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## Mozambique – Trade and trade related issues

by Ron Sandrey

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### 1. Introduction and key points

The objective for this paper is to firstly set the background for a discussion and analysis of Mozambique and its merchandise trading background before presenting a more detailed analysis of this trade and possible implications for Mozambique of wider trade and economic integration. A comprehensive discussion on trade data and techniques for its analysis is provided. Specifically, for the Tripartite Free Trade Area (TFTA) Mozambique is expected to negotiate with fifteen potential partners in the TFTA region. These are EAC (5 members), Angola, Democratic Republic of the Congo (DRC), Ethiopia and Eritrea plus Comoros, Djibouti, Egypt, Libya, Seychelles and Sudan. This is a challenging agenda. Mozambique some trade with EAC and Angola but virtually no trade with the others. Mozambique has a particularly strong trading relationship with South Africa, and examining the South African trading data for 2013 we assess that the Mozambique – South African bilateral trade is the second largest bilateral in Africa after the Nigerian – South African bilateral (and ahead of the Zimbabwe – South African bilateral). Mozambique fits the general African pattern of exporting fuels and mineral products and importing manufactures and fuels. The paper will introduce some background principles to assist officials in understanding and engaging in both trade data analysis and general trade negotiations.

### Background

Mozambique is a medium sized country in East Africa with a land mass similar to Namibia, Turkey and Pakistan. This makes it perhaps just larger than medium size by world standards. The reported population in 2012 was some 25.1 million (about the same as Korea and Ghana), while its population density of 32 inhabitants/km<sup>2</sup> is about the same as Zimbabwe's. The World Bank places Mozambique's GNI per capita at \$510 dollars, making it one of the poorest countries in the world. Its overall economic GDP is the same as both Namibia and Botswana despite a significantly higher population than either of these two. Poverty and malnutrition continue to be problems.

**Table 1: Indicators for Mozambique and selected countries and TFTA negotiating partners**

	Population		GDP 2012 \$	GNI \$
	Mill	per sq km	Total bill	capita
Mozambique	25.1	32	14.2	510
South Africa	51.2	42	384	7,610
Botswana	2	4	14.5	7,650
Namibia	2.3	3	13.1	5,610
Zambia	14.0	18	20.7	1,350
Tanzania	47.8	52	28.2	570
Zimbabwe	13.7	35	9.8	650

Source: World Bank

The New Agriculturist<sup>1</sup> reports that as Mozambique is huge, agricultural land and resource-rich and under-populated it is a nation of great potential. It has however many deep-seated problems, although following the end of 16 years of brutal civil war in 1992 the country has made significant progress. Agriculture accounts for 40% of the GNP, significant export revenues and involves almost 80% of the active population. It is estimated that half of the total land area of 78.6 million hectares is suitable for arable use but that only 10% is currently cultivated. The most important cash crops are cotton, cashew nuts, copra, tea and citrus fruits, while sugar could become an important industry with access to the highest-paying markets. This general profile is confirmed by the FAO<sup>2</sup>.

Mozambique is a founding member of the WTO and the Southern African Development Community (SADC), but is one of only a few regional countries outside of SACU that is not a member of the Common Market for Eastern and Southern Africa (COMESA). Mozambique has also signed an Economic Partnership Agreement (EPA) with the EU and continues to engage in these negotiations while enjoying preferential access into the EU. Mozambique benefits from the U.S. AGOA and the GSP schemes of some developed partners. And of particular importance to this paper it is currently negotiating the EAC-COMESA-SADC Tripartite FTA.

## 2. Mozambique's trade performance and policy framework

Table 2 shows the 2012 WTO trade summary for Mozambique. The values are expressed in US dollar millions, and the data shows that during 2012 exports were valued at \$4,100 million while imports were a greater \$6,800 million. Exports increased by 14% during 2012 from 2011 while imports

<sup>1</sup> <http://www.new-ag.info/en/country/profile.php?a=2621>

<sup>2</sup> [http://www.fao.org/ag/agn/nutrition/moz\\_en.stm](http://www.fao.org/ag/agn/nutrition/moz_en.stm)

increased by 8%. This follows the changes in 2011 where exports increased by 20% while imports increased by a greater 37%. Fuels and mineral products dominate exports (followed by agriculture) while manufacturing products dominate the imports. By destination 40.5% of the exports went to the EU while the EU was the second source of imports by value behind South Africa. The average assessed duty was 10.1% on all goods, made up from 13.8% on agricultural goods and a lesser 9.5% on manufactured goods. Only 2.9% of the agricultural and 11.1% of the manufactured goods was MFN duty-free in 2011.

**Table 2: Mozambique’s merchandise trade summary for 2012**

MFN tariffs 2012 Simple average of import duties	Bound	Applied			
All goods	97.5	10.1			
Agricultural goods (AOA)	100.0	13.8	% increase Merchandise trade	2011	2012
Non-agricultural goods	19.3	9.5	Exports	20	14
MFN duty free imports (% , 2011)			Imports	37	8
in agricultural goods (AOA)		2.9			
in non-agricultural goods		11.1			
<b>MERCHANDISE TRADE (Value 2012)</b>					
<b>Exports, f.o.b. (US\$ m)</b>		<b>4 100</b>	<b>Imports, c.i.f. (US\$ m)</b>		<b>6 800</b>
Share in world total exports		0.02	Share in world imports		0.04
% total exports			% total imports		
Agricultural products		17.9	Agricultural products		12.6
Fuels and mining products		56.5	Fuels and mining products		30.2
Manufactures		10.3	Manufactures		48.0
By main destination %			By main origin %		
1. EU 27		40.5	1. South Africa		31.4
2. South Africa		9.2	2. EU -27		22.9
3. China		18.4	3. UAE		7.4
4. India		4.5	4. Bahrain		6.3
5. Switzerland		2.5	5. China		5.7

Source: WTO

## Trade profile and performance

The next series of tables presents the trade profile and performance for Mozambique, with the data, sourced from the International Trade Commission (ITC) and expressed in US dollar thousands. Market share in percentages and changes expressed as a ratio of the average of the last two years over the average of the first two years are also given at times.

Details of Mozambique's trade with its TFTA negotiating partners of EAC, Comoros, the DRC, Angola, Djibouti, Egypt, Libya, Seychelles, Sudan, Ethiopia and Eritrea are given in Annex A. This is presented in US dollar thousands for the 2001 to 2012 period along with the total trade over this period. It is ranked by this total trade on the right hand column. The data is at the HS 6 level for imports and the less disaggregated HS 4 level for exports. A short description is also provided. A consistent format is used of providing (a) the Mozambique imports from the respective partner and then (b) the reverse flows of Mozambique's exports to that partner.

### Imports

Table 3 shows that the South Africa and the EU were the dominant sources of imports during the 2012 year, and this has been the case since 2001, the first year shown. Note in particular that a source classification of Area nes (not elsewhere specified) is shown as a major source of imports in the early years. The pattern emerging though, as highlighted in Table 4 (where Area nes is not shown), is that the EU share steadily increased through to 2010 but has since declined (although the average increase from the early period has been above the overall import change), while South Africa's share increased to a peak in 2005 but has generally been stable. The BRIC countries of Brazil, India and China increased during 2012 as did the oil exporting countries of UAE and Bahrain. Total imports during an average of the last two years were some 4.8 times those at an average over the first two years as shown on the right hand column, and this column enables the relative growth by sources to be seen.

The next two tables, Table 5 and Table 6, show the imports by HS 6 trade lines over the same time period. Note that the HS 6 is a disaggregated classification, and sometimes two lines with different numbers will have the same shortened description. We use the HS 6 for imports to enable this to link better with Mozambique's tariff schedule to for tariff reduction scenarios to be analysed later. As with the source of imports, the first table shows the monetary value of these imports in dollar million while the second shows the respective shares of total imports. Petroleum has grown dramatically to be the

main import as its share in the first trade line shown has increased over the period to 14.3 % in 2012. Electricity has increased, and aluminium imports have grown in the last two years.

A matrix is given in Table 7 that combines the source data from Table 3 and the HS 6 products from Table 5 for the 2012 year. It gives the twelve main import sources by the 23 main import products as well as the HS 6 code description on the left hand columns and the MFN (non preferential) Mozambique tariff in the second column for each line. The product diversification for some import sources is highlighted by the table (including perhaps surprisingly the UAE), while at the other extreme the concentration of petroleum from Bahrain and meat meal from Brazil is also shown.

Given that the focus of this paper is on the TFTA Table 8 shows the total imports from each TFTA member from 2001 through to 2012 while the following Table 9 shows the import matrix by HS 6 for these imports. South Africa dominates this table, followed a long way back in 2012 by Zambia, Namibia and Swaziland. Note that most of the countries that Mozambique is negotiating for trade access in the TFTA are concentrated at the bottom of this import table.

A matrix for the top twelve TFTA import sources are shown with their associated top HS 6 trade lines is shown in Table 9. South Africa's dominance is apparent, while none of the other TFTA members display any degree of diversity by products. In fact, they are highly concentrated with their limited trade. The percentage shares of total imports from TFTA by trade line are also shown both in total (33.9%) and by trade line. In many instances these individual line shares are high, with only petroleum imports very low. Also the bottom line shows the percentages of trade from the individual countries that is on display, and this shows a great deal of variation – from 89% for Namibia to practically zero percent of the trade for a few others as their trade is not highlighted in the table.

Analysis of trade data is fraught with difficulties, and this is especially so in Africa. The trade data we are using to date has been downloaded from the ITC data as reported for Mozambique. Some of the ITC data is what is known as 'mirror' data, meaning it may not have been supplied by Mozambique but 'mirrored' from the partner trade flow. Thus, for a possible example, exports from Mozambique to the EU are recorded as imports from Mozambique into the EU and not those exports directly. When two countries relying on mirror data there is a serious bilateral problem in that there is no data to actually 'mirror'. Trade with the DRC is a good example here, as all DRC trade is 'mirrored' by the. Informal trade that is, by definition, not captured by the reporting agencies is another problem in many countries, and other tralac research has found this to be a problem for Africa.

In this section we make a preliminary assessment of the consistency of our trade data reporting's used. It would be disconcerting if we found wide differences in the reported trade flows, as it is this base that we formulate our negotiating strategy from. Unfortunately where we find differences we are unable to provide a definitive answer as to what is the 'correct' trade data, but rather rely on trying to assess where any differences may arise from.

There are several reasons as to why these data sources may vary. One is that exports are generally valued at what is known as FoB, or the value of the goods sitting on the dock or at the airport awaiting transportation. Imports are generally (but not always) assessed at the value upon arrival and include the costs of transportation and insurance. This, as a general and inexact figure may be expected to be perhaps 10% or more of the value on average, an average that varies widely by the type of goods. Other differences may arise because of different trade classifications by the respective authorities – but this could be a problem at the detailed level as we use the internationally accepted HS 6 codes (Harmonised System at the third level of aggregation down) where differences are common. Other issues that confuse are examples such as South African gold trade where the destinations are not officially reported and goods that may be trans-shipped through a third country (a common problem for land-locked countries in Africa). In addition, trade data is often late in being reported so it is not possible to compare recent data between countries, and (inexcusably) there is often poor communication between the recording agency and the reporting agency in some countries that create timeliness issues.

We next compare ITC import data into Mozambique from each partner country data on their exports as downloaded from the commercially obtainable Global Trade Atlas (GTA) data that tralac have access to. We note however that we have only access to GTA data for South Africa, the EU, China, India, Russia, Brazil and Japan. Again, as shown in Table 10 this throws up discrepancies, although there is a consistency in the data. We make no effort to verify either data source but emphasise that these differences are quite large and important. With the high transaction and transportation costs associated with African trade we would not expect one-to-one reconciliation but rather the ITC import data to be perhaps 10 to 20 percent above the GTA export data (and conversely for export data from Mozambique to be below the GTA reporting countries import data as shown later). Given that Mozambique has a main direct port facility we would expect the transaction cost to be somewhat lower than they may be for a land-locked African country, and according the suggested 10 to 20 percent ratio of imports above exports is perhaps a little lower than we would expect in some other African countries.



Just taking the 2012 ratio of Mozambique’s imports to partner exports as shown in the lower section on the extreme right hand column of Table 10 we find that the ratios for all to be all over the place!<sup>3</sup> Overall the exercise produces an outcome that raises several questions.

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<sup>3</sup> We note that in the case of South Africa this could be expected as South Africa is one of the very few countries in the world where imports are valued at their FoB export values at port of origin and no transaction costs are assigned to them. It is purely a definitional issue.

