers, it is now going through major changes in line with the transformation of the industry. The NAAMSA membership base now includes major importers and distributors of new vehicles as well as local manufacturers and assemblers, making it the pre-eminent organization for all franchise holders marketing vehicles in South Africa.

Every month, NAAMSA makes the headlines with its release of the latest new vehicle sales figures, which have become recognized as significant barometers of the country's economic activity, consumer trends and general fiscal health. The compilation of these sales statistics is

a sophisticated operation on a par with similar motor industry marketing information gathering in the industrialized nations of Europe and North America. The figures are far more detailed than the summaries carried in the general media suggest and you can find an in-depth analysis and graphs in our web pages or contact NAAMSA directly at the address below - which should, in any case, be your first call if you are new to the South African market and serious about doing business in the motor industry here.

There is a NAAMSA working group or specialist committee tackling each of the major issues facing the industry - ranging from local content to vehicle crime and safety legislation. A sign of the times is the new NAAMSA Export Division as the industry reaches for overseas markets, and a whole range of activities linked to the Motor Industry Development Programs.

Chemical Allied Industry Association (CAIA)

Tel: +27 11 327 6547

Email: caiainfo@caia.co.za

Website: <https://www.caia.co.za>



The South African chemical industry is represented by the Chemical and Allied Industries' Association (CAIA) which has 135 members including chemical manufacturers, traders and industry service providers. As an association that forms part of a worldwide network of chemical industry associations, CAIA seeks to promote the continuous improvement of performance in the safety, health and environmental arenas as well as to boost productivity and competitiveness of the chemical and allied industries in South Africa, thereby enhancing their sustainability.

Members are mainly big and medium size companies drawn from base chemicals, fertilizers, plastics in primary form, pesticides and other agricultural products, explosives and specialty chemicals. CAIA's primary goals are to promote Responsible Care®, to earn public trust for the chemical industry, to improve the efficiency of its advocacy efforts, to support education initiatives in science, engineering and technology and to create maximum value for member companies. The Association interacts with a number of employer bodies, the Chemical Industries' Education & Training Authority, various professional societies and other associations representing sub-sections of the industry. CAIA is the custodian of the global Responsible Care® initiative, which was launched in South Africa in 1994. Through this initiative, companies make a formal public commitment to continuously improve their safety, health, and environmental performance.

Agri SA

Tel: +27 12 643 3400

Email: agrisa@agrisa.co.za

Website: <https://www.agrisa.co.za>



Agri SA is a non-profit organization committed to the development of agriculture in South Africa with the aim of developing a stable, profitable agricultural environment within the country.

Agri SA, a federation of agricultural organizations, was established in 1904 as the South African Agricultural Union and consists of 9 provincial- and 26 commodity organizations as well as 44 corporate members. Essentially Agri SA, through its affiliated membership represents a diverse grouping of individual farmers regardless of gender, color or creed.

Agri SA's key priorities focus on:

- ✓ The international competitiveness of all members.
- ✓ Use its influence to promote an enabling environment for all our members.
- ✓ Be a watchdog for the sector – keep farms in production be the custodian of primary agriculture and the required resources.
- ✓ Custodian of all farmers regardless of race, creed or gender.
- ✓ Establish and maintain a strong development mandate to secure inclusive growth and prosperity in the sector.
- ✓ Exert world class policy influence, i.e. trade, resources, labor, etc.
- ✓ Continuously adapt to an ever-changing environment.

Contribute to sustainable agriculture by focusing

RESEARCH CENTRES

The African Center for Economic Transformation



www.acetforafrica.org

The African Center for Economic Transformation (ACET) is an economic policy institute supporting Africa's long-term growth through transformation. ACET produces research, offer policy advice, and galvanize action for African countries to develop their economies, reduce poverty, and improve livelihoods for all their people. ACET is the pre-eminent African organization advancing *African solutions to African challenges*. The African Center for Economic Transformation (ACET) began in 2008 with a central understanding – that Africa needs more than economic growth. In their view, growth is not enough. Africa must also transform through diversified production, competitive exports, increased productivity, upgraded technology, and improved human well-being.

African Economic Research Consortium



www.aercafrica.org/overview/

Established in 1988, the African Economic Research Consortium is a capacity building institution to inform economic policies in sub-Saharan Africa. AERC has three primary components: research, training and policy outreach. The organization integrates economic policy research, postgraduate training and policy outreach within a network of researchers, universities and policy makers in Africa and worldwide.

AERC's mission is to strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa. That mission rests on two basic premises.

