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Mozambique and SADC Trade Performance

Draft

July 2010

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Draft

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Contents

1. Introduction	1
2. Exports	3
Exports of Agricultural and Fisheries Products to SADC	5
Exports of Agricultural and Fisheries Products to the Rest of the World (ROW)	7
Exports of Energy Products to SADC	8
Industrial product exports to SADC	9
Industrial product exports to ROW	11
Summary of Export Performance	12
3. Imports	15
Imports of Agricultural and Fishery Products from SADC	18
Imports of Agricultural and Fisheries Products from ROW	19
Imports of Energy from SADC and ROW	19
Imports of Industrial Products from SADC	20
Imports of Industrial Products from ROW	22
Summary of Performance of Imports from SADC in the Mozambique Market	23

Tables

Table 2-1. Mozambique Exports by Destination 2005-2009 (\$ millions)	3
Table 2-2. Total Exports (\$ millions)	4
Table 2-3. Agricultural Exports to SADC 2005-2009(\$ millions)	5
Table 2-4. Fisheries Exports to SADC 2005-2009(\$millions)	7
Table 2-5. Agricultural Exports to ROW 2005-2009(\$ millions)	7
Table 2-6. Fishery Exports to ROW 2005-2009 (\$ millions)	8
Table 2-7. Energy Exports to SADC 2005-2009(\$ millions)	9
Table 2-8. Industrial Product Exports to SADC 2005-2009(\$ millions)	9
Table 2-9. Declining Product Exports to SADC 2005-2009 (\$ millions)	10
Table 2-10. Industrial Product Exports to ROW 2005-2009(\$ millions)	11
Table 3-1. Total Imports Mozambique (\$ millions)	15
Table 3-2. Mozambique Imports (\$ millions)	16
Table 3-3. Mozambique Imports from SADC and Rest of World (ROW)	17
Table 3-4. Mozambique Imports from SADC (\$ millions)	17
Table 3-5. Mozambique Imports from SADC (\$ millions)	18

Table 3-6. Agricultural Imports from ROW (\$ millions)	19
Table 3-7. Mozambique Energy Imports from SADC and Rest of World, INE	20
Table 3-8. Industrial Imports from SADC (\$ millions)	21
Table 3-9. Industrial Imports from ROW (\$ millions)	22

1. Introduction

In June 2010, INE data for 2009 became available, permitting analysis of Mozambique's performance in SADC and world markets. While SACU had completed tariff elimination for SADC partners in 2004, Mozambique's other SADC partners were committed to begin reductions on sensitive products, mostly agricultural, in 2007 or 2008 and to complete implementation in 2012. Therefore Mozambique began to enjoy a margin of preference (MOP), the difference between the most-favored-nation (MFN) tariff and SADC tariff rates, on all products during 3 years of the 5-period of this analysis, 2005 to 2009. In 2008 SADC partners were committed to eliminating duties on all other nonsensitive products. Mozambique was committed to reduce tariffs applying to South Africa on nonsensitive products from 20 to 10 percent in 2007 and completing the reduction to free in 2008. On sensitive products, Mozambique's first reduction from 20 percent to 15 percent was scheduled in 2009. In 2012 a reduction to 10 percent is scheduled, and duties will be eliminated in 2015. Completion of the Trade Protocol was believed to afford opportunities for new exports by SADC partners to each other.¹ A 2008 review of SADC implementation found that Malawi, Zimbabwe, and Zambia had not had fully implemented offers. Malawi, in fact, had stopped implementing reductions in 2004 for revenue reasons. Zimbabwe is believed to be current in its implementation and Zambia has taken steps to catch up. Angola and DRC have not made tariff offers or reductions to SADC partners.

After four years of duty-free trade under the Protocol in the SACU market new Mozambican exporters should have emerged because of the significant margins of preference afforded qualified SADC suppliers. Implementation of the TDCA between the European Union and South Africa has resulted in reduced margins of preference. For example, SACU tariffs on clothing products to the EU in 2009, are 20 percent, cutting in half the once 40-point margin of preference between MFN and SADC rates that prevailed in 2004. During 2010 SADC countries under the EPA agreement between Southern African and the EU, including Mozambique, will begin reducing rates applying to EU suppliers, including immediate elimination of duties on many products reducing margins of preference between them vis a vis European suppliers.

In this paper we assess the performance of Mozambique's exports to SADC countries, comparing it to the performance of exports to the rest of the world (ROW). Analysis is presented at a summary level (total exports, agricultural, energy, and industrial products) and identifies specific key commodities. Import performance is presented in the same manner. The effect of staged reductions by Mozambique and its SADC partners on exports to each

¹ The Diagnostic Trade Integration Study prepared in 2004 for Mozambique identified such opportunities on pages 5-9 to 5-13. The analysis of Mozambique's trade performance will identify what happened to trade on these products.

other is discussed when relevant. The appearance of new export products and the disappearance of traditional products is also noted.

Mozambique's trade with SADC partners is dominated by South Africa, which received more than 75 percent of exports to SADC and 92 percent of imports in 2009. With Malawi and Zimbabwe, the three SADC partners account for 97 percent of exports and 95 percent of imports from SADC.

The data used in this analysis is from INE. It is supplemented by UN COMTRADE data available on the International Trade Center's Trade Map web site. COMTRADE data for many SADC partners is not available for 2009. Direct COMTRADE data from the ITC Trade Data Site is synonymous with INE data. Gaps in INE data (merchandise or destinations that are not identified) can be informed by COMTRADE partner data (Mirror). For example, INE does not include data on sugar and cotton exports, key commodities, for 2008, but data are available from partners. In other cases there is a big discrepancy between reported Mozambique exports and import data from destinations. For example, South Africa reports \$118 million in natural gas imports from Mozambique in 2008 while Mozambique reports exports of \$4 million to South Africa. If mirror data are used for these three products in 2008 unidentified products totaling nearly \$200 million in the INE data are fully explained.

Another data caution must be mentioned. There is significant transit trade from third countries to neighboring SADC countries through Mozambican corridors, and vice versa. This trade does not represent exports from Mozambique, but re-exports. For example, reported wheat flour exports to Zimbabwe in 2009 are \$17 million, \$15 million higher than exports in any previous year, and are likely re-exports of food assistance to Zimbabwe from donor countries. Such data anomalies are raised throughout the paper. Finally INE does not report individual country destinations for all products, in some cases the destination or origination is simply reported as "other countries." Therefore there will be slight differences between the summary tables and the totals based on analysis of trade between Mozambique, SADC, and the rest of the world (ROW). In agriculture, for example, Tables 2-3 to 2-6 covering trade with SADC and the ROW total \$528 million in agricultural trade compared to the \$531 million reported in the Table 2-2 summary of exports by type of product. Such differences are not material to the analysis.

Data interpretations by the author were ground tested in Mozambique. Jake Walter of Technoserve, Kekobad Patel of CTA, Odeta Tsamba of IPEME, and Alberto Albino of Cepagri were very helpful. The opinions expressed and the interpretation of the data however remains the author's responsibility.

2. Exports

Mozambique's exports to the world in 2009 of \$2.15 billion (Table 2-1), represent a sharp decline to the lowest level since 2007, led by a decrease of aluminum exports to the EU of more than \$650 million. Between 2005 and 2009, exports excluding aluminum increased by 75 percent. Exports to SADC strengthened in 2009, reaching a peak for the 2005-2009 period of nearly \$600 million. South Africa accounts for 76 percent of exports to SADC, and 37 percent of total exports. In 2005 South Africa held a 53 percent share of non-aluminum Mozambique exports but its share declined around 10 percent to 47 percent in 2009. The percentage of total non-aluminum exports destined for SADC in 2009 of 47 percent equals the weighted average share held by exports to SADC during the 5-year period. The importance of the SADC market to Mozambique is obvious, but SADC's relative importance to total non aluminum exports has declined.