**Table 3: Mozambique’s Imports, 2001 to 2012 inclusive, \$ million and change**

Source	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Change
World	1,063	1,543	1,753	2,035	2,408	2,869	3,050	4,008	3,764	3,564	6,306	6,177	4.8
<b>Area Nes</b>	<b>290.5</b>	<b>502.2</b>	<b>544.6</b>	<b>616.9</b>	<b>94.9</b>	<b>180.8</b>	<b>383.9</b>	<b>102.8</b>	<b>1.4</b>	<b>24.2</b>	<b>0.0</b>	<b>1.5</b>	
EU 27	175.1	211.1	229.3	273.9	570.2	678.5	715.9	1,096.9	911.8	1,091.2	1,360.9	1,414.7	7.2
South Africa	380.7	448.8	587.7	666.9	980.8	947.9	970.8	1,164.9	1,333.8	1,226.8	2,121.4	1,940.5	4.9
UAE	3.8	7.0	10.6	24.4	37.9	114.2	99.5	103.6	75.6	47.6	401.1	454.1	79.1
Bahrain	0.0	0.0	1.3	0.3	0.0	50.0	0.6	269.7	14.9	94.7	108.4	389.5	large
China	21.2	30.9	40.6	40.3	68.3	82.7	103.2	156.1	173.1	130.0	373.8	350.2	13.9
Brazil	4.8	2.5	8.3	15.6	31.2	29.5	25.7	27.2	33.4	23.2	44.2	283.0	44.4
USA	24.2	54.6	60.9	48.4	70.9	101.6	80.8	160.4	134.8	74.4	292.3	254.0	6.9
India	22.0	79.3	68.0	63.7	96.7	136.8	131.8	144.4	244.7	201.7	300.5	200.9	4.9
Japan	11.8	89.2	29.8	17.0	62.6	67.3	94.0	127.8	141.6	126.3	185.4	147.2	3.3
Thailand	4.8	5.1	6.6	30.8	42.6	36.5	55.6	87.0	127.6	52.2	119.6	80.0	20.2
Viet Nam	0.1	0.0	1.0	9.7	33.6	11.3	8.0	24.2	32.6	10.7	57.2	56.8	large
Singapore	4.1	3.4	5.6	6.2	23.4	29.3	7.4	10.2	67.2	7.9	37.1	43.5	10.9
Zambia	0.0	0.1	0.1	0.7	2.1	1.3	1.0	14.6	3.8	1.1	22.1	40.1	large
Australia	8.5	9.1	5.8	2.7	16.8	39.4	8.0	4.6	20.8	13.2	104.1	39.7	8.1
Switzerland	5.3	1.3	3.8	13.6	5.4	16.0	5.7	16.9	16.0	8.3	18.1	39.0	8.7
Indonesia	5.3	3.5	4.7	11.1	13.8	25.5	36.3	38.9	16.0	14.5	41.1	35.8	8.7
Turkey	0.4	0.7	1.6	3.6	2.3	41.4	7.1	12.7	10.5	8.8	14.3	32.4	42.5
Kuwait	0.1	0.2	0.8	0.1	0.2	0.7	4.0	2.6	16.1	45.3	169.2	30.0	large
Namibia	3.0	6.6	5.9	16.8	21.5	19.8	16.1	16.5	12.7	16.7	33.2	28.5	6.4
Swaziland	7.5	4.5	4.2	11.8	8.6	15.9	11.9	17.2	18.6	18.0	17.5	26.4	3.7
Pakistan	30.4	11.4	13.9	11.2	26.7	41.9	41.6	38.1	55.1	49.2	61.5	25.1	2.1
Hong Kong	1.2	2.1	5.0	16.5	7.9	7.1	8.4	8.5	11.3	11.4	25.6	25.0	15.6
Canada	11.1	10.9	8.5	5.7	6.8	14.3	17.4	8.1	8.0	10.3	8.2	19.6	1.3
Argentina	10.0	6.2	8.7	24.4	28.5	12.1	33.3	41.2	26.6	2.6	36.0	19.4	3.4
Malaysia	4.2	5.0	18.3	10.0	11.7	17.8	15.6	52.1	46.3	34.9	63.4	18.8	8.9

Source: ITC. The EU 27 total is shown instead of the individual member states, and note the Area Not Elsewhere Specified.

**Table 4: Mozambique’s Imports, 2001 to 2012 inclusive, % shares by source**

Exporters	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World (US\$1000)	1,063	1,543	1,753	2,035	2,408	2,869	3,050	4,008	3,764	3,564	6,306	6,177
EU 27	16.47%	13.68%	13.08%	13.46%	23.68%	23.64%	23.47%	27.37%	24.22%	30.62%	21.58%	22.90%
South Africa	35.81%	29.09%	33.53%	32.77%	40.73%	33.04%	31.83%	29.07%	35.43%	34.42%	33.64%	31.41%
UAE	0.36%	0.45%	0.60%	1.20%	1.57%	3.98%	3.26%	2.58%	2.01%	1.34%	6.36%	7.35%
Bahrain	0.00%	0.00%	0.08%	0.02%	0.00%	1.74%	0.02%	6.73%	0.40%	2.66%	1.72%	6.31%
China	2.00%	2.00%	2.32%	1.98%	2.84%	2.88%	3.38%	3.89%	4.60%	3.65%	5.93%	5.67%
Brazil	0.45%	0.17%	0.47%	0.77%	1.29%	1.03%	0.84%	0.68%	0.89%	0.65%	0.70%	4.58%
USA	2.28%	3.54%	3.47%	2.38%	2.94%	3.54%	2.65%	4.00%	3.58%	2.09%	4.64%	4.11%
India	2.07%	5.14%	3.88%	3.13%	4.02%	4.77%	4.32%	3.60%	6.50%	5.66%	4.77%	3.25%
Japan	1.11%	5.78%	1.70%	0.83%	2.60%	2.35%	3.08%	3.19%	3.76%	3.54%	2.94%	2.38%
Thailand	0.45%	0.33%	0.38%	1.51%	1.77%	1.27%	1.82%	2.17%	3.39%	1.47%	1.90%	1.30%
Viet Nam	0.01%	0.00%	0.06%	0.48%	1.39%	0.39%	0.26%	0.60%	0.87%	0.30%	0.91%	0.92%
Singapore	0.38%	0.22%	0.32%	0.31%	0.97%	1.02%	0.24%	0.25%	1.79%	0.22%	0.59%	0.70%
Zambia	0.00%	0.01%	0.00%	0.03%	0.09%	0.04%	0.03%	0.36%	0.10%	0.03%	0.35%	0.65%
Australia	0.80%	0.59%	0.33%	0.13%	0.70%	1.37%	0.26%	0.11%	0.55%	0.37%	1.65%	0.64%
Switzerland	0.49%	0.08%	0.22%	0.67%	0.22%	0.56%	0.19%	0.42%	0.42%	0.23%	0.29%	0.63%
Indonesia	0.50%	0.23%	0.27%	0.54%	0.57%	0.89%	1.19%	0.97%	0.43%	0.41%	0.65%	0.58%
Turkey	0.04%	0.04%	0.09%	0.18%	0.09%	1.44%	0.23%	0.32%	0.28%	0.25%	0.23%	0.53%
Kuwait	0.01%	0.01%	0.05%	0.00%	0.01%	0.02%	0.13%	0.06%	0.43%	1.27%	2.68%	0.49%
Namibia	0.28%	0.43%	0.34%	0.83%	0.89%	0.69%	0.53%	0.41%	0.34%	0.47%	0.53%	0.46%
Swaziland	0.71%	0.29%	0.24%	0.58%	0.36%	0.56%	0.39%	0.43%	0.50%	0.51%	0.28%	0.43%
Pakistan	2.86%	0.74%	0.79%	0.55%	1.11%	1.46%	1.36%	0.95%	1.46%	1.38%	0.97%	0.41%
Hong Kong	0.11%	0.14%	0.29%	0.81%	0.33%	0.25%	0.28%	0.21%	0.30%	0.32%	0.41%	0.41%
Canada	1.05%	0.70%	0.49%	0.28%	0.28%	0.50%	0.57%	0.20%	0.21%	0.29%	0.13%	0.32%
Argentina	0.94%	0.40%	0.49%	1.20%	1.18%	0.42%	1.09%	1.03%	0.71%	0.07%	0.57%	0.31%
Malaysia	0.39%	0.33%	1.05%	0.49%	0.49%	0.62%	0.51%	1.30%	1.23%	0.98%	1.00%	0.30%

Source: ITC. Note again that the EU is shown as a group.

**Table 5: Mozambique’s imports by HS 6 codes, \$ 1,000**

HS 6	Product label	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Change
	Total	1,063,108	1,542,963	1,752,997	2,034,672	2,408,195	2,869,327	3,049,746	4,007,763	3,764,207	3,564,230	6,305,647	6,177,210	4.8
271019	Petroleum	0	62,162	173,960	168,995	28,654	302,221	291,559	546,919	307,622	382,230	861,190	885,136	28.1
271600	Electricity	0	30,752	49,547	67,492	79,774	83,718	107,412	122,085	127,261	157,427	314,163	306,310	20.2
760110	Aluminium	0	0	1	0	2,046	0	3	13	21	0	601,401	295,300	na
760410	Bars alumin	43	28	59	8	18	131	109	119	165	462	1,024	266,406	large
271011	Petroleum	0	33,189	48,259	67,010	3,911	74,561	68,302	103,619	103,687	137,765	235,679	249,445	14.6
230110	Meat meal	18	205	355	485	223	131	178	1,674	1,538	1,434	1,054	233,354	large
731512	Chains	120	225	325	337	319	338	622	324	537	601	949	214,527	large
870421	Trucks	14,645	87,463	38,311	51,697	83,479	94,174	99,135	132,909	137,097	105,573	144,755	130,166	2.7
100190	Wheat	25,307	38,722	43,731	53,312	49,112	66,401	55,347	99,669	91,084	64,227	130,501	103,328	3.7
100630	Rice	44,913	64,020	58,406	82,524	108,450	90,723	106,114	111,686	151,079	74,042	134,791	93,413	2.1
847989	Machines	897	264	858	1,666	2,690	1,374	5,219	2,874	6,337	3,921	7,478	92,160	85.8
843143	Drilling gear	51	34	4,081	722	489	603	8,216	11,370	14,503	19,167	97,806	77,407	large
420329	Gloves etc	17	31	44	58	86	100	142	287	270	332	490	70,872	large
847420	Crushing gear	133	1,799	396	505	852	1,851	262	1,063	6,531	4,405	6,112	61,846	35.2
870410	Trucks	95	1,213	1,573	213	1,947	1,439	317	1,433	2,274	10,766	34,820	56,349	69.7
841790	Parts furnaces	26	23	19	123	428	52	181	195	1,636	231	3,019	48,752	large
030379	Fish frozen	6,574	9,717	14,194	24,653	27,905	28,801	24,268	34,936	36,010	33,258	54,207	45,545	6.1
330210	Food additive	2,794	3,162	6,946	9,600	10,898	12,762	10,637	17,857	17,770	11,661	8,756	45,538	9.1
300490	Medicaments	2,066	4,585	13,424	21,983	23,448	30,165	42,329	47,982	33,732	33,061	104,424	41,300	21.9
870422	Trucks	1,601	5,361	9,418	11,573	11,563	22,863	16,908	22,420	23,009	18,087	71,264	39,493	15.9
730890	Prefabs	2,821	6,362	8,338	11,039	10,456	17,666	16,674	25,017	21,144	20,708	108,462	37,837	15.9
630900	Worn clothes	1,888	8,275	8,642	14,284	13,842	13,372	15,235	17,542	27,535	19,983	26,673	36,819	6.2
721049	Rolled steel	2,867	4,296	4,979	7,034	7,357	8,511	12,925	17,496	12,725	8,608	17,411	34,993	7.3
842959	Heavy machine	2,076	3,454	4,476	2,440	2,197	5,694	7,901	8,389	11,750	15,762	36,806	34,040	12.8
870899	Vehicle parts	2,201	1,481	4,177	5,400	6,569	7,519	7,912	12,177	14,525	13,130	22,372	33,962	15.3
851770	Phone parts	0	0	0	0	0	0	0	0	0	0	0	30,532	na
040210	Milk powder	4	375	825	2,036	11,681	19,904	37,335	5,339	6,310	703	15,824	28,424	116.7

**Table 6: Mozambique’s imports, HS 6 codes, percentage shares**

HS 6	Product label	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Total \$1,000	1,063,108	1,542,963	1,752,997	2,034,672	2,408,195	2,869,327	3,049,746	4,007,763	3,764,207	3,564,230	6,305,647	6,177,210
271019	Petroleum	0.0%	4.0%	9.9%	8.3%	1.2%	10.5%	9.6%	13.6%	8.2%	10.7%	13.7%	14.3%
271600	Electrical energy	0.0%	2.0%	2.8%	3.3%	3.3%	2.9%	3.5%	3.0%	3.4%	4.4%	5.0%	5.0%
760110	Aluminium	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	9.5%	4.8%
760410	Bars aluminium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%
271011	Petroleum	0.0%	2.2%	2.8%	3.3%	0.2%	2.6%	2.2%	2.6%	2.8%	3.9%	3.7%	4.0%
230110	Meat meal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%
731512	Chains	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%
870421	Trucks	1.4%	5.7%	2.2%	2.5%	3.5%	3.3%	3.3%	3.3%	3.6%	3.0%	2.3%	2.1%
100190	Wheat	2.4%	2.5%	2.5%	2.6%	2.0%	2.3%	1.8%	2.5%	2.4%	1.8%	2.1%	1.7%
100630	Rice	4.2%	4.1%	3.3%	4.1%	4.5%	3.2%	3.5%	2.8%	4.0%	2.1%	2.1%	1.5%
847989	Machines	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.2%	0.1%	0.2%	0.1%	0.1%	1.5%
843143	Drilling gear	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.3%	0.3%	0.4%	0.5%	1.6%	1.3%
420329	Gloves etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
847420	Crushing gear	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.2%	0.1%	0.1%	1.0%
870410	Trucks	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.3%	0.6%	0.9%
841790	Parts furnaces	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
030379	Fish frozen	0.6%	0.6%	0.8%	1.2%	1.2%	1.0%	0.8%	0.9%	1.0%	0.9%	0.9%	0.7%
330210	Food additive	0.3%	0.2%	0.4%	0.5%	0.5%	0.4%	0.3%	0.4%	0.5%	0.3%	0.1%	0.7%
300490	Medicaments	0.2%	0.3%	0.8%	1.1%	1.0%	1.1%	1.4%	1.2%	0.9%	0.9%	1.7%	0.7%
870422	Trucks	0.2%	0.3%	0.5%	0.6%	0.5%	0.8%	0.6%	0.6%	0.6%	0.5%	1.1%	0.6%
730890	Prefabs	0.3%	0.4%	0.5%	0.5%	0.4%	0.6%	0.5%	0.6%	0.6%	0.6%	1.7%	0.6%
630900	Worn clothes	0.2%	0.5%	0.5%	0.7%	0.6%	0.5%	0.5%	0.4%	0.7%	0.6%	0.4%	0.6%
721049	Rolled steel	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%	0.3%	0.6%
842959	Heavy machines	0.2%	0.2%	0.3%	0.1%	0.1%	0.2%	0.3%	0.2%	0.3%	0.4%	0.6%	0.6%
870899	Vehicle parts	0.2%	0.1%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%
851770	Phone parts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%
040210	Milk powder	0.0%	0.0%	0.0%	0.1%	0.5%	0.7%	1.2%	0.1%	0.2%	0.0%	0.3%	0.5%