1. That development is more likely to occur where there is sustained sound management of the economy.
2. That such management is more likely to happen where there is an active, well-informed group of locally based professional economists to conduct policy-relevant research.

AERC's objectives are to:

- ✓ enhance the capacity of locally based researchers to conduct policy-relevant economic inquiry;
- ✓ promote the retention of such capacity within the continent, and
- ✓ encourage its application in the policy context.

MARKET ENTRY STRATEGY

There are various strategies that prospective Virginia companies may want to adopt when entering African markets. Some of these strategies include setting up a local office, appointing a local distributor, acquiring a local company, or setting up a foreign joint venture/strategic alliance. Each of the options will have advantages and disadvantages, and the decision on which route to take will ultimately come down to the short, medium and long-term business objectives of the specific company. Some of these strategies are highlighted below for further reference:

- ✓ **Setting up a local office or branch** offers customers a reassurance of your company's commitment to the local market, as well as more control of the business operations and marketing. Some drawbacks include higher risk and set up capital, initial lack of business contacts, and the lack of an established reputation.
- ✓ **Appointing a local distributor / integration partner** offering similar or complementary products offers the benefits of lower initial investment, established local contacts and a faster time frame for market entry. Some drawbacks include trust issues (regarding liability), lack of control of business operations and possible performance issues if no sales milestones are set in place.
- ✓ **Acquiring a local company** – This method may take less time to access and penetrate the market as the company would have an existing distribution network in place. The drawback would be a large capital investment, and possible slower post-merger integration.
- ✓ **Setting up a Joint Venture/Strategic Alliance** – Virginian companies could also consider forming a joint venture, or strategic alliance with a local company. The advantage would be possible faster market entry. However, potential risks could be differing on goals and objectives and also lack of total control of management.

Recommendations

Considering the options listed briefly above, it is our general recommendation that Virginia companies wishing to explore opportunities in the African manufacturing industry, primarily South Africa and Tanzania, they should appoint a local distributor / integration partner. Ideally, these local partners would have established working relationships with key stakeholders in both the public and private sectors and operate across a range of industries. However, before making any commitments, we recommend that Virginian companies should participate in a market visit in order to gain a deeper understanding of the market and interview prospective partners. This visit could be undertaken individually, or as part of a group trade mission.

INDUSTRY PUBLICATIONS

African Business Magazine



<https://africanbusinessmagazine.com>

The African Business Magazine seeks to offer a unique insight into African affairs, from an African perspective. They aim to shape the African agenda by leading and influencing the conversation on African issues by actively contributing to the socio-economic development of the continent through vigorous debates, insights and analysis.

Their mission is to produce relevant, world class, quality content & services that influence power circles and captivate its audience.

Society of Manufacturing Engineers (SME)

Magazine

<https://www.sme.org/smemedial/sme-media/>

Editor in Chief: Alan Rooks

Email: crownmag@crow.co.za



SME helps manufacturers innovate, grow and prosper by promoting manufacturing technology, developing a skilled workforce and connecting the manufacturing industry.

The magazine's history dates back to 1935, when SME first published it as Tool Engineer. In the 1960s, the magazine was called Tool and Manufacturing Engineer. In the 1970s, it became Manufacturing Engineering and Management. Since 1975, the magazine has been known as Manufacturing Engineering, or as our customers sometimes call us, M.E.

Crown Publications

www.crown.co.za

Publisher: Karen Grant

Email: crownmag@crow.co.za



Crown Publications, one of South Africa's largest business-to-business publishing houses, came into existence in 1986. Since then, the company has grown from producing a single magazine, Electricity SA (renamed Electricity+Control), to publishing six monthly magazines, three quarterlies, and a number of engineering handbooks.

The Magazines cover various engineering disciplines with particular emphasis on industrial applications in the chemical, construction, electrical, mechanical and mining fields. They offer a balanced mix of technical and product information, making them an ideal platform for promoting company growth within Africa.

INDUSTRY EVENTS

Manufacturing Indaba 2020 Exhibition

<https://manufacturingindaba.co.za/exhibition/>

Dates: 9 – 10 December 2020

Location: Sandton Convention Centre, Sandton, Johannesburg, South Africa



The aim of the annual Manufacturing Indaba and its provincial roadshows is to bring together manufacturers, industry leaders, government officials, capital providers and professional experts to explore opportunities and grow their manufacturing operations. The event is designed specifically for private and public company representatives to hear from industry experts as they unpack challenges and find solutions for growth across the manufacturing sectors and explore regional trade into Africa. The event will comprise a two-day conference and exhibition and is hosted in partnership with the South African Department of Trade & Industry (the dti), the Department of Science & Technology and the Manufacturing Circle, representing the private sector.