Table 2-1
Mozambique Exports by Destination 2005-2009 (\$ millions)

Destination	2005	2006	2007	2008	2009
SADC	385.3	371.2	542.4	525.8	599.2
RSA	280.4	361.6	429.4	367.5	460.6
Other Africa	2.7	4.5	22.4	2.5	21.4
EU-25	1123.6	1584.6	1663.4	1657.8	1152.0
Aluminum	1020.5	1422.1	1526.4	1471.0	867.7
Other Eur.	10.4	60.0	10.9	28.1	39.2
Russia	0.1	8.9	5.1	24.0	30.7
Other FSU	0.2	0.6	8.6	20.1	4.6
US	17.8	6.5	2.2	18.2	41.4
Other Americas	0.2	1.2	2.4	14.8	11.0
North Africa	0.3	0.6	0.0	0.8	19.1
Middle East	2.0	3.8	6.4	23.3	14.3
Asia	92.1	110.5	84.9	112.9	218.9
India	26.6	30.1	15.9	28.4	56.5
ASEAN	18.5	31.2	14.3	13.6	67.6
China incl. HK	36.1	34.5	45.1	52.5	84.7
ROC	0.3	0.9	2.0	0.0	3.6
Japan	8.8	7.0	2.5	13.3	4.6
Other Asia	1.8	6.8	5.1	5.1	1.9
Unidentified	109.8	121.3	68.8	117.9	14.3
Total	1745.3	2381.1	2412.1	2653.3	2147.7

Destination	2005	2006	2007	2008	2009
excluding aluminum	724.8	959.0	885.7	1182.3	1280.0
SADC as percent of total	53.2%	38.7%	61.2%	44.5%	46.8%

SOURCE: Nathan Associates analysis of data from INE and ITC Trade Data Web ;2008 data adjusted to reflect mirror data on Mozambique sugar and natural gas exports.

Exports to the rest of world increase less than \$200 million between 2005 and 2009. Exports to Asia, led by India and ASEAN destinations, rise to \$219 million in 2009 from \$91 million in 2004. This increase is largely fed by agricultural exports of both traditional and new products.

Growth in agricultural exports between 2005 and 2009 outstrips that of energy and industrial products to all destinations. Growth in agricultural products is particularly strong when fish exports—which decline by one-third—are excluded. Industrial product exports excluding aluminum are also up during the period. Mineral exports to third-country destinations outside of SADC are particularly strong as the titanium sands project starts up. Wood exports, virtually all to Asia, are relatively flat during the period, while exports of apparel all but disappear. The biggest increase in exported manufactures occurs in Chapters 84 through 89—machinery, electrical machinery, motor vehicles, aircraft, and boats – products that are not generally produced in Mozambique.

Table 2-2
Total Exports (\$ millions)

	2005	2006	2007	2008	2009
Agricultural	303.6	412.8	304.5	538.5	531.4
Fish	86.5	96.6	70.1	76.8	65.5
Agricultural ex-fish	217.1	316.2	234.4	461.7	465.9
Energy	260.3	349.1	373.4	386.7	374.2
Industrial	1744.7	2380.3	2411.4	2652.4	2146.8
Aluminum	1020.5	1401.3	1515.9	1471.0	867.7
Industrial ex aluminum	724.2	979.0	895.5	1181.4	1279.1
Textile and clothing	7.4	5.9	1.9	2.1	1.6
Minerals	3.4	3.2	11.9	43.5	65.3
Wood	32.4	35.6	31.7	38.9	38.1
Chapters 84-89	54.6	79.7	85.1	99.8	173.2
Unclassified by INE	0.0	37.6	17.7	97.0	0.0

SOURCE: Nathan Associates analysis of data from INE and ITC Trade Data Web.

EXPORTS OF AGRICULTURAL AND FISHERIES PRODUCTS TO SADC

Agricultural exports are shown in Table 2-3². Exports of agricultural products, excluding fisheries products, increase to SADC markets by some \$34 million.³ The increase includes some important new products. Fresh bananas rise to \$5 million dollars during the period, establishing a strong Mozambican presence in the South African market after several years of effort. Sugar exports are covered under a special protocol in SADC, but are limited during the period because of premium prices in the EU market. EU reform of the sugar market will reduce this premium in the next several years, putting pressure on expanding trade to other markets including SADC. In 2009, for the first time in years, \$3.0 million in molasses is exported to South Africa. Traditional exports of tobacco (unstemmed) to Malawi recover in 2009 to 2005 levels, while exports of stemmed tobacco to South Africa and Malawi increase by \$4 million. Strong gains are also made in exports of product inputs for mixing feed particularly wheat bran.

Table 2-3
Agricultural Exports to SADC 2005-2009(\$ millions)

		2005	2006	2007	2008	2009
Ch. 7	Vegetables	0.5	1.0	0.4	1.2	0.5
Ch. 8	Fruits and Nuts	1.7	4.9	7.6	8.6	7.4
'080132	Shelled cashew	0.7	2.3	1.5	2.4	1.9
'080300	Bananas	0.8	1.7	3.7	5.3	4.4
Ch. 9	Tea and Spices	15.9	0.0	0.0	0.0	0.0
'090240	Black tea	15.8	0.7	0.0	0.0	0.0
Ch.10	Cereals	3.3	5.0	3.6	2.0	7.7
'100590	Maize	2.3	4.5	3.3	1.8	1.0
'100630	Milled rice	0.0	0.0	0.0	0.0	6.4
Ch. 11	Processed Cereal	2.2	0.0	0.0	0.0	0.0
'110100	Wheat flour	2.2	0.7	0.7	0.8	17.1
Ch.12	Oilseeds	3.7	1.4	9.7	6.9	5.1
'120220	Groundnuts	3.4	0.2	4.0	1.2	1.0
'120720	Cotton seeds	0.3	1.1	3.3	5.6	2.6
'120740	Sesame seeds	0.0	0.1	0.8	0.0	1.4
Ch. 15	Fats and Oils	2.3	3.6	4.9	2.5	1.7
'151311	Coconut oil	2.3	3.6	4.9	2.5	1.7
Ch. 17	Sugar	0.0	3.7	1.6	1.1	3.1
'170111	Cane sugar	0.0	2.5	1.3	0.0	0.0
'170310	Molasses	0.0	0.2	0.3	1.1	3.1
Ch. 23		3.5	7.8	5.6	8.4	20.3

² Data in tables are from INE and the ITC. Any adjustments are reported for each table in the text and in table notes.

³ Exports of rice of \$5.2 million and of \$15.2 million in wheat flour to Zimbabwe in 2009 are believed to be either re-exports or transit trade. They have been excluded from total 2009 agricultural trade with SADC in calculating the increase of trade.

		2005	2006	2007	2008	2009
'230210	Maize bran	0.1	0.6	0.0	1.3	14.9
'230230	wheat bran	2.3	3.0	4.1	6.0	4.5
Ch. 24	Tobacco	25.9	6.6	8.2	23.6	32.5
'240110	tobacco, unstemmed	21.4	4.3	7.1	17.6	23.2
'240120	tobacco, stemmed	4.5	2.3	1.1	5.0	8.0
Ch.52		2.1	5.5	7.0	0.8	0.6
'520100	Cotton	1.2	4.7	4.9	0.6	0.6
	Total	61.4	41.6	51.9	57.2	99.0
	Adjusted total	45.6				79.0

NOTE: Data for 2009 has been adjusted. See footnote three above.