**Table 7: Mozambique’s imports, \$ 1,000, matrix of supplier and HS 6 codes for 2012**

		Tariff	all	RSA	EU	UAE	Bahrn	China	Brazil	USA	India	Japan	Thaild	Vietnm	Sing
HS 6	All products	rate	6,177,210	1,940,502	1,414,662	454,065	389,501	350,229	283,022	253,989	200,919	147,199	80,036	56,841	43,525
271019	Petroleum	15	885,136	29,999	151,006	301,458	307,258	285	1	68	5,485	4	5,058		25,795
271600	Electricity	0	306,310	305,112											
760110	Aluminium	5	295,300	1	295,266			34							
760410	Bars alum	5	266,406	860	265,503			29		1					
271011	Petroleum	1	249,445	8,550	82,878	64,503	82,028	42		1					2,092
230110	Meat meal	2	233,354	112	474				232,769						
731512	Chains	12	214,527	214,220	248	13		23		1	20				1
870421	Trucks	25	130,166	81,448	3,031	183		1,843		18	3,849	32,599	5,534		484
100190	Wheat	65	103,328	411	4,615	9,796			11,821	16,137					
100630	Rice	65	93,413	97	17	1,227		177	27		9,313	3,082	49,839	12,983	
847989	Machines	0	92,160	721	1,303	615		216	1	87,062	1,304				
843143	Drilling gear	4	77,407	3,372	68,325	171		1,493	19	723	353				381
420329	Gloves etc	20	70,872	70,787	25	10		11	3	3					
847420	Crushing gear	5	61,846	61,654	20			17	18		137				
870410	Trucks	12	56,349	975	17,206			517		30,632		25			
841790	Parts	7	48,752	48,271	228	14		3			62				
30379	Fish frozen	10	45,545	15,200	750	140		681				185			
330210	Food additive	15	45,538	9,287	1,026				1		419				
300490	Medicaments	6	41,300	4,123	8,893	94		267	346	2,631	22,235				
870422	Trucks	20	39,493	7,542	10,836	18		2,348		44	4,677	13,673	72		80
730890	Prefabs	4	37,837	18,831	3,868	1,957		5,119		254	6,110			658	
630900	Worn clothes	14	36,819	107	8,385	6,561		412		6,297	1,798	80	59		14
721049	Rolled steel	4	34,993	3,851	246	56		22,441			8,201				
Sub tot as % tot			56.1%	45.6%	65.3%	85.2%	99.9%	10.3%	86.6%	56.6%	31.8%	33.7%	75.7%	24.0%	66.3%

Source: ITC

**Table 8: Mozambique’s imports from TFTA partners, \$ 1,000**

Source	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	1,063,108	1,542,963	1,752,997	2,034,672	2,408,195	2,869,327	3,049,746	4,007,763	3,764,207	3,564,230	6,305,647	6,177,210
South Africa	380,671	448,810	587,720	666,857	980,801	947,936	970,795	1,164,861	1,333,780	1,226,797	2,121,380	1,940,502
Zambia	18	136	73	677	2,122	1,264	1,017	14,617	3,784	1,125	22,096	40,140
Namibia	3,011	6,625	5,913	16,811	21,476	19,834	16,121	16,464	12,669	16,650	33,221	28,546
Swaziland	7,523	4,458	4,157	11,798	8,625	15,937	11,946	17,249	18,638	18,034	17,536	26,449
Tanzania	447	1,202	1,605	3,450	3,600	6,315	10,280	8,136	13,565	61,710	25,594	18,111
Zimbabwe	8,534	14,844	9,472	9,553	15,538	24,123	12,439	15,167	7,747	3,245	20,975	9,975
Mauritius	841	857	920	14,121	5,160	1,847	4,792	7,224	29,421	14,870	21,838	9,163
Malawi	583	4,803	19,193	23,916	28,636	15,491	9,341	7,887	14,722	6,359	16,507	8,999
Angola	69	2	118	95	18	32	155	2,988	92	231	12,598	3,489
Kenya	819	1,030	1,130	3,008	3,014	3,052	3,171	2,956	5,094	6,820	2,817	2,898
Egypt	722	1,509	5,835	6,452	2,350	1,220	1,818	13,819	4,280	10,431	2,600	2,602
Botswana	69	111	209	79	2,758	1,646	1,571	760	1,140	926	1,610	2,269
Sudan	8	31	185	25	461	32	116	114	21	65	21	1,350
Madagascar	103	0	795	1	22	33	791	334	89	110	37	394
Seychelles	1	72	99	409	3	109	1,361	10,725	100	77	496	149
Lesotho	0	18	16	3	0	3	0	0	78	36	0	83
Uganda	0	24	4	1	25	3	13	45	82	1,366	265	69
DRC	230	30	6	0	0	0	0	0	0	0	107	60
Eritrea	2	9	0	24	45	3	3	0	636	0	25	6
Ethiopia	1	329	0	0	0	0	85	0	5	0	2	4
Comoros	0	0	0	0	1	0	0	0	1	5	222	1
Djibouti	0	0	0	257	0	0	0	0	0	8	6	0
Libya	456	8	0	52	2	0	0	0	494	0	1	0
Burundi	0	5	0	0	3	0	0	0	73	0	0	0
Rwanda	0	0	4	5	0	0	0	0	0	0	0	0

**Table 9: Mozambique’s imports from TFTA partners by HS 6 code, 2012**

HS 6	Description	Duty rate	all	% tot TFTA \$\$		RSA	Zam	Nam	Swaz	EAC	Zim	Mau	Malawi	Ang	Egypt	Bot	Sudan	
			6,177,210	33.9%	2,095,259	1,940,502	40,140	28,546	26,449	21,078	9,975	9,163	8,999	3,489	2,602	2,269	1,350	
271600	Electricity	0	306,310	100.0%	306,310	305,112			6		1,147		45					
731512	Chains	12	214,527	99.9%	214,220	214,220												
870421	Trucks	25	130,166	62.7%	81,558	81,448			26	66						18		
420329	Gloves	20	70,872	99.9%	70,787	70,787												
847420	Crushing gear	5	61,846	99.7%	61,654	61,654												
841790	Part furnace	7	48,752	99.0%	48,271	48,271												
330210	food additive	15	45,538	96.5%	43,932	9,287	29,077		5,568									
30379	Fish	10	45,545	89.6%	40,827	15,200		25,411			216							
271019	Petroleum	15	885,136	3.4%	30,079	29,999				76				2		2		
40210	Milk powder	10	28,424	94.0%	26,720	26,424			2		294							
721420	Bars & rods	3	27,759	78.3%	21,747	18,670	3,025				52							
847410	Sorting gear	5	24,468	85.3%	20,865	20,865												
730890	Prefabs	4	37,837	50.2%	19,007	18,831	2			2	6			7	159			
870899	Vehicle parts	6	33,962	52.5%	17,832	17,807			15	5				4		1		
843149	Parts truck	5	26,991	52.6%	14,205	14,137			1		54			11		2		
847330	Parts comput	0	23,674	52.3%	12,379	12,280			4	83					7		5	
220710	Ethyl alcohol	40	11,582	99.0%	11,466	2,568			8,832		36						30	
540742	Fabrics	10	11,969	95.5%	11,428	28			43	11,353	4							
847490	Pts screeng	5	16,279	69.6%	11,328	11,328												
722860	Bars & rods	3	12,668	89.0%	11,269	11,207	58			4								
690490	Ceramics	15	15,436	67.8%	10,464	10,464												
340220	Liquid soap	10	13,129	76.9%	10,096	10,092						4						
401120	Tires	10	19,795	46.3%	9,165	9,099								34	32			
Subtotal as % total				34.2%		52.8%	52.6%	80.1%	89.0%	54.8%	55.0%	18.1%	0.0%	0.5%	1.7%	7.6%	1.0%	2.6%



**Table 10: Mozambique’s imports reconciliation ITC versus GTA data, \$ 1,000 and ratio**

	Country exports using GTA data, \$ million and ratio										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU	303	235	238	280	318	342	457	556	695	833	897
RSA	615	753	790	1,005	916	1,280	1,622	1,631	1,981	2,453	2,395
China	26	45	75	91	128	160	288	339	497	698	942
India	44	58	71	123	176	421	455	338	496	576	882
Brazil	28	11	23	28	35	27	32	108	40	81	122
Japan	84	21	28	40	45	65	52	55	93	109	136
	Mozambique imports from ITC data as used										
EU	211	229	274	570	678	716	1,098	912	1,091	1,361	1,415
RSA	449	588	667	981	948	971	1,165	1,334	1,227	2,121	1,941
China	31	41	40	68	83	103	156	173	130	374	350
India	79	68	64	97	137	132	144	245	202	301	201
Brazil	3	8	16	31	30	26	27	33	23	44	283
Japan	89	30	17	63	67	94	128	142	126	185	147
	Mozambique imports as ratio of country exports – should be around 1.2										
EU	0.70	0.97	1.15	2.04	2.13	2.09	2.40	1.64	1.57	1.63	1.58
RSA	0.73	0.78	0.84	0.98	1.03	0.76	0.72	0.82	0.62	0.86	0.81
China	1.19	0.90	0.54	0.75	0.65	0.65	0.54	0.51	0.26	0.54	0.37
India	1.80	1.17	0.90	0.79	0.78	0.31	0.32	0.72	0.41	0.52	0.23
Brazil	0.09	0.75	0.68	1.11	0.84	0.95	0.85	0.31	0.58	0.55	2.32
Japan	1.06	1.42	0.61	1.56	1.50	1.45	2.46	2.57	1.36	1.70	1.08

Source: ITC and Global Trade Atlas

## Exports from Mozambique

The next series of tables duplicates the import analysis but this time for Mozambique's exports. The same formats and data sources are used where Table 11 shows that the EU was the dominant destination for exports during 2012, a position that it has varied significantly throughout the period as many reported years in the early period are significantly below South Africa. The change on the right hand column of Table 11 which shows the ratio of last two years over the first two years confirms that exports to the EU have grown significantly, while exports to South Africa have been stable. China has shown large growth as an export destination over the period, as have both India and Switzerland. Total exports during an average of average of the last two years were some 4.7 times those at an average over the first two years as shown on the right hand column (note this was about the same as the import change of 4.8 times over the period). Most of the destinations were rather unstable over the period, and this is confirmed by looking at Table 12 that shows the percentage shares for these export destinations.

The next two tables, Table 13 and Table 14, show the exports by HS 6 trade lines over the same period. As with the source of imports, the first table shows the monetary value of these exports in dollar million while the second shows the respective shares of the lines over the period. Aluminium is the most important export from Mozambique with a rapid rise over the last two years. Note though that examining exports at the HS 6 level is misleading, as it appears that trade classifications have distorted the data shown as at a less disaggregated level the exports of aluminium in particular are very stable. Similarly, many of the other changes in the table may also be a result of classification changes as well.

As was the case with imports, we now introduce a trade matrix in Table 15 that combines the destination data from Table 12 and the products from Table 14 for the 2012 year. We have reverted to a more disaggregated HS 4 level for these exports though. While sacrificing some details this allows for more trade to be shown and still preserves the big picture. Table 15 gives the fifteen main export destinations by the 24 main export products as well as the HS 4 descriptions on the left hand column. An examination of the table shows that many destinations are heavily concentrated with several gaps and low values in the table. For example, the USA is about exports of titanium and niobium etc ores and nuts, Georgia is exclusively about the same ores as are going to the USA, Switzerland is about aluminium and Russia is all about tobacco.

Given that the focus of this paper is on the TFTA Table 16 shows the total exports from each TFTA member from 2001 through to 2012 while the following Table 17 shows the export percentage shares for these TFTA exports. Overall the TFTA destinations took some 26.0% of global exports in 2012 (Table 17), and this figure has been relatively consistent over the period. The top five TFTA destinations from Mozambique in 2012 were the dominant South Africa, neighbour Zimbabwe, Malawi, Angola and Swaziland.

A matrix for the top ten export destinations within TFTA and the top 23 HS 4 trade lines is shown in Table 18. Totals for both SADC and the TFTA countries are shown, and EAC is shown as a bloc. Notable is that in many lines where exports are destined for TFTA countries the TFTA market share is often almost total, and also note that the trade lines on display cover a large percentage of the total exports to the respective destinations as shown along the bottom line which shows the percentage of the total exports to each destination.

We now return to the reconciliation exercise for Mozambique's exports and GTA data for country imports. The general discussion given above for imports applies here as well, except that Mozambique's exports are measured against GTA imports. This time we would expect imports into the destination countries to be perhaps 20 percent or even more above Mozambique's export data in a perfect world as we account for transportation and associated costs. In the way that Table 19 is set out however we have the ratio of exports to imports to be consistent with the earlier reconciliation table, and in this case the ratios should be values of perhaps around 0.80 or thereabouts.

Looking at the right hand column of the lower section of the table we find that the ratios for only the EU for 2012 are around where we would expect them to be. Otherwise the values in the table vary a lot and there are few discernible patterns. We have not taken this reconciliation further as such an exercise can be complex.