Local Southern African Manufacturing EXPO

<https://www.localmanufacturingexpo.co.za>

Dates: 25 – 27 May 2021

Location: Johannesburg Expo Centre, Johannesburg, South Africa



Africa's leading interactive showcase of manufacturing capabilities. The Local Manufacturing Expo will showcase South Africa's manufacturing capabilities across a wide variety of industry sectors. Providing an interactive, educational, and practical platform, the Local Manufacturing Expo is the definitive platform for the best that South African industry has to offer.

This show will position leading local industries to thousands of potential national and international investors, demonstrating that the power of local manufacturing is the key to unlocking vast economic empowerment, growth, development and investment.

The Dar es Salaam International Trade Fair (Ditf)

Dates: 18 June – 13 July 2020

Location: Mwalimu J.K. Nyerere Trade Fair Grounds, Dar es Salaam, Tanzania

The Dar es Salaam International Trade Fair (DITF) also known as Saba Saba Day has established itself as one of the prime trade events in East Africa. Held every year, the DITF is an ideal platform for companies to showcase their products on a pan-African platform. The DITF has grown its stature over the years and has been attracting more than 1,000 companies from all over the world to participate in the fair every year. In addition to companies from Tanzania and the rest of Africa, one can find a large contingent of overseas companies from as far away as United States, Europe, India, Pakistan and the Middle East.

Afriwood East Africa - Tanzania

<https://www.expogr.com/tanzania/woodexpo/>

Dates: 16 - 18 September 2020

Location: Aga Khan Diamond Jubilee Hall, Dar es Salaam, Tanzania



Afriwood Tanzania is the ultimate exhibition which will house the most exciting sector in the East African region. Afriwood Tanzania will be the ideal meeting point between demand and supply in an evolving market. The three-day event is all set to be the regions annual gathering of the best from the industry both at the national and international level to source for the latest products and services in Africa.

Automechanika Johannesburg

<https://automechanika.za.messefrankfurt.com/johannesburg/en.html>

Date: 15 - 18 Sep 2021

Venue: Expo Centre Johannesburg, Johannesburg, South Africa

Organizer: Messe Frankfurt South Africa (Pty) Ltd

Tel: +27 010 599 6150

South Africa's leading international trade fair for the automotive service industry targeting trade visitors from the Sub-Saharan Region.

APPENDIX

Comparison of Market Entry Modes

Mode	General conditions of this Mode	Advantages	Disadvantages
Exporting/ Appointing a local distributor	<ul style="list-style-type: none"> -Unlimited sales potential in target country, dependent on product -little product adaptation required -High target country production costs -Liberal import policies 	<ul style="list-style-type: none"> -Minimizes risk and investment. -Speed of entry -Maximizes scale; uses existing facilities. 	<ul style="list-style-type: none"> -Trade barriers & tariffs add to costs. -Transport costs -Limits access to local information -Company viewed as an outsider (dependent on target country)
Licensing	<ul style="list-style-type: none"> -Import and investment barriers -Legal protection possible in target environment. -Large cultural distance -Licensee lacks ability to become a competitor. - Large cultural distance 	<ul style="list-style-type: none"> -Minimizes risk and investment. -Speed of entry Able to circumvent trade barriers -High ROI 	<ul style="list-style-type: none"> -Lack of control over use of assets. -Licensee may become competitor. -Knowledge spillovers License period is limited
Joint Venture	<ul style="list-style-type: none"> -Some political risk Government restrictions on foreign ownership -Local company can provide skills, resources, distribution network, brand name, etc. -Import barriers -Small cultural distance 	<ul style="list-style-type: none"> -Overcomes ownership restrictions and cultural distance Combines resources of 2 companies. -Potential for learning -Viewed as insider -Less investment required 	<ul style="list-style-type: none"> -Difficult to manage Dilution of control -Greater risk than exporting a & licensing Knowledge spillovers -Partner may become a competitor. -Higher risk than other modes
Setting up a local office or branch / Direct Investment	<ul style="list-style-type: none"> -Assets may not be fairly priced - High sales potential -Low political risk 	<ul style="list-style-type: none"> -Greater knowledge of local market -Can better apply specialized skills -Minimizes knowledge spillover -Viewed as an insider / a Local 	<ul style="list-style-type: none"> -Requires more resources and commitment -May be difficult to manage the local resources.