Exports of maize are irregular, peaking in 2007, but are probably significantly under-reported because they do not capture the “bicycle trade” at the Malawi Mozambique border. Cotton exports to the region have declined with production. Most exports of cotton are now to Asia. Exports of “shelled” cashew to South Africa have been stable. Fish markets in SADC are presented separately.

Vegetable exports are stable to declining. Several anticipated new exports based on SADC margins of preference have not developed (e.g., peas, dried beans, pineapples, guavas , honey). Citrus, which was exported to South Africa before 2005, has disappeared. Downstream product exports including fruit juices, maize, and wheat flour have also not appeared.

The staging of tariff reduction exports by SADC partners has likely had some effect on exports. Most fruits and vegetables are sensitive products in partner schedules and reductions in Zambia and Malawi only began in 2009. SACU tariffs have long been removed for SADC partners. While MFN tariffs afford the opportunity of a significant margin of preference for SADC partners, EU and in some cases EFTA suppliers have the same duty-free privilege in the South African market under FTAs with South Africa. Significant margins of preference remain on products of export interest to Mozambique including beef, chickens, dried vegetables, wheat and wheat flour, tobacco, and downstream agricultural products. Restrictive rules of origin remain on wheat flour. Under SADC, wheat millers must start with wheat from the region to establish SADC origin. All the countries in the region are net importers of wheat.

SADC markets are important outlets for non-prawn fishery products, accounting for 88 percent of these product exports. SADC margins of preference, most as high as 25 points, remain on many of these fisheries products. These fisheries products were also excluded from the TCDA between the EU and South Africa. Exports declined during the period and appear to be constrained by available supplies.

Table 2-4
Fisheries Exports to SADC 2005-2009(\$millions)

		2005	2006	2007	2008	2009
030219	Salmon, fresh chilled	1.1	0.8	1.8	2.7	0.8
030379	Frozen fish	1.1	0.4	0.1	0.1	0.4
'030559	Dried fish nes, dried	2.2	2.7	1.4	1.2	2.4
'030611	Rock lobster in shell	0.8	0.8	1.0	0.6	2.5
030612	Other lobsters	0.0	0.0	0.1	0.0	0.2
'030613	Shrimps and prawns, froz.	6.1	11.1	3.9	3.1	6.5
'030614	Crabs frozen	1.8	1.2	1.4	1.7	1.1
'030619	Crustaceans nes, frozen	4.0	1.3	0.8	0.7	0.9
'030623	Shrimps, prawns, not froz.	0.0	0.2	0.2	0.2	0.2
		17.2	18.7	10.6	10.2	14.9
	excluding frozen shrimp	11.1	7.5	6.7	7.1	8.4
	SADC as percent of total	88.0%	83.3%	85.7%	56.4%	80.3%

EXPORTS OF AGRICULTURAL AND FISHERIES PRODUCTS TO THE REST OF THE WORLD (ROW)

As foreshadowed in the discussion above, growth in exports of agricultural products to third-country markets outperformed those to SADC. Led by exports of stemmed tobacco (\$146 million) and the appearance of and surge in sesame seed exports (\$38 million), agricultural exports to ROW increased by almost \$215 million and shipments to ROW more than doubled to \$365 million. Exports of beans and pigeon peas mostly to India increased nearly 10 times to \$40 million. Exports of cashew were relatively stable around \$25 -\$30 million but there was a marked shift from unshelled to processed nuts. When reported shelled almond shipments (Mozambique does not produce almonds) are assumed to be cashews, exports of processed products to ROW exceed the export of nuts for the first time in 2009. India imports most of Mozambique's unprocessed cashew. Exports of cotton to Asia decline with cotton production. Exports of sugar reflect some production problems in 2009 but also the decline in the EU price as a consequence of reforms underway in the EU sugar market. The appearance of sisal exports to Europe is also to be noted.

Table 2-5
Agricultural Exports to ROW 2005-2009(\$ millions)

		2005	2006	2007	2008	2009	Principal Destination
Ch. 7	Vegetables	4.7	1.1	5.7	9.3	40.4	India
'071339	Beans dried, shelled	1.0	0.2	0.0	1.4	9.6	
'071333	pea beans dried	2.5	0.7	5.5	6.0	20.8	
Ch. 8	Fruits and Nuts	22.6	37.5	18.8	29.4	31.2	India
'080132	Shelled cashew	5.1	14.1	7.3	13.2	17.0	
'080300	Bananas	4.9	10.8	7.2	12.7	13.3	
Ch. 9	Tea and Spices	1.3	1.2	2.5	8.6	7.4	ROW
'090240	Black tea	1.2	1.2	2.5	2.2	4.1	
Ch.12	Oilseeds	9.1	13.6	19.0	32.5	43.4	Asia

		2005	2006	2007	2008	2009	Principal Destination
'120720	Cotton seeds	0.5	0.0	0.3	0.9	2.8	
'120740	Sesame seeds	8.2	13.4	15.2	30.6	37.7	
Ch. 15	Fats and Oils	2.0	2.2	1.7	2.6	3.7	Switz.
'151311	Coconut oil	2.0	2.1	1.5	2.6	2.6	
Ch. 17	Sugar	38.8	32.7	57.7	93.0	59.4	EU
'170111	Cane sugar	37.7	28.1	57.7	92.8	58.3	
'170310	Molasses	1.1	1.5	0.0	0.2	1.1	
Ch. 24	Tobacco	17.3	103.8	42.7	171.1	148.1	ROW
'240110	Tobacco, unstemmed	17.3	27.2	0.1	10.6	1.6	
'240120	Tobacco, stemmed	0.0	76.6	42.2	159.8	146.5	
Ch.52		53.2	40.1	24.5	50.7	25.9	Asia
'520100	Cotton	39.1	32.2	14.7	49.8	25.9	
5203	Carded or combed	14.1	8.0	9.8	0.9	0.0	
Ch. 53		1.6	1.3	1.0	1.9	3.8	EU
'530490	Sisal textile fibers	0.6	0.1	0.3	1.6	2.9	
	Total	151.3	233.9	177.3	395.0	365.3	

Fisheries exports to ROW are dominated by frozen shrimps and prawns. Exports of other fisheries product are less than 20 percent of those to SADC. Exports of prawn, primarily to the EU, peaked in 2006 and have declined since while the resource is being managed to recover.

Table 2-6
Fishery Exports to ROW 2005-2009 (\$ millions)

		2005	2006	2007	2008	2009
'030613	Shrimps and prawns, froz.	65.5	75.1	57.8	58.9	46.8
03xxxx	Other fisheries products	1.5	1.5	1.1	5.5	2.1
		67.0	76.7	58.9	64.4	48.8

EXPORTS OF ENERGY PRODUCTS TO SADC

Energy exports to SADC are represent 75 percent of total and are growing with the expansion of natural gas and electricity demand and production. All natural gas is exported to South Africa, while electricity has been sold to South Africa, Zimbabwe, and at times Botswana and Malawi. Exports of petroleum products are irregular and believed to vary with the strength of the economy in Zimbabwe. Energy exports are not affected by tariff levels, which are generally free. Energy exports will grow further as investments in coal production in Moatize and Tete begin significant production. SADC's relative importance will decline when major shipments to ROW begin.