**Table 11: Mozambique’s exports, \$ million and % change**

Importers	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% change
World	703.1	809.8	1,043.9	1,503.8	1,745.3	2,381.1	2,412.1	2,653.3	2,147.2	2,243.1	3,604.1	3,469.9	4.7
EU 27	66.3	116.5	89.6	1,016.9	1,123.6	177.7	148.0	1,660.0	1,093.0	1,377.6	1,896.2	1,406.1	18.1
South Africa	107.6	127.1	169.6	211.4	280.4	361.7	429.3	265.5	460.3	467.2	584.0	666.8	5.3
China	1.3	5.5	5.4	21.4	34.1	32.9	44.0	51.6	74.5	79.6	167.7	637.3	large
India	3.5	4.9	3.6	33.0	26.6	30.2	15.9	28.4	56.5	30.4	87.2	155.1	28.6
Switzerland	0.3	0.2	0.6	1.5	3.1	52.6	6.9	14.3	9.6	7.8	99.8	87.2	374.7
Zimbabwe	37.1	55.8	29.5	33.4	46.0	76.1	73.3	81.3	73.8	72.1	127.3	82.9	2.3
USA	6.7	7.9	15.9	10.7	17.8	6.5	2.2	18.2	41.4	16.4	25.7	61.9	6.0
Georgia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	47.4	na
Norway	0.0	0.0	0.1	0.0	0.3	0.0	0.1	5.9	1.4	0.0	0.1	38.3	large
Singapore	1.2	4.8	0.5	2.2	2.4	3.5	1.3	1.9	28.4	11.0	9.6	28.3	6.4
Malawi	11.7	40.6	32.8	49.5	49.4	24.7	17.4	46.8	46.7	27.0	46.5	26.1	1.4
Angola	0.5	0.5	0.9	0.6	0.8	1.5	15.2	9.3	9.0	2.5	6.8	24.1	31.4
Russia	0.0	0.0	0.1	0.4	0.1	8.9	5.1	24.0	29.5	13.6	24.7	18.0	na
Turkey	0.0	0.3	0.8	2.1	6.9	7.4	3.8	4.8	12.3	8.1	7.3	16.2	69.4
Bangladesh	0.0	0.0	1.0	3.9	0.1	0.6	0.0	0.0	0.0	0.4	1.6	15.4	na
Swaziland	0.7	1.0	17.5	5.6	4.8	8.2	0.8	0.4	1.3	2.0	4.2	14.4	10.8
Taipei	1.3	0.1	0.6	1.6	0.3	0.9	2.0	0.1	1.9	5.0	0.0	12.3	9.0
Argentina	2.2	0.2	0.0	0.0	0.0	0.7	0.0	2.4	0.4	2.5	0.2	12.3	5.3
Japan	29.2	14.8	9.2	12.8	8.8	7.0	2.5	13.3	4.5	3.9	1.4	9.0	0.2
UAE	1.1	0.8	0.2	0.7	1.8	3.5	5.4	11.0	8.5	6.5	11.6	9.0	10.7
Kenya	0.7	2.5	3.2	2.6	2.5	1.4	22.1	1.7	10.1	3.6	31.8	8.5	12.7
Zambia	0.1	2.1	0.9	1.0	1.4	2.1	1.9	5.9	5.7	1.9	2.2	7.7	4.5
Korea	0.3	0.3	0.0	0.0	0.1	0.4	1.6	0.9	0.4	4.5	0.1	7.3	13.2
Mauritius	0.1	0.2	0.6	0.2	0.9	0.9	0.7	0.4	0.3	2.0	2.5	6.8	39.6
Viet Nam	0.0	0.2	0.3	0.6	0.2	1.9	0.8	0.3	1.2	4.9	3.8	6.5	44.7
Sub tot %	38.7%	47.7%	36.7%	93.9%	92.4%	34.1%	33.2%	84.7%	91.8%	95.9%	87.2%	98.1%	

Note: Until 2011, unspecified destination made up a large percentage of Mozambique’s exports – around 50 % in the early years show.

**Table 12: Mozambique’s exports by % shares**

Importers	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World \$ m	703.1	809.8	1,043.9	1,503.8	1,745.3	2,381.1	2,412.1	2,653.3	2,147.2	2,243.1	3,604.1	3,469.9
EU 27	9.42%	14.38%	8.58%	67.62%	64.38%	7.46%	6.14%	62.56%	50.91%	61.42%	52.61%	40.52%
South Africa	15.31%	15.69%	16.25%	14.06%	16.06%	15.19%	17.80%	10.01%	21.44%	20.83%	16.20%	19.22%
China	0.18%	0.68%	0.52%	1.42%	1.96%	1.38%	1.83%	1.94%	3.47%	3.55%	4.65%	18.37%
India	0.50%	0.61%	0.35%	2.19%	1.52%	1.27%	0.66%	1.07%	2.63%	1.36%	2.42%	4.47%
Switzerland	0.04%	0.03%	0.06%	0.10%	0.18%	2.21%	0.29%	0.54%	0.45%	0.35%	2.77%	2.51%
Zimbabwe	5.28%	6.90%	2.82%	2.22%	2.63%	3.20%	3.04%	3.07%	3.44%	3.21%	3.53%	2.39%
USA	0.95%	0.97%	1.52%	0.71%	1.02%	0.27%	0.09%	0.68%	1.93%	0.73%	0.71%	1.79%
Georgia	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.37%
Norway	0.00%	0.00%	0.01%	0.00%	0.02%	0.00%	0.01%	0.22%	0.07%	0.00%	0.00%	1.10%
Singapore	0.17%	0.59%	0.05%	0.15%	0.14%	0.15%	0.05%	0.07%	1.32%	0.49%	0.27%	0.81%
Malawi	1.67%	5.01%	3.15%	3.29%	2.83%	1.04%	0.72%	1.76%	2.18%	1.20%	1.29%	0.75%
Angola	0.07%	0.06%	0.08%	0.04%	0.05%	0.06%	0.63%	0.35%	0.42%	0.11%	0.19%	0.69%
Russia	0.00%	0.00%	0.00%	0.02%	0.01%	0.37%	0.21%	0.90%	1.37%	0.61%	0.69%	0.52%
Turkey	0.00%	0.04%	0.08%	0.14%	0.40%	0.31%	0.16%	0.18%	0.57%	0.36%	0.20%	0.47%
Bangladesh	0.00%	0.00%	0.09%	0.26%	0.01%	0.02%	0.00%	0.00%	0.00%	0.02%	0.04%	0.44%
Swaziland	0.10%	0.13%	1.67%	0.37%	0.27%	0.35%	0.03%	0.01%	0.06%	0.09%	0.12%	0.42%
Taipei	0.18%	0.01%	0.06%	0.11%	0.02%	0.04%	0.08%	0.00%	0.09%	0.22%	0.00%	0.35%
Argentina	0.31%	0.02%	0.00%	0.00%	0.00%	0.03%	0.00%	0.09%	0.02%	0.11%	0.01%	0.35%
Japan	4.15%	1.83%	0.88%	0.85%	0.50%	0.30%	0.10%	0.50%	0.21%	0.17%	0.04%	0.26%
UAE	0.16%	0.10%	0.02%	0.05%	0.10%	0.15%	0.22%	0.41%	0.40%	0.29%	0.32%	0.26%
Kenya	0.09%	0.31%	0.31%	0.17%	0.14%	0.06%	0.92%	0.06%	0.47%	0.16%	0.88%	0.24%
Zambia	0.02%	0.26%	0.09%	0.07%	0.08%	0.09%	0.08%	0.22%	0.26%	0.08%	0.06%	0.22%
Korea	0.04%	0.04%	0.00%	0.00%	0.01%	0.02%	0.07%	0.03%	0.02%	0.20%	0.00%	0.21%
Mauritius	0.01%	0.02%	0.06%	0.01%	0.05%	0.04%	0.03%	0.02%	0.01%	0.09%	0.07%	0.20%
Viet Nam	0.00%	0.03%	0.03%	0.04%	0.01%	0.08%	0.03%	0.01%	0.05%	0.22%	0.11%	0.19%

**Table 13: Mozambique’s exports by HS 6 codes, \$ 1,000**

HS 6	Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	change
	All products	703,134	809,812	1,043,913	1,503,846	1,745,256	2,381,132	2,412,079	2,653,260	2,147,169	2,243,069	3,604,118	3,469,852	4.7
760410	Aluminium	0	0	0	0	0	0	0	7	1	9	1,348,631	1,088,631	na
270400	Coke	0	0	0	0	0	0	0	0	0	4	20,738	435,233	na
271600	Electricity	57,348	107,353	113,219	102,252	141,800	177,830	225,287	226,369	274,387	276,544	297,198	233,410	3.2
240120	Tobacco	0	7,678	1,212	10,484	4,506	78,842	43,315	164,785	154,552	132,139	174,704	219,100	51.3
261400	Titanium ore	0	0	3	9	0	0	5,134	28,804	43,811	19,709	121,975	211,505	na
271111	Natural gas	0	0	7	2,386	0	0	0	3,017	77,530	133,830	160,874	175,058	na
170111	Sugar	8,034	17,064	16,093	23,576	37,700	30,535	59,029	0	58,310	3,962	87,522	146,105	9.3
380290	Mineral prod	0	0	0	0	0	0	0	0	1	0	4	111,065	na
901590	Parts	1	0	36	0	15	8	125	67	2,129	1	116	100,988	large
271121	Natural gas	0	0	0	31,273	100,158	109,606	110,889	1,431	12,698	0	14,738	73,100	na
271019	Petroleum	0	0	18,099	39,963	15,458	48,781	29,678	50,674	8,013	33,849	71,449	46,869	na
520300	Cotton	12,984	10,322	17,082	7,313	14,943	8,823	11,857	1,152	0	1,363	18,536	38,332	2.4
890590	Docks	38	22	9	2	6	837	18	760	8	945	0	36,982	large
440349	Logs	63	1,205	647	960	2,686	5,718	4,976	4,378	3,159	7,499	3,709	31,274	27.6
110100	Wheat	414	4,070	6,348	4,274	2,201	692	695	1,750	17,209	10,240	21,830	31,208	11.8
890400	Tugs	0	0	0	0	8	4	0	0	0	0	4,031	30,201	na
440799	Lumber	1,201	882	1,031	7,189	1,373	3,802	3,098	15,574	10,350	9,799	9,921	29,654	19.0
261510	Zirconium ore	0	0	0	0	0	0	0	5,393	10,376	23	49,932	25,990	na
80300	Bananas	0	0	0	266	802	1,671	3,883	5,377	4,492	13,797	168,776	23,794	na
440710	Lumber	983	711	1,202	1,864	2,837	3,152	1,086	3,818	2,397	3,098	3,090	21,196	14.3
843143	Parts drilling	3	35	17	131	145	110	8,136	7,882	24,916	2,334	7,562	19,946	large
440399	Logs	7,465	6,747	3,703	14,849	9,305	16,528	16,932	4,792	1,445	2,330	11,188	19,890	2.2
230230	Wheat bran	1,057	3,719	3,484	2,821	2,656	3,205	5,101	6,351	5,272	4,634	10,796	19,852	6.4
843610	Machinery	0	0	0	0	0	0	0	0	0	0	0	19,137	na
30613	Shrimps	90,235	111,938	75,748	91,506	71,671	86,269	61,691	61,949	53,324	49,359	37,964	17,473	0.3
720421	Scrap metal	4	6	19	107	194	1,174	269	143	147	194	1,427	17,218	large

Note again that a large % of the trade was classified as special until 2011.

**Table 14: Mozambique’s exports by HS 6 codes, % shares**

HS 6	Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	All products	703,134	809,812	1,043,913	1,503,846	1,745,256	2,381,132	2,412,079	2,653,260	2,147,169	2,243,069	3,604,118	3,469,852
760410	Aluminium	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	37.42%	31.37%
270400	Coke	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.58%	12.54%
271600	Electricity	8.16%	13.26%	10.85%	6.80%	8.12%	7.47%	9.34%	8.53%	12.78%	12.33%	8.25%	6.73%
240120	Tobacco	0.00%	0.95%	0.12%	0.70%	0.26%	3.31%	1.80%	6.21%	7.20%	5.89%	4.85%	6.31%
261400	Titanium ore	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%	1.09%	2.04%	0.88%	3.38%	6.10%
271111	Natural gas	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%	0.00%	0.11%	3.61%	5.97%	4.46%	5.05%
170111	Sugar	1.14%	2.11%	1.54%	1.57%	2.16%	1.28%	2.45%	0.00%	2.72%	0.18%	2.43%	4.21%
380290	Mineral prod	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.20%
901590	Parts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.10%	0.00%	0.00%	2.91%
271121	Natural gas	0.00%	0.00%	0.00%	2.08%	5.74%	4.60%	4.60%	0.05%	0.59%	0.00%	0.41%	2.11%
271019	Petroleum	0.00%	0.00%	1.73%	2.66%	0.89%	2.05%	1.23%	1.91%	0.37%	1.51%	1.98%	1.35%
520300	Cotton	1.85%	1.27%	1.64%	0.49%	0.86%	0.37%	0.49%	0.04%	0.00%	0.06%	0.51%	1.10%
890590	Docks	0.01%	0.00%	0.00%	0.00%	0.00%	0.04%	0.00%	0.03%	0.00%	0.04%	0.00%	1.07%
440349	Logs	0.01%	0.15%	0.06%	0.06%	0.15%	0.24%	0.21%	0.17%	0.15%	0.33%	0.10%	0.90%
110100	Wheat	0.06%	0.50%	0.61%	0.28%	0.13%	0.03%	0.03%	0.07%	0.80%	0.46%	0.61%	0.90%
890400	Tugs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.11%	0.87%
440799	Lumber	0.17%	0.11%	0.10%	0.48%	0.08%	0.16%	0.13%	0.59%	0.48%	0.44%	0.28%	0.85%
261510	Zirconium ore	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.20%	0.48%	0.00%	1.39%	0.75%
80300	Bananas	0.00%	0.00%	0.00%	0.02%	0.05%	0.07%	0.16%	0.20%	0.21%	0.62%	4.68%	0.69%
440710	Lumber	0.14%	0.09%	0.12%	0.12%	0.16%	0.13%	0.05%	0.14%	0.11%	0.14%	0.09%	0.61%
843143	Parts drilling	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.34%	0.30%	1.16%	0.10%	0.21%	0.57%
440399	Logs	1.06%	0.83%	0.35%	0.99%	0.53%	0.69%	0.70%	0.18%	0.07%	0.10%	0.31%	0.57%
230230	Wheat bran	0.15%	0.46%	0.33%	0.19%	0.15%	0.13%	0.21%	0.24%	0.25%	0.21%	0.30%	0.57%
843610	Machinery	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.55%
30613	Shrimps	12.83%	13.82%	7.26%	6.08%	4.11%	3.62%	2.56%	2.33%	2.48%	2.20%	1.05%	0.50%
720421	Scrap metal	0.00%	0.00%	0.00%	0.01%	0.01%	0.05%	0.01%	0.01%	0.01%	0.01%	0.04%	0.50%

