

Mozambique: Trade Brief*

Trade Policy

Mozambique has staged a remarkable recovery following 16 years of civil war that ended in the early 1990s. It has successfully completed an ambitious program of “first generation” reforms, including trade reform. As a result, it has today one of the most open trade regimes in Africa. It ranks 68th out of 125 countries on its Trade (MFN) Tariff Restrictiveness Index (TTRI), far above the Sub-Saharan Africa (SSA) regional and low-income group averages. While just 10.1 percent of its imports enter under MFN zero-duty, much lower than the comparators’ averages around 30 percent, about one-third of its tariff lines have a tariff rate of 5 percent or lower. The ad valorem tariff comprises four non-zero bands: 2.5, 5, 7.5, and 20 percent. The MFN simple average applied tariff of 10.3 percent (12.1 percent, according to national sources) and the trade-weighted MFN tariff of 7.4 percent are below both the SSA (12.9 percent) and the low-income group (11.3 percent) means. Despite progress in actual policy, Mozambique’s low score on the overall GATS commitments index suggests ample room for much greater future multilateral commitments to service trade liberalization.

Market Access

Ranking 114th out of 125 countries, Mozambique’s exports face high barriers according to the latest Market Access TTRI. Its rest-of-the-world weighted average applied tariff of 0.9 percent is well below the SSA (3.0 percent) and low-income group (3.7 percent) means. Nonetheless, just 10.5 percent of its exports were duty free in 2006. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, its exports are also eligible for duty-free access under the United States’ Africa Growth and Opportunity Act (AGOA). With Botswana, Lesotho, Namibia and Swaziland, Mozambique negotiated a reciprocal “interim” (goods only) Economic Partnership Agreement with the European Union that took effect January 1, 2008 and replaced the nonreciprocal trade portion of the Cotonou Agreement. The tariff offer from Mozambique covers 80.5% of trade with the EU, most of which will be liberalized at entry into force of the agreement. Imports from the EU on 100 sensitive products will be liberalized by 2018. Mozambique also retains its duty-free market access under the EU’s “Everything But Arms” initiative for least developed countries. However, its utilization rate of EU and U.S. preferences was modest (57.5 percent) as was their value, equivalent to 4 percent of its bilateral exports. In addition, its exports are eligible for preferential access to India under the Global System of Trade Preferences (GSTP). Mozambique is also a member of a regional free trade area, the Southern African Development Community (SADC).

Behind the Border Constraints

Mozambique ranks just 134th of 178 countries on the 2007 Doing Business survey, with low scores on Enforcing Contracts (138th) and Closing a Business (134th). Similarly to its comparators, the country is ranked 110th (out of 151) on the 2007 Logistics Performance Index, with its weakest indicators being trackability of shipment and quality of transport and information technology (IT) infrastructures. Limited connections between rural areas and economic centers, for example, complicate and raise the cost of trade activity within the country, although the government is working to ameliorate this problem through publicly funded infrastructure development as well

*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

as privatization and promotion of private investment in this sector. On the Doing Business—Trading Across Borders subcategory, another proxy of trade facilitation performance, it is ranked 140th due in part to long and complex importing processes. The country's per capita rates for telephones/mobile phones (11 percent in 2006) and Internet users (0.9 percent in 2005) are also quite low. The country's 2006 secondary school (15.5 percent) enrollment rate is only a fraction of the comparators'.

Trade Outcomes

Following political stabilization and market-oriented reforms Mozambique has witnessed strong growth in trade, particularly in the early 2000s. The real growth in exports has been spectacular. In the early 2000s the country averaged 29.5 percent, although decelerating to 7.3–7.4 percent in 2007, resulting in a rank of 65th (of 160 countries). As a result of this growth, Mozambique's trade integration ratio (share of GDP) has about doubled in the past 10 years from an average of 48 percent in 1995–99 to 96 percent in 2007. Mozambique's export growth is almost entirely dominated by a few foreign-owned, export oriented, capital intensive “mega-projects,” especially in the mining sector, such as the MOZAL aluminum smelter. As a result, Mozambique's share of mining and fuel exports has increased from about 4.5 percent in the late 1990s to 64.1 percent in 2006. Further, while there have been increasing linkages between the mega-projects and smaller firms, there remains great potential for deepening and expanding these linkages. Despite this, Mozambique remains fairly diversified, with a score of 57.4 on the export product concentration index (out of 100).

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