Table 2-7
Energy Exports to SADC 2005-2009(\$ millions)

		2005	2006	2007	2008	2009
'270119	Coal nes	0.6	0.7	0.9	0.8	0.8
'271011	Aviation spirit	0.0	0.0	0.0	4.7	0.6
'271019	Light distillates nes	0.0	0.0	0.0	28.6	3.8
'271111	Natural gas,	0.0	0.0	0.0	105.0	77.5
'271121	Natural gas, gaseous state	100.2	109.6	110.9	1.4	12.7
'271600	Electrical energy	141.8	177.8	225.3	226.4	274.4
		242.5	288.1	337.2	367.0	369.8

Energy exports to ROW, which declined to as little as \$ 4 million in 2009, pale in comparison with those made to SADC. This will change when coal exports increase significantly.⁴

INDUSTRIAL PRODUCT EXPORTS TO SADC

A significant portion (between 79 percent and 85 percent) of industrial product exports to SADC markets are believed to be re-exports. They are not produced Mozambique. They include machinery, electrical machinery, vehicles, air craft and boats, postage stamps, and printed currency. That they the double during the 2005-2009 period is not directly related to the Protocol and is not considered important. For the most part they are goods that are not produced in Mozambique, but are traded by Mozambicans. They include sales of used cars and machinery, shipments of construction equipment upon completion of a project, shipments of aircraft engines for repair, etc. Metal scrap, basic steel products such as pipes, flanges, and tanks are presumed to originate in Mozambique, but exports of these products to SADC peak in 2007. Most mineral product exports are to ROW. Exports of salt, bentonite, and cement are to SADC, but have also declined since peaking in 2007. There are several new industrial exports of note to SADC including wigs and beards of \$3 million mostly to South Africa, and individual plastic products. Many plastic products were exported in the early years of SADC implementation—such as plastic tanks and reservoirs and plastic crates—but now appear to have declined. Exports of wood products to SADC have been relatively steady around \$2 million but are only 6 percent of total wood exports. Prefabricated buildings have been irregularly exported.

Table 2-8
Industrial Product Exports to SADC 2005-2009(\$ millions)

		2005	2006	2007	2008	2009
Ch. 25-26	Minerals	2.1	2.1	11.0	4.1	1.7
2501	Salt	1.0	0.7	0.6	0.4	0.4
250810	Bentonite	0.6	0.2	0.3	0.4	0.3
2523xx	Cement	0.3	0.8	4.5	2.7	0.7
Ch. 44	Wood products	1.9	5.6	1.8	2.2	2.6
Ch. 72-73	Iron & steel	7.8	6.3	15.6	3.7	5.7

⁴ Exports of aluminum are by nature of the production also an export of electricity, the major cost element in its production.

		2005	2006	2007	2008	2009
7204	Scrap	0.3	2.0	11.2	0.7	0.2
Ch. 49	Unused postage, currency	16.1	13.2	14.5	5.7	4.1
Ch. 71	Jewelry, precious stones	0.5	1.7	0.7	0.0	0.0
Ch. 84	Machinery	11.2	13.2	22.0	18.9	35.0
Ch. 85	Electrical machines	0.8	0.3	0.3	0.6	3.3
Ch. 87	Vehicles	6.2	20.2	11.5	14.0	27.1
Ch. 88	Aircraft	0.0	0.0	0.2	0.4	4.1
Ch. 89	Boats	0.0	0.1	0.0	0.0	0.1
Ch. 90	Scientific instruments	1.0	0.6	1.7	0.6	1.7
Ch. Xx	Notable new products	0.2	0.7	2.2	4.7	5.5
'251990	Magnesia	0.0	0.0	0.0	0.0	0.0
'392410	Tableware of plastics	0.0	0.0	0.1	0.0	1.0
'670490	Wigs and beards	0.0	0.0	0.8	2.3	3.7
'780199	Lead unwrought nes	0.0	0.0	1.3	0.9	0.2
'940600	Prefabricated buildings	0.2	0.7	0.1	1.5	0.6
	Total	51.0	71.7	90.2	56.7	95.3

There is a longer list of disappointments – principally in products that were once exported to the region have now declined and in some cases have disappeared altogether in recent years. The most notable of these is apparel exports. Under SADC, Mozambique has a special quota to allow assembly of garments from imported fabrics but it hasn't filled the quota. The only apparel exports that continue through the period are exports of cotton school uniforms. In 2009, exports of articles made from asbestos-cement disappeared and exports of soap from coconut oil to Zimbabwe declined. Exports of plastic vats and containers have fallen sharply. These reductions, despite their relatively small size, are important because they represent value added exports. It was hoped that the SADC Protocol would permit specialization and emergence of regional value chains. This has not happened. In the case of a cotton textile chain SADC rules of origin require double transformation (essentially from yarn to garment) when most fabric in the region is imported. In other words, few apparel manufacturers can meet origin requirements. These restrictive rules of origin have adversely affected investment.

Table 2-9
Declining Product Exports to SADC 2005-2009 (\$ millions)

		2005	2006	2007	2008	2009
	Notable products	5.9	1.7	2.4	2.1	1.0
3401xx	Soap	0.1	0.1	0.3	0.8	0.5
392310	Boxes, cases, etc plastic	5.4	0.5	2.1	0.4	0.3
630533	Plastic sacks	0.4	1.0	0.0	0.8	0.2
940330	wooden furniture					
Ch.61/62	Apparel	0.8	3.5	0.4	0.3	0.6
610910	Cotton T's	0.1	0.0	0.0	0.0	0.0
620333	M&B trousers, cotton	0.1	0.2	0.1	0.1	0.0
620520	M&B shirts, cotton	0.3	3.3	0.3	0.3	0.4

		2005	2006	2007	2008	2009
Ch. 68	Articles of asbestos	1.2	1.4	0.7	0.1	0.0
6811xx	Asbestos cement products	1.2	1.4	0.7	0.1	0.0

INDUSTRIAL PRODUCT EXPORTS TO ROW

Third-country markets are far more important destinations for industrial products, accounting for more than 70 percent of Mozambique non-aluminum shipments in 2008 and 2009. Most of the growth in the market for manufactures produced in Mozambique is to third markets. The beginning of exports under the heavy sands project is remarkable. Exports to ROW of titanium, zirconium, vanadium, and chromium of \$58 million in 2009 are almost entirely to third countries. In contrast, exports of wood products, mainly to China, grow modestly by \$5 million to \$35 million in 2009. Unfortunately, there is no sign that exports of value-added wood products have increased. Exports of wooden furniture and flooring have disappeared. Products that have been advanced from a rough or sawn state account for only 7 percent of exports.

The decline in apparel exports is caused by the departure of a manufacturer exporting to the United States under AGOA. The producer remained in the region, moving to Lesotho to take advantage of a better business environment. There were hopes that apparel manufacturing would get a boost from special access in the regional and American markets. This may yet occur. The decline in plastic shipments was mostly in plastic cases. Possibilities for exports from Mozambique identified in previous years due to SADC margins of preference in products such as footwear and auto part have not yet materialized – likely due to costs in the business environment higher than the margin of preference.

As with shipments to SADC, the increase in shipments of machinery, motor vehicles, airplanes, boats, and scientific and measuring equipment is not considered material. These exports are not believed to be of goods made in Mozambique. The increase is more likely a sign that use of Mozambique's transit corridors to the sea is growing and therefore a growing service sector of the economy.