**Table 15: Mozambique’s exports matrix of destination by HS 4, \$ 1,000 for 2012**

HS 4	Description	All	EU	RSA	China	India	Swiss	Zim	USA	Georg	Norway	Sing	Malawi	Ang	Russ	Turk	Bangdh
7604	Aluminum	1,088,643	1,004,669	8			83,962							4			
2704	Coke	435,233			435,233												
2711	Petroleum gas	248,159	19	248,088					52								
2716	Electricity	233,410		196,543				36,867									
2401	Tobacco	227,872	140,248	1,898	386		1,957	955	429			119	7,567		17,944	14,867	
2614	Titanium ore	211,505	42,301		42,301	42,301			42,301	42,301							
1701	Sugar	146,105	146,105														
3802	Carbon	111,065	10,067	6,065		44,098						23,166					
9015	Survey gear	102,787	9,500	92,191					223		714	70		24			
4407	Timber	56,010	161	1,026	54,446	31						80					
4403	Logs	51,495		198	51,151		72										
2710	Petroleum	47,471	8,435	10,811				162	1,747			5	10,997				
5203	Cotton	38,332	173		11,845	6,722						3,228					9,201
8905	Vessels	36,982	12,130	1,006							23,041						
1101	Wheat	31,208						30,935					237				
8904	Tugs	30,201		30,201													
2615	Niobium etc	26,249	5,269	157	5,127	5,127			5,127	5,127							
0803	Bananas	23,794	464	14,748	16												
8431	Machinery part	22,058	151	676	15	636								17,350			
7204	Scrap iron	20,760		1,478		17,630		88				84					
0801	Nuts	20,185	1,816	3,796	117	4,166			6,657			142					
2302	Bran	20,175		5,912													
0306	Crustaceans	19,778	8,701	4,134	4,081	64								38			
Subtotal as % total		93.6%	98.9%	92.8%	94.9%	77.9%	98.7%	83.2%	91.3%	100.0%	62.0%	95.1%	71.9%	72.4%	99.9%	92.0%	59.9%

Source: ITC



**Table 16: Mozambique’s exports to TFTA destinations, \$ 1,000**

Destination	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	703,134	809,812	1,043,913	1,503,846	1,745,256	2,381,132	2,412,079	2,653,260	2,147,169	2,243,069	3,604,118	3,469,852
South Africa	107,635	127,054	169,636	211,430	280,369	361,707	429,339	265,541	460,309	467,224	583,952	666,800
EAC	842	4,090	4,768	4,789	2,934	5,995	22,762	3,072	10,486	7,057	37,182	10,343
Zimbabwe	37,146	55,840	29,468	33,393	45,977	76,128	73,329	81,347	73,798	72,069	127,273	82,910
Malawi	11,713	40,570	32,837	49,529	49,385	24,738	17,426	46,768	46,709	26,970	46,469	26,135
Angola	501	483	859	621	821	1,540	15,213	9,314	8,961	2,522	6,838	24,064
Swaziland	686	1,039	17,454	5,594	4,761	8,229	829	354	1,298	1,961	4,220	14,410
Zambia	107	2,107	896	1,030	1,375	2,116	1,878	5,942	5,682	1,877	2,171	7,729
Mauritius	77	159	613	192	853	917	728	416	280	2,000	2,538	6,805
Botswana	7	162	1,744	741	56	532	338	9,212	275	50	3,624	3,197
DRC	125	327	1,390	0	0	0	0	0	0	0	2,389	704
Madagascar	17	0	47	1	0	148	1,516	495	530	245	3,064	595
Lesotho	0	50	1	129	128	778	564	26	84	0	5,820	381
Ethiopia	13	1	0	0	65	833	0	0	6	12	0	29
Sudan	622	1	33	291	101	172	77	0	0	49	880	6
Somalia	26	0	0	23	0	1,068	0	0	0	42	0	2
Libya	0	0	0	0	14	0	0	0	0	0	55	1
Djibouti	0	0	0	0	0	0	0	0	0	23	0	0
Comoros	0	0	0	0	0	0	109	360	77	4	4	0
Eritrea	0	0	0	1	0	0	0	0	0	24	0	0
Namibia	3	16	53	176	9	51	0	379	18	147	302	0
Seychelles	12	11	16	5	24	47	47	59	0	7	4	0
Egypt	0	30	114	442	355	567	22	226	9	35	0	0

Source: ITC. Note that EAC is aggregated

**Table 17: Mozambique’s exports to TFTA destinations, market shares**

Destination	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TFTA \$1,000	161,728	236,326	283,149	317,633	395,789	502,564	585,498	450,294	625,742	591,316	858,694	902,034
TFTA % total	23.0%	29.2%	27.1%	21.1%	22.7%	21.1%	24.3%	17.0%	29.1%	26.4%	23.8%	26.0%
South Africa	15.3%	15.7%	16.3%	14.1%	16.1%	15.2%	17.8%	10.0%	21.4%	20.8%	16.2%	19.2%
EAC	0.12%	0.51%	0.46%	0.32%	0.17%	0.25%	0.94%	0.12%	0.49%	0.31%	1.03%	0.30%
Zimbabwe	5.28%	6.90%	2.82%	2.22%	2.63%	3.20%	3.04%	3.07%	3.44%	3.21%	3.53%	2.39%
Malawi	1.67%	5.01%	3.15%	3.29%	2.83%	1.04%	0.72%	1.76%	2.18%	1.20%	1.29%	0.75%
Angola	0.07%	0.06%	0.08%	0.04%	0.05%	0.06%	0.63%	0.35%	0.42%	0.11%	0.19%	0.69%
Swaziland	0.10%	0.13%	1.67%	0.37%	0.27%	0.35%	0.03%	0.01%	0.06%	0.09%	0.12%	0.42%
Zambia	0.02%	0.26%	0.09%	0.07%	0.08%	0.09%	0.08%	0.22%	0.26%	0.08%	0.06%	0.22%
Mauritius	0.01%	0.02%	0.06%	0.01%	0.05%	0.04%	0.03%	0.02%	0.01%	0.09%	0.07%	0.20%
Botswana	0.00%	0.02%	0.17%	0.05%	0.00%	0.02%	0.01%	0.35%	0.01%	0.00%	0.10%	0.09%
DRC	0.02%	0.04%	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.02%
Madagascar	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.06%	0.02%	0.02%	0.01%	0.09%	0.02%
Lesotho	0.00%	0.01%	0.00%	0.01%	0.01%	0.03%	0.02%	0.00%	0.00%	0.00%	0.16%	0.01%
Ethiopia	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Exports during 2012 were less than \$2,000 but above \$1,000 to Sudan, Somalia and Libya and not reported for Djibouti, Comoros, Eritrea, Namibia, Rwanda, Seychelles and Egypt.

**Table 18: Mozambique’s exports to TFTA destinations by HS 4 codes, \$ 1,000 for 2012**

HS 4		SADC	TFTA %	TFTA \$	All	RSA	Zim	Mal	Ang	Swa	EAC	Zam	Maur	Bots	DRC
		835,499	24.3%	843,513	3,469,852	666,800	82,910	26,135	24,064	14,410	10,343	7,729	6,805	3,197	704
2711	Petroleum gas	248,088	100.0%	248,088	248,159	248,088									
2716	Electricity	233,410	100.0%	233,410	233,410	196,543	36,867								
9015	Survey gear	92,253	89.8%	92,253	102,787	92,191			24		38				
1101	Wheat	31,208	99.9%	31,172	31,208		30,935	237							
8904	Tugs	30,201	100.0%	30,201	30,201	30,201									
2710	Petroleum	24,928	63.6%	30,201	47,471	10,811	162	10,997		3	5,273	425	8	2,482	40
2302	Bran	19,200	95.2%	19,200	20,175	5,912				13,288					
8431	Machinery part	19,050	86.6%	19,099	22,058	676			17,350		718	212		35	83
0803	Bananas	14,847	62.4%	14,847	23,794	14,748				92		7			
3102	Fertilizers	11,448	100.0%	11,448	11,447		3,288	3,134				5,026			
2401	Tobacco	11,238	4.9%	11,238	227,872	1,898	955	7,567		818					
4907	Stamps	6,604	99.9%	6,604	6,610	6,260			320		24				
3802	Carbon	6,447	5.8%	6,447	111,065	6,065								382	
6704	Wigs etc	5,261	94.8%	5,195	5,482	5,157	38								
0306	Crustaceans	4,174	21.1%	4,174	19,778	4,134			38		2				
1902	Pasta	4,152	100.0%	4,152	4,151	170	3,951			22				9	
0801	Nuts	3,796	18.8%	3,796	20,185	3,796									
7305	Iron pipes	3,747	98.7%	3,747	3,797	3,747									
8426	Cranes etc	3,722	100.0%	3,722	3,722	58						45	3,619		
1202	Ground-nuts	3,508	46.2%	3,508	7,595	3,471	27		10						
7306	Iron pipes	3,418	100.0%	3,418	3,419	698	1,133	1,565				22			
0305	Fish	3,318	92.4%	3,318	3,591	86	2,974	28	1		17	133			79
5203	Cotton	2,350	6.1%	2,350	38,332								2,350		
Subtotal % total		94.1%	6935.9%	93.8%	35.3%	95.2%	96.9%	90.0%	73.7%	98.7%	58.7%	75.9%	87.8%	91.0%	28.7%

Source: ITC. Note that the TFTA totals and % is as shown in the table and may not reconcile with the previous more comprehensive table for TFTA totals.

**Table 19: Mozambique’s exports, data reconciliation between ITC and GTA data**

	<b>Country imports using GTA data, \$ million and ratio</b>										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU	551	687	1,048	1,263	1,614	1,908	1,272	953	1,844	1,835	1,600
RSA	38	37	31	30	46	341	389	428	526	1,029	1,277
China	23	27	44	74	80	124	134	178	201	255	403
India	15	23	37	52	33	29	59	44	87	124	258
Brazil	1	4	0	0	0	0	0	2	2	4	24
Russia	7	6	4	10	22	31	32	34	33	51	65
Japan	20	14	18	17	15	10	34	30	11	6	40
	<b>Mozambique exports from ITC data as used in this paper</b>										
EU	116	90	1,026	1,124	178	148	1,661	1,097	1,378	1,906	1,406
RSA	127	170	211	280	362	429	266	460	467	584	667
China	5	5	21	34	33	44	52	74	80	168	637
India	5	4	33	27	30	16	28	57	30	87	155
Brazil	0	2	0	0	0	0	1	0	1	70	6
Russia	0	0	0	0	9	5	24	30	14	25	18
Japan	15	9	13	9	7	3	13	5	4	1	9
	<b>Mozambique exports as ratio of country imports - should be around 1.2</b>										
EU	0.21	0.13	0.98	0.89	0.11	0.08	1.31	1.15	0.75	1.04	0.88
RSA	3.34	4.58	6.82	9.35	7.86	1.26	0.68	1.08	0.89	0.57	0.52
China	0.24	0.20	0.49	0.46	0.41	0.36	0.39	0.42	0.40	0.66	1.58
India	0.33	0.16	0.89	0.51	0.92	0.55	0.48	1.28	0.35	0.70	0.60
Brazil	0.09	0.48	na	na	na	na	na	0.02	0.41	17.44	0.26
Russia	0.00	0.01	0.09	0.01	0.40	0.16	0.75	0.87	0.41	0.48	0.28
Japan	0.74	0.66	0.71	0.52	0.47	0.25	0.39	0.15	0.35	0.23	0.23

## Services

This section introduces a short analysis and discussion on Mozambique’s international trade in services. The data is as downloaded from the ITC, and Table 20 starts with services imported by Mozambique. These show a total of \$2.36 billion in 2012, with almost all of this classified as ‘Commercial’ services. These services are then disaggregated into twelve categories as shown, with construction being the largest (overseas firms involved in construction of some form in Mozambique) and this closely followed by transportation. Travel imports are in fact people from Mozambique travelling outside of the country, and this can be either business or general tourism. To place these total service imports in perspective they were about 38 % of the value of total merchandise imports in 2012.

Services exports from Mozambique are shown in Table 21. Here the total exports are just over one third of the service import value for 2012, showing that Mozambique (along with most developing countries) has a deficit in services trade. There is however a surplus in travel (effectively tourism), as the exports of \$249.9 million are more than the imports of \$161.2 million from Table 21 above. Transportation is the only other significant export.

Table 22 provides a perspective on Mozambique’s service trade as it relates to the comparable service trade in SACU. Note this is not the intra-country trade but their respective totals. The individual country trade flows are not given by ITC and indeed they can be difficult to source (with Confidentiality a general problem). South Africa of course dominates the table for both exports and imports (but is a gross importer), while the exports from Mozambique are similar to those from Namibia but Mozambique’s imports are significantly above both Namibia and Botswana.