Table 2-10

Industrial Product Exports to ROW 2005-2009(\$ millions)

		2005	2006	2007	2008	2009	Destination
Ch. 25-26	Minerals	0.2	0.0	0.0	37.2	62.5	ROW
'261000	Chromium ores	0.0	0.0	0.0	0.0	2.2	
'261400	Titanium ores	0.0	0.0	0.0	28.8	43.8	
'261510	Zirconium	0.0	0.0	0.0	5.4	10.4	
'261590	Vanadium ores	0.1	0.0	0.0	1.7	2.2	
Ch. 39	Plastic products	5.8	0.8	2.0	1.0	0.6	
Ch. 44	Wood products	28.5	29.2	29.1	34.7	34.5	China
Ch. 61 -62	Apparel	5.4	0.7	0.7	0.2	0.0	US
Ch. 67	Wigs and beards	0.0	0.0	0.8	0.0	0.0	
Ch. 72-73	Iron & Steel	16.4	15.0	3.9	20.7	12.9	ROW
7204	Scrap	10.7	14.8	3.3	19.0	11.1	
Ch. 78	Lead	0.0	0.0	0.0	0.0	4.8	Indonesia

		2005	2006	2007	2008	2009	Destination
Ch. 49	Unused postage, currency	2.5	0.0	3.6	3.9	23.0	UK
Ch. 71	Jewelry	0.3	0.6	0.8	6.1	6.5	
7110xx	Precious stones	0.0	0.4	0.7	5.4	5.1	Lebanon
Ch. 84	Machinery	13.0	2.5	1.2	15.8	30.2	ROW
Ch. 85	Electrical machines	0.2	0.2	1.1	0.7	1.6	
Ch. 87	Vehicles	0.7	1.2	2.3	3.6	8.8	
Ch. 88	Aircraft	8.1	2.2	1.3	5.3	9.7	US
Ch. 89	Boats	0.0	6.2	0.0	14.2	37.5	ROW
Ch. 90	Scientific instruments	0.3	1.0	0.6	1.2	6.6	
	Subtotal	87.6	61.5	49.3	150.7	249.9	
Ch. 76	Aluminum	1020.5	1401.3	1515.9	1471.0	867.7	
		1108.2	1462.8	1565.2	1621.7	1117.6	

SUMMARY OF EXPORT PERFORMANCE

Despite growth in exports to SADC markets Mozambique's performance has been disappointing. Its share of total exports declined between 2005 and 2009 because exports to the rest of the world increased faster than those to SADC. Some new products have emerged but far more once-promising exports to SADC have either declined or disappeared. SADC remains an important destination and significant partner for traditional exports, including fish and energy, and new exports of fruit and vegetables, but exports to ROW have exhibited greater growth in total trade and in new product exports. The lessons learned in developing the export market for bananas has led to the development of an even larger market for bananas in ROW and is preparation for developing markets in other fruits and vegetables. Integration into the market will lead to other exports, such as chicken and beef, once Mozambique's domestic market is satisfied and supply chain issues (including production or import of sufficient feed) are resolved. But there are too few SADC new markets and less growth in traditional markets than anticipated.

Perhaps the period of analysis (2005–2009) is too short. The development of banana exports to South Africa took seven years. A banana supply chain had to be created but it should show how similar supply chains for pineapples, guavas, etc. can be developed. The supply chain that serves India for pigeon peas, and beans and to Asia for sesame can be replicated to the region. Value has been added to cashew exports. The failure of downstream production to develop in other areas is of greater concern.

The failure of regional value chains to develop is of particular concern. The implementation of the SADC is incomplete. Some partners have not kept their commitments and non-tariff barriers remain, especially rules of origin that preclude regional manufacturers from qualifying as originating in SADC, and thus subject to MFN rather than SADC rates. Perhaps as SADC evolves into a customs union that does not require rules of origin, because the external tariff is the same for each member, specializations and value chains will emerge. Harmonization of rules of origin under the Tri-Partite (SADC, COMESA, and EAC) towards the less restrictive rules of origin under COMESA is another avenue for reform. Enlargement of the FTA to include these partners would also resolve the problem of overlapping membership (Zambia, Malawi, Mauritius, and Zimbabwe have already completed

liberalization of their markets to COMESA members) and expand the size of the potential market as well.

Tariff and nontariff barriers at the border are but one factor limiting growth. In the DTIS the authors tried to respond to the Trade Minister's question about why there was no supply-side response as a result of trade reforms. The authors found that significant barriers behind borders had yet to be resolved. Mozambique has worked diligently to remove these barriers. It set out to improve its position on the *Doing Business* indicators but many of the same regulatory barriers remain. A significant reform agenda remains.

3. Imports

Total imports by Mozambique fell to \$3.8 billion in 2009 after peaking at \$4 billion in 2008. Total imports in 2008 represented a billion dollar increase over previous annual levels in 2006 and 2007. Imports grew in all sectors, led by industrial products which account for more than half in 2009 for the first time.⁵ Agricultural imports grew more modestly during the period by \$220 million. More than half of this increase occurs in cereals, especially wheat, rice, and soybean oil. This increase probably overstates the growth because it appears to include significant food assistance shipments to Zimbabwe and Malawi in 2008 and to a lesser extent in 2009. Assistance programs to the region also appear to account for the spike in fertilizer shipments to \$72 million in 2008 contrasted to previous levels of \$14 million and a spike in pharmaceutical products of \$60 million compared to prior levels of \$45 million. Imports of tractors also doubled in 2008 and remained around \$50 million in 2009. How much of this assistance was transit trade is not known but is believed to be a significant share.⁶ Energy imports also increase sharply, peaking at over \$800 million in 2008 before falling below \$600 million in 2009 (see discussion below on energy imports). Some of the 2008 increase is due to the price increase for petroleum products in 2007, but there is also a significant increase in the quantity imported and in 2009 there is a return to previous quantity levels. Some of the 2008 increase in imports of energy products of \$400 plus million is believed to be in transit products as well. Most of decline in 2009 total imports is due to imports of petroleum products.

Table 3-1
Total Imports Mozambique (\$ millions)

	2005	2006	2007	2008	2009
Total	2408.2	2869.3	3049.7	4007.8	3764.2
Not specified	631.6	572.9	550.3	674.9	468.3
Specified	1776.6	2296.4	2499.5	3332.9	3295.9
Agricultural	363.7	397.9	547.8	578.6	589.4
Energy	162.7	487.3	496.7	811.4	582.8
Industrial	1250.1	1411.2	1455	1942.9	2123.7

⁵ Analysis of imports on a product basis will overstate the increase that occurs in some sectors because between \$200 - 600 million in imports are unclassified as to product depending on the year. In the case of export data mirror data was sufficient to explain significant portions of unclassified exports by revealing destinations for sugar, cotton, and natural gas exports. They are believed to be industrial products.

⁶ Malawi import data shows imports of \$26 million of wheat for Mozambique as an example.

Imports from SADC continue to rise during the period, from \$1.1 billion in 2005 to \$1.4 billion in 2009. SADC countries lose share in total imports irregularly during the period, falling from 44 percent to 25 percent in 2007 before recovering to 38 percent in 2009. Part of the recovery is likely the result of Mozambique removing duties on many products from South Africa in 2008 as required by its SADC Trade Protocol Schedule. Imports from South Africa dominate trade from SADC, accounting for a steady 92 percent throughout the period. South Africa's share of total imports also declines irregularly, from 41 percent in 2005 to 35 percent in 2009. As with exports, Asian suppliers to Mozambique increased their market share. ASEAN exporters to Mozambique tripled their exports to Mozambique, rising to \$300 million led by rice exports; India rose by \$150 million, led by petroleum and pharmaceuticals products, China by \$110 million and Japan by \$89 million. The EU remains the second largest supplier at just below \$900 million. Virtually all the decline in imports from the EU in 2009 is in merchandise not specified in INE data. The gain in imports from the United States is led by wheat and tractors, which peak in 2008 (the year the United States resumed food aid to Zimbabwe) giving credence to transit shipments as the reason behind the 2008 bubble.

Table 3-2
Mozambique Imports (\$ millions)

	2005	2006	2007	2008	2009
SADC	1013.7	985.2	1000.7	1199.4	1366.5
RSA	980.8	947.9	971.0	1164.9	1333.8
EU	558.5	672.2	703.7	1073.8	895.9
Asia	420.6	512.1	532.9	831.6	981.9
China & HK	76.2	89.8	111.6	164.5	184.4
India	96.7	136.8	131.8	144.4	244.7
Japan	62.6	67.3	94.0	127.8	141.6
ASEAN	125.2	120.7	123.0	212.6	296.0
Thai	42.6	36.5	55.6	87.0	127.6
Sing.	23.4	29.3	7.4	10.2	67.2
Malay	11.2	17.8	15.6	52.1	46.3
Viet Nam	33.6	11.3	7.9	24.3	32.6
Other Asia	59.9	97.6	72.5	182.3	115.2
Middle East	70.6	203.0	128.4	381.0	157.0
USA	70.9	101.6	80.8	160.4	134.8
Other Amer.	67.0	56.1	76.5	76.8	68.9
Other	207.0	339.0	526.7	284.7	159.3
Total	2408.2	2869.3	3049.7	4007.8	3764.2

Table 3-3 presents imports by type of product and origin. In 2009, SADC supplies more than half of energy product exports, surprisingly almost half of industrial products, but only around a third of agricultural imports. SADC loses market share in energy imports, which fall from 78 percent to 52 percent of total as Middle Eastern suppliers of petroleum distillates gain share from South African suppliers. SADC's 2009 share of both agricultural and industrial about equal the weighted average for the period of 37 percent for agricultural and 45 percent for industrial products.

Table 3-3
Mozambique Imports from SADC and Rest of World (ROW)

	SADC: \$ Million					ROW: \$ Million				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Total	1068.8	1034.6	1040.6	1266.4	1435.8	1339.4	1834.8	2009.1	2741.4	2328.4
Not specified	227.4	84.7	105.2	0.0	0.0	404.2	488.2	445.1	674.9	468.3
Specified	841.4	949.9	935.4	1266.4	1435.8	935.2	1346.5	1564.1	2066.5	1860.1
Agricultural	121.3	146.0	137.9	196.2	192.5	242.4	251.9	409.9	382.4	397.0
Energy	128.0	145.2	152.3	211.4	303.4	34.8	342.1	344.4	600.1	279.4
Industrial	592.1	658.7	645.2	858.9	939.9	658.0	752.5	809.8	1084.0	1183.7

Table 3-4
Mozambique Imports from SADC (\$ millions)

		2005	2006	2007	2008	2009
CH 1	Live animals	14.4	2.0	1.8	2.0	1.4
CH 2	Meat	1.2	2.0	1.8	2.8	2.7
202	Beef	0.4	0.4	0.6	0.9	0.6
207	Poultry	0.4	1.2	0.8	1.0	0.7
CH 3	Fisheries	25.8	24.5	19.7	24.6	29.3
CH 4	Dairy and eggs	6.2	13.7	10.0	15.5	12.4
CH 6	Live trees, plants	0.1	0.2	0.3	0.6	1.2
CH 7	Vegetables	2.2	10.0	10.4	10.8	9.2
CH 8	Fruits and nuts	1.0	1.7	3.5	2.2	2.5
CH 9	Coffee, tea, spices	1.0	0.8	0.7	2.6	3.6
CH 10	Cereals	9.8	21.6	7.9	21.4	30.0
1005	Maize	8.5	16.0	6.2	20.3	25.9
CH 11	Milling products	5.6	5.8	3.9	12.2	11.2
CH 12	Oilseeds	5.0	3.9	3.3	7.7	4.6
CH 15	Fats and oils	8.0	12.3	11.7	28.5	18.1
1507	Soy bean oil	0.7	2.7	1.8	12.9	4.7
CH 16	Prepared meat and fish	0.5	0.8	1.3	1.7	1.9
CH 17	Sugar	8.4	6.7	3.8	10.2	8.3
CH 18	Cocoa	0.5	0.9	1.5	2.2	3.0
CH 19	Cereal, milk preparations	1.9	3.0	5.0	6.8	7.3
CH 20	Vegetable, fruit, nut, preps.	3.5	3.6	26.9	8.3	10.9
CH 21	Misc. edible preps.	3.7	5.7	7.3	11.9	18.8
CH 22	Beverages	4.3	4.6	6.3	8.5	9.7
CH 23	Food residues	6.2	5.5	3.0	2.9	4.1
CH 24	Tobacco	11.9	16.8	7.4	12.6	1.8
	Total	121.3	146.0	137.9	196.2	192.5

IMPORTS OF AGRICULTURAL AND FISHERY PRODUCTS FROM SADC

Imports of agricultural products from SADC increase about \$70 million during the period. The increase peaks in 2008 to over \$190 million and remains at that level in 2009.⁷ Imports of cereal, mostly maize, lead the increase with \$20 million, followed by prepared foods at \$15 million, an increase of soybean oil of \$10 million, and \$6 million in dairy products including eggs.⁸ Vegetable imports including potatoes, tomatoes, and onions are up \$8 million. Imports of prepared food and juice products increase significantly by \$20 million. SADC's share of agricultural imports remains at 33 percent throughout the period. Imports of beef and chicken are stable from the region at only \$2 million per year. Imports of tobacco from Zimbabwe, Malawi, and South Africa decline sharply with the rise in domestic production. Most agricultural products were considered sensitive in Mozambique's SADC phase down schedule. SADC suppliers have therefore faced mostly MFN tariff levels. Beginning in September 2008, Mozambique committed to lowering SADC levels to 15 percent from an MFN level of 20 percent and to 5 percent from an MFN level of 7.5 percent, opening a margin of preference for its partners in the Trade Protocol. Duties on sensitive products will be eliminated to all SADC partners except South Africa by 2012 and 2015 for South African suppliers. Duties on agricultural products that were not sensitive were eliminated in 2008 to South Africa.

Table 3-5
Mozambique Imports from SADC (\$ millions)

		2005	2006	2007	2008	2009
102	Live cows	0.4	0.4	0.3	0.6	0.6
105	Live poultry	1.4	1.4	1.6	1.3	0.8
407	Eggs for incubation	1.1	1.8	2.2	2.9	3.0
602	Live plants and cuttings	0.1	0.2	0.1	0.3	1.1
701	Seed potatoes	0.6	3.2	2.8	4.2	3.1
1104	Kibbled maize	0.5	1.1	0.8	2.1	3.1
1209	Seeds for sowing	2.4	1.0	1.2	2.0	2.2
	Total	6.5	9.1	9.0	13.4	13.9

Imports of inputs for agricultural production in Mozambique increase modestly during the period. Notably new imports of seed potatoes rise to over \$1 million. Most of the increase in egg imports of \$2 million, which are not reported at the 10-digit level after 2007, are believed to be eggs for incubation. Imports of breeding cattle and chicks are stable through the period while imports of live plants and cuttings increase to over \$1 million as well. Imports of kibbled maize from South Africa rise to over \$3 million, while residues from flour production remain steady about \$4 million. Seeds for sowing from the region are steady around \$2 million per year.