**Table 20: Services imported by Mozambique, \$1,000**

Service label	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	618,354	576,977	573,894	531,386	648,606	758,109	855,556	965,332	1,068,990	1,317,748	1,510,174	2,363,036
Commercial	606,884	558,696	553,449	511,496	627,294	728,522	819,463	918,167	1,011,311	1,266,514	1,467,175	2,334,379
Construction	39,671	91,206	60,943	52,227	78,641	93,688	61,360	34,253	109,815	163,471	254,794	827,269
Transportation	157,840	179,525	190,449	190,731	229,967	273,140	294,726	377,313	363,617	408,476	568,377	722,720
Travel	114,316	113,001	139,797	134,157	176,020	179,470	180,034	208,295	211,800	249,878	222,586	161,177
Communications	14,180	25,256	10,565	8,483	11,199	16,917	16,979	27,696	27,685	46,131	31,403	39,104
Government Other	11,470	18,282	20,445	19,890	21,312	29,587	36,093	47,165	57,679	51,234	42,999	28,657
Computer etc		112	82	1,092	4,265	6,370	6,794	6,223	9,866	11,911	31,923	24,838
Financial	1,936	3,282	3,223	7,659	17,587	12,483	19,509	9,442	12,647	16,454	12,807	10,758
Royalties etc	35	270	1,413	3,084	5,657	2,339	2,362	1,906	3,554	4,240	4,948	8,141
Insurance	17,442	2,730	4,483	399	2,351	1,843	3,844	3,899	7,634	18,828	13,321	7,953
Other business	261,465	143,314	142,478	113,311	100,780	141,134	233,170	248,422	262,989	345,581	321,501	
Personal etc		1	16	354	828	1,139	686	718	1,706	1,545	5,514	

Source: ITC

**Table 21: Services exported by Mozambique, \$1,000**

Service label	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	249,674	339,378	303,942	255,551	341,969	386,324	458,729	554,965	611,670	599,081	716,028	813,203
Commercial	248,774	336,106	300,206	246,442	315,673	354,508	404,337	488,305	543,975	556,699	632,511	744,337
Transportation	55,681	101,689	90,491	80,029	89,359	105,013	128,564	157,889	153,100	144,031	216,720	315,779
Travel	63,568	62,851	97,620	95,276	129,643	139,690	163,387	189,954	195,562	197,336	231,126	249,865
Government other	900	3,272	3,736	9,109	26,296	31,817	54,392	66,660	67,695	42,381	83,517	68,865
Construction	1,791	30,589	11,834	11,115	22,095	24,867	18,463	18,096	15,016	24,618	16,739	39,295
Communications	10,316	11,005	7,445	8,478	10,826	15,268	18,964	31,307	30,523	38,899	36,959	32,120
Computer etc	0	1	8	988	1,568	2,723	3,908	2,786	4,898	6,660	6,469	5,404
Insurance	0	1,279	659	391	69	37	2,019	1,098	2,672	2,844	6,000	3,211
Royalties etc	0	30	15,000	548	2,203	1,018	45	1	193	15	282	3,187
Financial	0	8,424	3,966	1,459	1,287	1,727	4,268	3,094	4,142	4,033	4,728	2,865
Other business	117,418	120,237	73,129	47,997	58,190	61,847	64,228	83,395	137,583	137,041	109,430	
Personal etc	0	0	55	162	434	2,319	490	684	286	1,221	4,057	

Source: ITC

**Table 22: Mozambique’s service trade in perspective with SACU’s service trade**

Mozambique and SACU List of <b>exporters</b> for the selected service , \$1,000												
<b>Exporters</b>	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Mozambique</b>	249,674	339,378	303,942	255,551	341,969	386,324	458,729	554,965	611,670	599,081	716,028	813,203
SACU	5,599,982	5,851,522	9,729,010	11,380,587	12,865,059	13,842,977	15,715,190	14,499,619	13,155,112	15,482,096	16,574,721	16,244,138
South Africa	4,845,270	4,985,180	8,439,740	9,872,520	11,300,100	12,213,700	13,818,400	12,805,400	12,020,400	14,003,500	14,823,500	15,148,335
Namibia	280,027	265,805	414,493	475,351	412,607	525,693	598,624	554,685	653,472	897,065	944,436	829,370
Botswana	340,193	489,560	643,217	748,207	833,758	778,634	800,947	871,846	237,553	283,141	517,020	266,433
Lesotho	20,605	17,762	26,762	34,877	36,050	41,665	42,544	43,044	43,663	40,919	47,466	
Swaziland	113,887	93,215	204,798	249,632	282,544	283,285	454,675	224,644	200,024	257,471	242,299	
Mozambique and SACU List of <b>importers</b> for the selected service , \$1,000												
<b>Importers</b>	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Mozambique</b>	618,354	576,977	573,894	531,386	648,606	758,109	855,556	965,332	1,068,990	1,317,748	1,510,174	2,363,036
SACU	6,451,086	6,690,109	9,650,535	12,297,092	14,129,784	16,231,046	18,861,712	19,365,928	16,950,414	20,981,405	22,517,266	18,967,730
South Africa	5,232,350	5,504,170	8,045,200	10,328,600	12,125,400	14,242,100	16,481,500	16,975,600	14,807,500	18,456,400	19,664,100	17,671,384
Namibia	271,976	231,957	276,312	420,190	368,778	428,981	512,335	585,289	575,491	701,263	724,055	648,475
Botswana	513,325	518,310	652,429	798,585	863,756	834,772	980,773	783,030	633,232	678,546	790,584	647,871
Lesotho	225,124	225,871	327,531	372,110	369,005	351,825	380,257	371,310	371,898	475,581	542,127	
Swaziland	208,311	209,801	349,063	377,607	402,845	373,368	506,847	650,699	562,293	669,615	796,400	

Source: ITC



### 3. The Tripartite FTA (TFTA) and other Negotiations

The central focus of this paper is on the TFTA negotiations. This is a complex process. Negotiations towards consolidation of the Tripartite Free Trade Area (T-FTA) were launched by member countries of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), and the Southern African Development Community (SADC) in June, 2011<sup>4</sup>. Under the market integration pillar negotiations are currently ongoing in the areas of technical barriers to trade, sanitary and phytosanitary measures, non-tariff barriers, rules of origin, and customs cooperation, documentation and procedures among others. This paper is mostly concerned with the TFTA negotiations on reduction of tariffs among members.

The tripartite framework has set out guidelines for negotiating the T-FTA among the Member States of COMESA, EAC, and SADC<sup>5</sup>. These negotiating principles have undergone various changes since they were first concluded in 2010<sup>6</sup>. In their present form, they provide that tariff negotiations and the exchange of concessions will be among those Member States that do not presently have in place preferential trade agreements between themselves. Hence as Mozambique becomes involved in these the negotiations it faces an extensive list of negotiating partners, some (or even most) of which it has limited trading relationships with. It will negotiate with EAC, Angola, DRC, Eritrea and Ethiopia plus Comoros, Djibouti, Egypt, Libya, Seychelles and Sudan. Only the EAC has modest links with Mozambique, although Angola does at least register on the export list. Getting Ethiopia's attention may be difficult for not only is Ethiopia negotiating with the full suite of TFTA members it is also negotiating a WTO Accession process in Geneva. Similarly, neither the DRC nor Angola has displayed either interest for this negotiation or the capacity to do so.

#### Background to trade negotiations

A fundamental principle is to recognise that these are just what they say: trade negotiations. There are gains that you seek and positions that you want to protect, while similarly the other side of the table is facing the same situation. Each party should have a clear picture of where their bottom-line is, and

<sup>4</sup> See: COMESA, EAC, and SADC. (2011). Declaration Launching the Negotiations for the Establishment of the Tripartite Free Trade Area. Available online at: <http://www.comesa-eac-sadc-tripartite.org/sites/default/files/documents/Declaration%20Launching%20Tripartite%20FTA%20Negotiations%20-%20English%20-%202012.06.2011.pdf>

<sup>5</sup> See Tripartite FTA Negotiating Principles, Processes and Institutional Framework. Available online at: <http://www.tralac.org/files/2011/06/Annex-1-T-FTA-Negotiating-Principles-etc.pdf>

<sup>6</sup> Erasmus, G. (2013). Redirecting the Tripartite Free Trade Area negotiations? Available online at: <http://www.tralac.org/files/2013/06/S13TB022013-Erasmus-Redirecting-the-Tripartite-FTA-negotiations-20130626-fin.pdf>

often you do not know where the other parties' bottom line is. Here sometimes one party is disadvantaged by an asymmetric knowledge problem - where that party has relevant information that the other does not. Associated with this is asymmetrical power where similarly one party, often because of its size, is able to or be perceived to be able to wield that power. Do you know your 'walk away' position and can you afford to use it?

Any negotiation will end with both winners and losers. Consumers benefit from the free trade agreement as they have a wider access to goods at lower prices. Producers in the importing country suffer losses, as there is a price decrease that induces a decrease in output of existing firms (and perhaps some closures), a decrease in employment, and a decrease in profit. And the government loses tariff revenue that would have been collected on imports, and this may in turn reduce government spending or transfers or raise government debt. The aggregate national welfare effect is found by summing these gains and losses to consumers, producers and the government. The relative size of these components dictates whether the overall effect is positive or negative.

Why do countries seek trade agreements? Despite numerous and vocal critics, virtually every WTO member is involved in at least one and often numerous FTA or preferential trade agreement (PTA). Sometimes it is for no other reason than being left behind, as a competitor has trade preferences in your markets, sometimes. But there are dangers in trade negotiations and pitfalls to be aware of. One of these is policy space, which should be an on-going concern for many developing countries as negotiated concessions restrict future government policy options. Another is trade creation versus trade diversion, where trade creation is new trade but often much of this may be just trade diversion away from other, non-preference partners. This can be bad in the sense that it has resulted from an artificial advantage under the FTA in that one is not buying from the world's lowest cost supplier. This is mitigated under a WTO agreement, as all trading members of the WTO are treated equally (the MFN principle).

Only by a careful analysis of these overall effects can an indication be made as to whether or not an FTA will be unambiguously positive for a country. Often a computer trade model is employed to undertake such an analysis, as in a dynamic and complex world where there may be many trade policy options facing politicians and other decision makers as a model can assist in clarifying the potential trade-offs. This is discussed later. The more simple step by step analysis can, however, be extremely useful. Khor (2005) provides a blue-print for such a framework, where he lists possible benefits and costs. Under benefits we have market access in both merchandise goods and services, possible

concessions on SPS and TBT issues, possible aid mechanisms, and possible investment and investment related benefits. On the costs side he lists market access costs of merchandise goods and services into the home country, intellectual property costs such as restricted and more costly access to medicines and copyrights, the so-called Singapore issues (discussed later), and labour and environmental costs. He stresses how many of these costs really only apply to developing countries, which reinforces the need for often capacity-constrained developing countries to be vigilant. We consider that a useful framework approach is to consider the issues within the context of international competitiveness, as a fundamental objective of a trade agreement must be to improve the competitiveness of the business sector.

### **Multilateral versus regional or bilateral negotiations**

These pillars are unilateral (what you do yourself), bilateral (between you and another party directly), regional (what happens between a group), and multilateral (what happens when all parties are involved). These ‘pillars’ give a useful framework to evaluate trade policies, although one needs to always consider that trade policies cannot be viewed in isolation from other policy changes taking place both within the sector and outside the sector with respect to ‘flanking’ policies such as competition policies and infrastructure development, for example.

The WTO, the multinational forum, has a foundation of agreements that cover goods, services and intellectual property, and is based on principles of liberalisation and permitted exceptions. Importantly, there are procedures for settling disputes in this global ‘rules based’ regime. There are a number of simple, fundamental principles govern the WTO. Primarily a country should not discriminate between its trading partners (the most favoured nation (MFN) rule) and it should not discriminate between its own and foreign products, services or nationals (the national treatment), and a fundamental objective of lowering trade barriers is to encourage trade is pursued. These barriers include customs duties (tariffs) and measures such as import bans or quotas that restrict quantities selectively, and furthermore these trade barriers cannot be raised arbitrarily above commitments. The WTO also targets ‘unfair’ practices, such as export subsidies and dumping products at below cost to gain market share, and here the issues are complex with rules that try to establish what is fair or unfair and how other governments can respond. And always remember that in any negotiations the WTO access and other conditions set the benchmark for any ‘WTO plus’ aspirations, and similarly it often may be useful to closely examine any concessions that you have granted a bilateral partner with a view to the implications of extending these concessions to others.

Significantly over three-quarters of WTO members are developing countries and transition economies, and the agreements give them time to adjust to the more unfamiliar and possibly difficult provisions - the so-called “special and differential treatment”. In particular there is the concept of non-reciprocity between developed and developing countries whereby when developed countries grant trade concessions to developing countries they should not expect the developing countries to make matching offers in return. It is against this leniency for developing and especially least developed countries that the WTO must be judged, as often they are required to make few, if any, adjustments to domestic policies. Such leniency is not a compelling feature of FTAs. Finally, members are permitted to protect the environment and public health, animal health and plant health. In essence, the WTO is based on non-discrimination, reciprocity, binding and enforceable commitments, transparency and safety valves where needed, while exceptions to the MFN principle allow for preferential treatment of developing countries and for regional free trade areas and customs unions exist.

### **Market access for merchandise goods**

Along with better access for your exporters there are two issues are crucially important to developing countries an FTA that feature in merchandise goods negotiations. The first of these is tariff and other border revenues, the second the complex issue of employment. The latter is important in Africa in particular where neither alternative employment nor welfare nets are available to those losing their jobs. There is the issue of sensitive products or those products that countries wish to protect from further competition in the context of regional integration through, in this case the so-called Tripartite FTA. These regionally designating sensitive products can perpetuate inefficiencies and undermine the process of regional integration, and this problem is accentuated by the lack of resources and analytical capacity in the region to undertake detailed analysis and develop guidelines and benchmarks. Furthermore, there is not a clear understanding as to what the purpose of a sensitive list is (beyond lobbying) with respect to economic versus social versus political concerns and agendas, and even a modest sensitive list reflects poorly on the desire for the liberalisation that the region has an ostensive aspiration to.