⁷ Imports of frozen fish are included in the total of agricultural trade. Mainly from Namibia and South Africa they varied between \$25 and \$30 million during the period. Traditional imports of frozen mackerel (carapao) from Namibia have declined as Namibia increased its exports to the EU.

⁸ ITC data at the 8-digit level, which stops in 2007, shows that egg imports are almost 75 percent eggs for incubation rather than hen's eggs for consumption.

IMPORTS OF AGRICULTURAL AND FISHERIES PRODUCTS FROM ROW

Agricultural products imported from ROW increase by twice as much, more than \$150 million, as imports from SADC.⁹ More than \$100 million of the increase is in cereals, over \$40 million each in rice and wheat, and almost \$20 million in maize. Another \$40 million of increase is in vegetable oil imports, \$10 million for soy and almost 30 million for palm oil. The increase may be overstated since some of it is believed attributable to products in transit to Malawi and Zimbabwe. Imports of frozen chicken and chicken parts from Brazil increase in 2008 and 2009, putting price pressure on a growing industry in Mozambique. Increases in wheat flour from the EU, maize meal from the United States, kibbled grain probably for feed from the EU, and malt from the EU cause an increase in imported milled products of \$13 million during the period. New exports of soy beans from the United States in 2009 are believed to be for feed.

Table 3-6
Agricultural Imports from ROW (\$ millions)

		2005	2006	2007	2008	2009
CH 2	Meat	7.8	8.2	6.6	8.5	10.2
207	Poultry	6.6	7.3	5.4	8.0	9.7
CH 4	Dairy and eggs	15.0	18.4	38.6	6.9	12.9
CH 7	Vegetables	2.1	5.6	11.9	2.6	2.7
CH 10	Cereals	162.4	158.0	173.5	222.9	245.6
1001	Wheat	52.7	64.7	55.6	106.2	95.0
1006	Rice	107.8	88.2	115.6	113.4	150.1
CH 11	Milling products	3.7	3.4	11.5	8.0	16.5
CH 12	Oilseeds	0.1	0.2	1.0	1.2	3.1
1207	Soy beans	0.1	0.4	0.4	0.7	1.5
CH 15	Fats and oils	26.9	33.5	36.7	83.4	62.0
1511	Palm oil	18.2	22.8	23.9	60.3	42.1
1507	Soy bean oil	4.0	4.7	8.1	17.0	8.6
CH 17	Sugar	3.3	1.0	3.4	3.2	2.5
CH 19	Cereal, milk preparations	3.7	3.8	5.4	7.7	7.7
CH 21	Misc. edible preps.	1.1	1.1	1.2	4.1	3.3
CH 24	Tobacco	0.5	1.4	3.2	3.5	1.2
	Total	242.4	251.9	409.9	382.4	397.0

IMPORTS OF ENERGY FROM SADC AND ROW

Energy exports by SADC to Mozambique increase substantially during the 2005–2009 period, but the share held by SADC suppliers declines from 78 percent to 52 percent as new suppliers of light petroleum distillates and aviation spirit in India, Singapore, and the Middle

⁹ Imports of agricultural products appear overstated in 2007 because they include imports of \$66 million of diced tomatoes, \$22 million from South Africa, and 37 million from the EU. Imports in all other years for the same product are around \$2 million. Imports in 2007 of this product have been excluded from the analysis.

East emerge in 2006. Before then, South Africa was the only supplier. South Africa has no tariff advantage under SADC. The large increase in petroleum imports beginning in 2007 occurs for the most part because of the more than doubling of unit prices in 2006 from \$484/ton to \$1123/ton in 2007. The tonnage imported after 2005 is almost constant throughout the period at around 300,000 in 2006, 2007, and 2009. The increase to 546 thousand tons in 2008 has no explanation. The timing of and the somewhat erratic behavior of these new import sources is believed to be related to the opening of the pipeline between Beira and Zimbabwe for petroleum products.¹⁰ Aviation fuel imports increased during the period, consistent with the growth in domestic and international flights flights. SADC exports of electricity to Mozambique also increase during the period.

Table 3-7
Mozambique Energy Imports from SADC and Rest of World, INE

	SADC: \$ Million					ROW: \$ Million				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Electricity	79.8	83.7	107.4	122.1	127.3	0.0	0.0	0.0	0.0	0.0
Petroleum oils (not crude)	28.8	41.9	17.7	52.1	136.4	3.8	335.0	342.4	598.7	275.0
Petroleum gases	9.5	7.1	19.8	29.7	28.3	0.0	0.1	0.1	0.1	0.6
Coal	1.9	1.8	2.2	2.2	1.9	0.0	3.0	0.1	0.0	3.1
Petroleum coke	3.2	4.4	2.1	1.4	5.8	19.3	0.0	0.0	0.1	0.0
Other Chapter 27	4.8	6.3	3.0	3.9	3.7	11.7	4.0	1.8	1.1	0.6
Total	128.0	145.2	152.3	211.4	303.4	34.8	342.1	344.4	600.1	279.4

IMPORTS OF INDUSTRIAL PRODUCTS FROM SADC

Imports from SADC of industrial products maintain their share of 45 percent during the period. Imports from SADC increase by more than \$350 million, including \$150 million in machinery (incl. electrical equipment), \$60 million in steel products, and \$40 million in vehicles. Some individual industrial products from SADC gained \$5 million or more: coke syrup, uncoated paper, paper containers, and glass bottles. Each of these products is an input for production of finished goods in Mozambique. Imports of tires and prefabricated buildings also increase \$5 million or more. SADC suppliers lose more than half of market share in cement and fertilizer, while share in plastics erodes only slightly, and is maintained for steel products. Duties were eliminated for South African suppliers of most plastic and steel products in 2008. On sensitive products duties will remain for SADC suppliers but they have a slight margin of preference over ROW. SADC suppliers gain share to almost 50 percent of machinery imports as tariffs are eliminated on most products from South Africa in 2008.

¹⁰ Most of the product is now believed to transit the Beira corridor by truck instead of pipeline because of difficulties in payment caused by Zimbabwe's economic decline during the period.