## The so-called Singapore issues<sup>7</sup>

At the 1996 WTO Singapore Ministerial Conference members agreed to set up three new working groups on trade and investment, on trade and competition policy, and transparency in government procurement while at the same time instructing the WTO to look at possible ways of simplifying trade procedures, or, as it became known, ‘trade facilitation’. These four issues became collectively known as the Singapore issues, and were included on the Doha Development Agenda (DDA). However, following the infamous ‘train wreck’ of Cancun, a wreck induced in part by the acrimonious debate on the same Singapore issues, WTO Members agreed to proceed with negotiations in trade facilitation with the other three being dropped.

These Singapore issues were a priority for the European Union (EU) in particular, while developing countries had consistently opposed their inclusion in the negotiating agenda, arguing that the subject and scope of these issues were unclear and that they lacked the technical capacity to implement them. Investment, competition policy and government procurement were seen as areas where the developed countries were imposing their standards upon developing countries in a one-way manner (one-way in that, conversely, the developing countries cannot be expected to have any influence at all on developed country markets). Trade facilitation however found common ground; developing members saw it as an opportunity to leverage aid for a chronic internal domestic problem, and developed members saw reduced transaction costs as enabling their exporters to gain advantage in these markets. Meanwhile, to what extent do the Singapore issues legitimately belong within regional and bilateral agreements? If so, how may they be treated within these types of agreements? The EU and the US in particular are attempting to re-introduce these Singapore issues ‘through the back door’ of African bilateral and regional trade agreements.

Trade facilitation is a major issue in Africa, and traders from both developing and developed countries have long pointed at the vast amount of red tape that still exists in moving goods across borders. Documentation requirements often lack transparency and are often duplicated, a problem compounded by a lack of cooperation between traders and official agencies. Despite advances in information technology, automatic data submission is still not universal. As tariff barriers are reduced, the non-tariff costs assume more importance. Trade facilitation can mean different things to different people, but in the strict sense of the WTO agenda, it is focused upon customs and border operational procedures. In a wider sense the OECD views it as helping the institutions, negotiators and processes

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<sup>7</sup> This section draws heavily from Sandrey (2006b), a source that is admittedly a little dated but little has changed since then.

that shape trade policy and the rules of international commerce, while in its extreme but still accurate form it can be viewed as the complete infrastructural package that leads to international competitiveness in global trade. The latter is an area in which Africa is notoriously lagging.

It was also the area where at the Bali Ministerial Meeting in late 2013 the WTO members agreed on the Agreement on Trade Facilitation (TF), and this is arguably the only real outcome from the WTO since the Uruguay Round. The African Development Bank (ADB)<sup>8</sup> reported on the implications of the TF for Africa. They noted that firstly, a binding TF agreement will push countries to undertake trade facilitation reforms in keeping with their commitments, and that there are a number of countries that have been lethargic in undertaking customs reforms and other trade facilitation measures. This has impeded the efficient operation of their infrastructure, including the regional transport corridors. In some instances there is little inclination from key African government agencies to undertake reforms, and a binding commitment on TF would help initiate and lock in reforms. In addition, the TF contains obligations on publication of information on issues such as documentation for imports, export and transit procedures, duties and taxes, fees imposed by governments regarding importation or exportation; import, export or transit restriction and appeal procedures.

The ADB acknowledge that some argue that the TF benefits are heavily tilted in favour of exporting countries, and regard it as an “import-facilitating agreement,” which will worsen Africa’s trade balance and does little to address the productive and export constraints facing developing countries. To directly benefit African exporters must increase value adding activities by promoting investment in areas such as value chains, otherwise the benefits of the TF deal will be marginal and African countries will miss out on the alleged \$1 trillion Bali trade boost. Meanwhile, issues such as NTBs, compliance with SPS, tariff escalation and tariff peaks on products of interest to us African exporters continue to stifle Africa’s potential to reach international markets and upgrade along the value chain. Therefore, parallel efforts to the TF are required in addressing these issues both in regional and global markets.

Meanwhile there is the interesting question of the role of the other ‘trade ands’ and why these were not considered for Singapore issues, and how they are faring in the WTO and regional agreements. These ‘trade ands’ highlight trade and labour and trade and environment; and an examination of their treatment within the WTO may provide some insights into the appropriate home for the Singapore issues more generally.

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<sup>8</sup> <http://www.afdb.org/en/blogs/integrating-africa/post/trade-facilitation-in-the-bali-package-whats-in-it-for-africa-12698/>

A special problem for developing countries is that they often lack the industrial capacity necessary to take advantage of negotiated entry concessions for their produce, and this is aggravated by restricting **Rules of Origin (ROO)** as yet another complex issue that can severely constrain the abilities of developing countries to compete internationally. The rules are complex and controversial. The WTO guidelines consider that contracting parties would be expected to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner, and that they are based on a positive standard (in other words, they should state what does confer origin rather than what does not). There are different approaches to setting ROO, with the three general approaches of 1) Change of tariff classification (on any level, though 4-digit level is the most common), 2) the Value added-rule whereby a certain percentage must be added in a partner country, and 3) Special processing rule whereby the minimum transformation is described. The problem is that the ROO can and often does vary for different markets under numerous regional and bilateral agreements, creating extra costs for manufacturers exporting under these different and often complex rules.

The WTO (2009) reports that Mozambique does not use any national rules of origin for non-preferential purposes but uses rules of origin to establish originating status for imports from preferential trade agreement including SADC members. Annex I to the SADC Trade Protocol on rules of origin, sets out the basic requirements for goods to be regarded as "originating": the product must have been wholly obtained in one of the Parties or the non-originating materials incorporated in the product must have undergone "sufficient working or processing" in accordance with the conditions set out in Appendix I; or the value of all non-originating materials must not exceed 10% of the ex-works price of the good (tolerance rule). There is no regime-wide rule of origin but Appendix I lists the specific criteria (mostly with respect to HS tariff headings (at various levels)) that non-originating materials must meet for a final good to acquire originating status. According to the Agreement between Mozambique and Malawi, the basic requirements for goods to be regarded as "originating" are that the product must have been wholly obtained in one of the Parties or the value-added resulting from the production process is at least 25% of the ex-factory cost of the goods. Similar requirements are set out in the Agreement between Mozambique and Zimbabwe.

Trade Remedies are the measures of anti-dumping, countervailing duties and safeguards. Anti-dumping can be taken against a country when it exports a product at a price lower than the price it normally charges on its own home market, countervailing duties are disciplines against the use of subsidies in the exporting country, while safeguards are measures to restrict imports of a product



temporarily if your domestic industry is injured or threatened with injury caused by a surge in imports (not unfair trade). They are essentially second-level border protection measures that become important tools as tariff protection is lowered.

#### 4. Tariffs – an explanation and some background

Much of the emphasis on trade negotiations is on tariff rates, and some explanation on these is appropriate. The important tariff rate is that applied at the national border on imports, and this is appropriately referred to as the **applied** rate. There are however many rates lower than these applied rates levied on imports from partners where concessions have been granted in previous negotiations. These are called **preferential** tariffs. Finally, there are tariffs in ‘WTO speak’, and here the concept of a **bound** tariff is introduced. The bound rate is a rate which WTO country agree not to exceed in the applied rates, and often these bound rates are above (and sometimes significantly above) the applied rate. This in turn explains both the concept of ‘water in the tariff’ meaning that there is this gap between bound and applied rates and, as WTO negotiators operate on bound and not applied rates why a WTO agreement may or may not reduce the applied tariff rates at a border. Finally, within these tariffs are **ad valorem** tariffs that are assessed as a percentage of the value of an import and **specific** tariffs that are levied on a per unit basis and do not vary with the price of a good as is the case with ad valorem tariffs. Table 1 gives a brief profile of the bound and applied tariff rates for Mozambique. Note also that in addition to tariffs, an import declaration fee of 2.25% is payable on the c.i.f. value of all imports and a 7% levy applies on the value of imported sugar on top of the 100% duty (WTO, 2013).

#### Export taxes

Border taxes are usually associated with import taxes or tariffs, but recently there has been an increasing interest in Africa in the use of export taxes. These are simply a tax imposed by a country on a specific export commodity, although there are variations on this. During the recent global food crisis some developing countries imposed export taxes and restrictions on their exports of agricultural products such as rice, and there are examples of where these restrictions have remained. Another recent example is the four types of export restraints (including export taxes and export quotas) that China imposed on the export some raw materials, with these mainly being minerals where China is the leading global producer. The US took a WTO case against China on the grounds that these measures cause higher prices in the world market and give Chinese domestic industries an unfair advantage.



This is despite China agreeing to eliminate all export taxes as a condition of its WTO membership, and a WTP Panel found that yes, China did violate these conditions and requested that China resist from imposing them. China argued that at least some of these measures were designed to conserve natural resources that had a finite supply and/or reduce Chinese pollution.

The decision against China was more on its conditions of its Accession rather than general WTO principles. The WTO regulation dealing with export restrictions is relatively limited, offering ample “policy space” for domestic policy considerations and does not specifically ban export taxes and the like. Members do agree though that some disciplines may be needed to ensure supplies are available for importing countries, and as a start suggest having them converted into some tariff equivalent type of number.

The arguments for export taxes include food security and a form of subsidy to domestic consumers as the domestic price is lowered below the international market price. A similar domestic argument can also operate as an indirect subsidy to domestic manufacturing by lowering the domestic price of inputs (the Chinese argument, and in 1988 Pakistan imposed an export tax on raw cotton). The most important economic argument is probably the simple one of providing domestic revenues. This is likely to be most effective when the sector concerned is earning super profits as occurs in some mining sectors in times of high international prices and a country has trouble in challenging a multi-national entity to pay taxes in the host country or alter the royalty conditions. The terms-of-trade justification is also a powerful argument for export taxes in a dominant producer important justification. By restricting its exports, a country that supplies a significant share of the world market in a commodity can raise the world price of that commodity to its advantage<sup>9</sup>. And the use of export taxes introduces an interesting environmental question that asks whether their use can help to preserve valuable resources and reduce pollution.

The WTO (2009)<sup>10</sup> reports that at that time Mozambique imposed an export tax of between 18% and 22% of the f.o.b. customs value on raw cashews, and although no other specific export tax appeared to be applied, certain items, which are almost entirely exported, are subject to charges, e.g. cotton, fishery products, forestry products, and mining products.

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<sup>9</sup> The classic example here is the OPEC oil cartel which maintains global oil prices significantly above where they otherwise would be.

<sup>10</sup> WTO Trade Policy Review Mechanism (TPRM) for Mozambique, WT/TPR/S/209, 2009 at <https://docs.wto.org>

## Tariff peaks

This refers to the incidence of relatively high tariffs, usually on “sensitive” products, in a tariff schedule. For industrialized countries, tariffs of 15% and above are generally recognized as “tariff peaks”, but given that developing countries usually have higher tariffs the level for tariff peaks is also higher. Developing countries give an emphasis in the WTO Doha Agenda to tariff peaks as they still face exceptionally high tariffs on selected products in many markets that continue to obstruct exports. Examples include textiles, clothing, and fish and fish products. According to the WTO in the Uruguay Round, on average, industrial countries made slightly smaller reductions in their tariffs on products which are mainly exported by developing countries (37%), than on imports from all countries (40%), thus accentuating rather than mitigating the problem. However, at the same time, the potential for developing countries to trade with each other is also hampered by the fact that the highest tariffs are sometimes in developing countries themselves.

Data for Mozambique’s tariffs is given in Table 24. Shown are on the first column are the number of HS 6 trade lines (3 741 in total), while in the second column the tariff bands are shown. This followed by the total imports and percentage in each tariff band and then the comparable data for duties assessed. The total imports in \$1,000 and the percentage share in each tariff band (where these bands are shown in the second column). The tariffs are the MFN rates at the HS 6 level downloaded from MacMaps and the data is the 2012 imports as downloaded from ITC at HS 6 level. The overall average rate is 11.39%. Only 6.64% of the imports were duty free and another 11.4% were at 25% duty. Much of the duty (25.53%) was assessed on goods in the highest band with another 21.78% in the 15 % tariff band. Note that there is a degree of approximation here as the tariffs were downloaded at the HS 8 level and ‘adjusted’ to the HS 6 level where multiple HS 8 lines were present by taking the first HS 8 as representing the entire HS 6 level.

**Table 24: Mozambique’s tariffs, MFN schedule on 2012 imports**

HS 6 lines	average MFN rate	Imports \$1,000	Duty \$1,000
3741	11.39%	6,177,210	703,314.6
% HS lines	MFN bracket	Imports % total	Duty % total
7.30%	Zero	6.64%	0.00%
9.06%	1 to 4.5%	14.31%	3.00%
6.31%	5%	14.28%	6.27%
26.14%	5.3 to 9.7%	13.55%	8.70%
16.49%	10%	7.79%	6.85%
12.99%	10.5 to 14%	8.02%	8.65%
4.20%	15%	16.53%	21.78%
6.74%	16 to 19%	1.36%	2.01%
3.72%	20%	2.38%	4.18%
1.98%	21 to 24.5%	0.46%	0.96%
2.03%	25%	3.40%	7.46%
2.22%	28 to 45%	1.51%	4.63%
0.78%	50 to 79.5%	4.77%	25.53%
0.05%	unknown	0.05%	0.00%

Source: ITC trade data, MacMaps tariff, tralac calculations

## Other tariff issues

### Nominal and Effective rates of protection

**Nominal tariff** is calculated on the value of the final commodity. It is important to consumers because it indicates the increased price. It is quite simply the percentage tariff imposed on a product as it enters the country. For example, if a tariff of 20 percent of value is collected on clothing as it enters the country, then the nominal rate of protection is that same 20 percent.