Table 3-8
Industrial Imports from SADC (\$ millions)

		2005	2006	2007	2008	2009
Ch25/26	Minerals/elements	20.0	13.9	6.0	6.2	22.3
2523	Cement	18.0	11.2	3.2	3.6	16.8
CH28/39	Chemicals	81.2	98.5	110.9	155.6	136.9
CH 31	Fertilizers	14.6	6.5	6.7	29.6	16.2
3302	Odiferous mixtures	10.1	12.7	10.2	17.4	17.1
CH 34	Soaps, detergents	11.5	12.1	13.5	15.5	15.6
CH 39	Plastics	18.9	23.3	30.3	42.7	35.8
CH 40	Rubber articles	11.4	13.1	16.4	16.7	18.5
4011	Tires	8.6	8.0	10.2	11.8	13.1
Ch 44	Wood	9.9	15.3	10.3	25.5	14.1
Ch 48	Paper	22.3	27.4	20.9	30.8	33.1
Ch 50 - 60	Fabric	4.6	4.0	8.2	7.8	12.0
CH 61 -63	Clothing	8.5	9.0	10.1	10.7	12.7
CH 64	Footwear	1.4	1.5	1.5	2.6	3.7
CH 70	Glass	6.0	6.1	6.3	9.1	12.5
Ch72 -73	Steel	66.9	97.8	85.2	119.1	131.5
7208	Flat rolled HR	4.0	4.7	5.0	6.8	16.1
7210	Flat rolled clad	8.5	25.5	11.3	17.6	15.1
7214	HR bars	9.2	12.1	10.2	20.0	13.3
7308	Structures	9.1	19.1	13.4	21.0	23.6
Ch 82	Tools	8.3	8.9	8.4	9.5	10.9
Ch 84/85	Machinery/electrical	151.3	187.6	195.1	253.0	293.2
8438	Mach for mfg of food	1.9	3.3	5.3	18.3	31.5
8429	Bulldozers, graders	4.0	9.1	13.8	18.5	22.8
8471	Computers	5.6	9.3	10.5	14.6	15.3
8504	Elec. transformers	2.8	6.3	7.0	11.3	13.7
Ch 87	Vehicles	109.5	112.2	94.5	144.1	150.2
8704	Trucks	66.1	70.8	55.6	84.5	81.2
8703	Cars	15.2	10.2	10.3	16.4	16.0
8701	Tractors	8.0	4.8	6.4	9.6	11.9
Ch 90	Instruments	12.8	14.5	13.8	17.1	23.5
CH 94	Medical apparatus	12.2	16.4	13.6	17.5	22.3
	Total	582.6	643.7	632.2	844.8	924.6

A number of imports for the region are items that support agricultural production, including downstream production. Imports of fertilizer are stable around \$13 million, but imports of agricultural tools, harvesters, poultry incubators, seed cleaning and machines for manufacturing food, and pumps for liquids increase by \$35 million. Tariff reductions to SADC suppliers occurred during the period, affording them a margin of preference on some of these products.

IMPORTS OF INDUSTRIAL PRODUCTS FROM ROW

Imports from ROW increase by over \$525 million during the 2005-2009 period, led by an increase in motor vehicles of \$170 million. Machinery imports from ROW increased \$90 million, steel products \$30 million, and imports of chemical products \$70 million. Imports of cement increase \$44 million, synthetic fabric \$7 million, used clothing \$14 million, and railway locomotives \$6 million. Machinery import gains were led \$16 million in bulldozers and graders (a smaller gain than SADC suppliers), \$10 million in insulated wire, 13 million in dishwashers, and \$9 million in machinery for manufacturing food. SADC tariffs applying to South Africa remain on most of these products. Increases in truck imports of \$64 million, automobiles of \$46 million, and tractor of \$22 million led the increases for motor vehicles. The increase in chemical imports included fertilizers at \$25 million, detergents at \$6 million, and plastics at \$20 million. Increases were also notable for ceramic tiles, steel rails, and railway locomotives

Table 3-9
Industrial Imports from ROW (\$ millions)

		2005	2006	2007	2008	2009
Ch25/26	Minerals/elements	15.0	38.1	26.0	51.9	63.7
	Cement	14.4	34.1	24.4	50.3	58.0
CH28/39	Chemicals	86.8	108.0	106.3	187.9	160.9
	Fertilizers	6.1	15.0	7.4	43.1	31.4
	Soaps, detergents	4.4	3.1	3.8	9.2	11.1
	Plastics	18.2	21.6	21.4	38.7	42.2
CH 40	Rubber articles	17.1	24.3	38.5	22.0	21.0
Ch 47-48	Paper	7.9	9.2	8.7	14.1	17.4
Ch 50 - 60	Fabric	17.6	16.3	15.8	25.8	30.9
5407	Synthetic fabric	4.9	6.4	7.6	9.5	11.7
CH 61 -63	Clothing	24.7	25.0	24.4	30.9	40.7
6309	Worn clothing	13.8	13.4	13.6	17.5	27.4
CH 70	Glass	4.0	3.8	4.5	6.5	7.1
Ch72 -73	Steel	31.7	34.9	54.0	49.0	69.1
Ch 82	Tools	7.1	8.6	9.2	12.1	20.8
8201	Ag hand tools	2.0	2.5	2.7	2.5	5.6
Ch 84/85	Machinery/electrical	206.6	210.1	234.0	279.1	296.3
8429	Bulldozers, graders	4.3	5.5	8.1	11.4	21.5
8544	Insulated wire	7.4	9.7	15.2	26.8	17.6
8438	Mach for mfg of food	3.4	9.5	2.1	5.4	14.1
8422	Dishwashers	1.2	1.7	3.1	4.8	14.2
Ch 87	Vehicles	127.0	165.7	197.9	269.8	302.4
8704	Trucks	36.0	53.5	65.3	84.4	99.7
8703	Cars	39.5	45.9	67.9	80.2	86.5
8701	Tractors	16.4	19.0	17.3	38.7	38.5
Ch 90	Instruments	22.9	27.2	18.0	27.0	26.3
CH 94	Medical apparatus	11.1	13.6	14.2	19.6	20.1
	Total	658.0	752.5	809.8	1084.0	1183.7

Signs of increased agricultural production are also found in several industrial product imports. Hand agriculture tools exports increase by \$3 million, as do wheel barrows and other farm wagons by \$3.5 million. The increase in fertilizer of more than \$31 million has already been mentioned, and reagents for testing products have increased by \$5 million. These four products total \$42.5 million, an impressive portion of the increase from ROW.

SUMMARY OF PERFORMANCE OF IMPORTS FROM SADC IN THE MOZAMBIQUE MARKET

Nominal total imports by Mozambique decline in 2009 but the decline is overstated because imports in 2008 appear to include agricultural imports whose final destination is not Mozambique but more likely Zimbabwe and Malawi. Imports in 2008 also reflect a 200,000 ton spike in the quantity of petroleum distillates imported. However measured, both 2008 and 2009 represent a big increase from 2006 and 2007 levels.¹¹ Even after adjustment, the largest share of the increase is in imports from ROW. The big increase is in gains by Asian exporters on many products, especially petroleum and rice.

SADC imports lose share over the period from 45 percent of total to fewer than 30 percent in 2007 before recovering to 38 percent in 2009. SADC exports to Mozambique are dominated by South Africa. SADC increases in agricultural products are modest, and occur on products that do not compete with Mozambican production. The significant increase in maize in 2009 likely occurred to meet regional demand in the south and to supply feed inputs for chicken production. SADC imports of beef and chicken were stable throughout the period and did not threaten growing domestic production. SADC suppliers in fact seem to be the source for imports that support a growing investment in agriculture, seeds, feed, eggs for incubation, and fertilizer. The increase in agricultural imports by ROW is more than twice as big led by increases in vegetable oils, rice wheat, and maize. Imports of chicken and beef are subject to full MFN duties.

SADC supplies almost half of industrial imports and more than half of energy imports. Full implementation by Mozambique of SADC reductions to South Africa in 2007 and 2008 may have helped South Africa to regain its share in markets such as plastics and steel. Imports of products that are inputs to Mozambican production such as coke syrup, paper and glass containers also increase during the period. Mozambique has also removed tariffs on most machinery and electrical equipment, affording South African suppliers a 5-point margin of preference on many products. Overall, however, implementation of the Protocol has had only a small effect on trade patterns. At the time of Protocol entry it had been predicted that South Africa would dominate all imports not just the imports from SADC countries.

¹¹ The large price increase came for petroleum products came in 2007 so 2008 and 2009 imports are not inflated by these price increases.