The **effective rate of protection (ERP)** is a different measure and refers to the protection accorded a final product in the home market. It is calculated on the domestic value added that takes place in the nation, and in that respect operates in exactly the same manner as tariff escalation discussed later. It indicates how much protection is actually provided to the domestic processing and import-competing commodity. It is defined as “the effective rate of protection of an individual industry the percentage by which the entire set of a nation’s trade barriers raises the industry’s value added per unit of output”. The ERP will be higher than the nominal tariff protection levels when the final product is more

heavily protected than base inputs. It measures the protection given to the domestic industry sheltering behind tariff walls, and uses the domestic cost structure to calculate the final rate.

Let us use an example<sup>11</sup> of clothing (shirt) whereby the fabric duty free cost is \$60 and the finished shirt would have sold at \$100 if there were no duties. The domestic manufacturer can operate against import competition within manufacturing costs of \$40 - \$100 for the shirt less \$60 for the fabric. Now add a tariff at the border of 20 percent on clothing and 10 percent on fabric. The 20 percent tariff on clothing would raise the domestic price of the imported shirt by \$20 to \$120, while a 10 percent tariff on fabrics would increase material costs to the domestic producer by \$6 to \$66. Protection would thus enable the firm to operate with a new value-added margin of \$54, or the new difference between the domestic price when competing against imports of \$120 and the material cost of \$66. The difference between the value added of \$40 without tariff protection and that of \$54 with protection provides a margin of \$14. This means that the ERP of the domestic processing activity, the ratio of \$14 to \$40, would be 35 percent. This ERP at 35 percent is greater than the nominal rate of only 20 percent on the shirt if it was imported in final form. This provides the domestic sector with protection against imports, but at a cost to domestic consumers while at the same time providing employment locally. Higher ERPs will always be the case whenever the tariff rate on the final product is greater than the tariff on inputs, as in tariff escalation. ERPs can be very high if value added to the imported commodity is a small percentage or very low if value added is a large percentage of the total price.

### **Tariff escalation**

Another feature of tariffs is the so-called tariff escalation (analogous to the effective rate of protection discussed above, except it works in reverse or in the mirror whereby effective rates of protection inhibit imports while tariff escalation inhibits exports). Escalation can be a major issue for countries exporting raw materials. It refers to the situation whereby a tariff on a product increases as that product moves through the value-added chain, and happens when a country sets low tariffs on imported materials used by the industry and a higher tariff on finished products to protect that industry. This in turn, it makes it more difficult for countries producing raw materials to process and manufacture value-added products for export to compete with that market and may lock them into commodity exports. An example would be a five percent tariff on coffee beans but a ten percent tariff on ground coffee. The general purpose of that tariff would be to protect the domestic industry by

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<sup>11</sup> This example is based upon an example given in <http://www.britannica.com/nobelprize/article-61698>

enabling them to import the basic raw material tariff-free or at low rates to enable the value-adding process to go on behind these tariff walls.

There are two ways of measuring this tariff escalation effect. The first and easiest measure is just the simple nominal tariff escalation, or the difference on tariff rates between the raw material and the processed product. In our coffee example below, the difference between five percent and ten percent is five percent; therefore the nominal tariff escalation is five percent. This is easy to use, and especially so if the processed product is derived mainly (or entirely as in the coffee example) from the one raw material (coffee beans). It tells us little however about the real trade impact of the tariff escalation, and to look more closely at the trade effect we need to examine the “effective tariff rate”, or ETR.

This ETR is analogous to the better-known Effective Rate of Protection (ERP), a measure that has been applied to measuring the actual rate of protection to the domestic industry from the domestic perspective as discussed above. The ETR is therefore a mirror image of the ERP, but this time using the exporting nation’s cost structure and with the protection in the final market expressed as “tariff equivalents” or the ETR.

### **A Practical Example of Tariff Escalation**

Let us take the coffee bean/ground coffee example further. The nominal tariff escalation was five percent, as discussed above. Now, let us say that coffee beans represent one half of the costs of producing ground coffee. Let us also assume that there is no difference in transport costs between beans and ground coffee from the exporter to the foreign market place - we could relax this assumption, although data limitations are a problem. Table 21 shows that for \$100 worth of ground coffee the exporter is faced with a tariff bill of \$10 at the border. This is the 10 percent ad valorem tariff rate. Had the exporter sent just coffee beans, the tariff bill would have been \$2.50 on the \$50 worth of beans. In the meantime there has been value of \$50 added to the beans, but an additional \$7.50 in tariffs has been levied. Thus, the ETR on the final product is 15 percent and not 10 percent. The exporter must pay this 15 percent duty (\$7.50) on top of whatever other costs were entailed in grinding the coffee beans in order to access the foreign market. Tariffs will greatly erode the final profit margin, and at some point it will not be profitable to grind beans for that market. The crucial question is: are we adding value or merely adding cost?

**Table 25: Tariff Escalation Example**

	Value \$	Value-added \$	Duty rate %	Duty value \$
(1) Nominal				
Coffee beans	\$50	na	5%	\$2.50
Ground coffee	\$100	\$50	10%	\$10
(2) ETR	Value-added \$	Extra tax \$	Therefore ETR becomes	
Ground coffee	\$50	\$7.50 (10-2.50)	15% (\$7.50 tax on \$50)	
It has cost \$7.50 in order to obtain an extra \$50 in the foreign market				

If the nominal tariff escalation increases, perhaps by increasing the tariff on ground coffee to 15 percent, then the ETR will also increase (to 25 percent in this case, another \$12.50 on the \$50 value-added processing). Similarly, a change in the percentage that beans make up of the final cost of ground coffee will alter the ETR. This change could come about through technological change (a new process to grind coffee) or a change in the relative prices of the inputs into the value-added process, including a change in the price of beans.

Thus, the ETR is a function of the tariffs assessed on the component parts and the final product, the technological process involved, and the relative prices of all inputs into the final product. It is purely and simply a tax on value-added processes. In some (rare) cases this can actually be negative, as the tariff on the final product may be less than the tariff on the raw material, but this is very much the exception. If the tariff rate is the same for both the raw material and the final product, then the ETR is zero. Note that that same rate may or may not be zero. Note also that there are cases when the raw product itself represents the highest value that can be obtained from that product. A case in point is a crayfish, where the greatest value that an exporter can obtain from that crayfish is to take it live and place it in a tank in an overseas (generally North Asian) restaurant. Nothing more can be done to increase that crayfish’s value to an exporter, and in fact any attempts at further processing reduces its value.

The forestry sector is an interesting sector where tariff escalation is prevalent. Table 22 presents an analysis for the main forestry markets facing exports from New Zealand<sup>12</sup>, and although the tariff rates and the data given are a somewhat dated 2002 the general principles will remain similar. This includes China, where although the New Zealand – China FTA reduced almost all of the tariffs facing New

<sup>12</sup> The source is the New Zealand Ministry of Foreign Affairs and Trade (MFAT), and although the authorship is not assigned on the unclassified document the author was the author of this current paper.

Zealand exports to China to zero either immediately or in a short space of time many forestry products virtually the only products not included in this reduction.

**Table 26: Effective Tariff Rates (ETR), ad valorem or percentage rates**

	Korea	US	China	Japan	Malaysia	Indonesia	Philippines	Thailand
<b>Product</b>								
<b>Clear wood</b>	10.0	0	0	12.8	0	0	26.7	10.0
<b>Mouldings</b>	19.0	0.85	26.6	14.2	56.7	0	19.8	38.3
<b>Furniture</b>	13.9	1.0	21.8	0	59.5	29.7	39.6	29.8
<b>Veneers</b>	9.0	0	9.4	11.7	46.8	11.7	23.4	33.4
<b>Plywood</b>	10.4	14.5	11.7	20.9	48.9	20.9	27.9	24.0
<b>Fibreboard</b>	9.3	7.3	9.2	3.2	24.4	6.1	24.5	22.2
<b>Particleboard</b>	8.6	8.8	10.6	5.5	22.0	5.5	22.0	21.0
<b>Mechan pulp</b>	-2.0	0	0	0	0	7.5	4.5	2.5

Source: MFAT

The highest ETRs are those displayed in the table for Malaysia, followed by the fellow ASEAN members of Thailand and the Philippines, and a feature of the data is the variability, both between countries and products and even within countries across the different final products. Analysis of the differences between the four North Asian destinations shown in and the four ASEAN destinations highlights just how much higher these ASEAN ETRs are. In most cases they are, on average, at least double those for the North Asian markets, and up to 4.4 times the average North Asian ETR for furniture. Again, assessing these ETRs requires a detailed knowledge of the processing costs and associated value-added for the final product.

## 5. Analysis of Trade Data

### 1) The tralac ‘Stars and Dogs’ analysis

This is an approach that tralac have used to assess trading relationships. An example is presented here of analysis of the South African / EU trading relationship. We note that this analysis is really only applicable to major trading partners as it relies on a large data base to be meaningful. It is an extension of the commonly used trade growth rate analysis used to compare rates of growth of exports and imports of broad classes of goods in one country with those for world trade or the trade of its competitors, either in total or by sectors for both exports and imports. This analysis helps to identify dynamic products to concentrate upon during multilateral or bilateral negotiations on the removal of



trade barriers on such products in export markets. Growth of market shares and comparison of changes to export market shares against competitors is also a useful first-cut measure to assess competitiveness.

### **An assessment of the TDCA**

There are two ways in which we can examine the relative changes to the bilateral trade. The first is by looking at growth rates over a period, while the second is by looking at relative market shares. It is the first that we concentrate upon in this analysis, although the second gives a better overall perspective. In general the EU is becoming relatively less important to South Africa as an overall trading partner from the early years of this century. For South African imports the EU market share started at percent in 1999, was stable through to 2003 but steadily declined from there to 31 percent in 2011. The percentage of South African exports destined for the EU rose initially to be over 30 percent through to 2008 but declined from there to 22 percent in 2011 after the impact of the global crisis of 2009 became apparent. Note that there is a possible underestimation of the percentage of the South African exports destined for the EU as South Africa does not report individual destinations of the exports of some precious metals, and the EU reports significant imports of gold from South Africa.

We now turn to EU import data to assess the overall performance of South Africa in that market for both total imports from South Africa and agricultural imports from South Africa. In both instances the shares rose initially before declining to finish at lower market shares than the starting period. For total merchandise the South African market share was 1.45 percent during 1999/2000 but this had declined to 1.23 percent at 2010/2011. Similarly, agriculture's share declined from 2.36 percent to 2.23 percent over the same period. From this starting point we can assume that as South Africa has underperformed in the EU market overall, the individual trade lines may similarly underperform overall, but this general assessment hides the variation in HS trade lines that we are seeking to explore.

An alternative representation is, that of growth rates, expressed as the average of 2010/2011 data divided by the 1999/2000 data. Total South African merchandise imports from all sources in the final period were 3.53 times the earlier figure, while imports from the EU increased by a lesser 2.66 times. For agricultural imports the total increase was 3.93 times, while from the EU the figure was a greater 4.15 times. South African total merchandise exports increased to the world by 3.13 times while those to the EU increased by a much lower 2.23 times. For agricultural exports the global figure was 2.35 times while the exports to the EU were a higher 3.45 times. For the **EU data** total global imports increased 2.87 times while those from South Africa increased by a lesser 2.50 times. For agricultural



imports, the global figure was 2.45 times while South African agricultural imports increased by a similarly lesser 2.36 times.

In summary, the overall data show that through to the 2007 year the EU maintained its share of South African total merchandise exports but declined from there, while the EU market share of South African imports has steadily declined since 2004. For agricultural trade the EU has remained South Africa's most important market although its importance has declined in recent years, while similarly it is the main source of agricultural imports and in contrast to the other market shares shown these imports are increasing their relative share. Looking at the reciprocal of South Africa's performance in the EU we find that the Republic has not met the average all-imports growth rates for either all imports or agricultural imports as the trade shares have slowly declined after an initial rise.

Following on from this big-picture presentation we then examined (a) the performance of South Africa in the EU market and (b) the EU in the South African market and assess the extent to which the TDCA has influenced this performance. Our methodology was to examine the performance of each HS line and assess the performance of those lines against the benchmark of the overall average increase. As outlined above, we took the average of the 1999 and 2000 December years as the starting point for our pre-TDCA analysis and assess the relative change for the average of the 2010 and 2011 December years as the final fully implemented period. This way we avoid some of the fluctuations by taking a two year average, and by using the percentage change for the overall average we have that benchmark to assess individual lines against. There are, in essence, two benchmarks. The first is the average increase for all imports into the EU from all sources, while the second is the overall change in South African imports into the EU: **We then apply the 2011 trade data to the assessed categories to complete the analysis.** Finally, we assess changes to the individual tariff lines to see if preferential access is influencing these changes. In adopting this approach we have worked with the following eleven separate categories of HS 6 trade lines:

- The “**real stars**”, where the line was increasing as a percentage of EU from both the world and South Africa, and furthermore the increase from South Africa was above the corresponding increase from the world – South Africa is gaining market share in a strongly growing EU market.
- The “**basic stars**”, where, as above, except that South Africa's share in these lines was above its overall import share but not above the comparable competitor share in this line. South

Africa is doing very well in a growing EU market. Both “real stars” and “basic stars” are doing well.

- Two combinations where the increases in the EU lines **are above the EU average**: (a) where the South African line increase is still positive but below the South African average and (b) where the South African increase is negative.
- Three categories where the increases in the EU lines are still positive but **below the EU average**: (a) where the South African line increase is above the South African average, (b) where the South African increase is below the average but still positive and (c) where the South African increase is negative.
- Two combinations where the **increases in the EU lines are negative**: (a) where the South African line increase is above the South African average, and (b) where the South African line increase is negative.
- The bottom category (“**real dogs**”) where this particular line is declining overall in both EU imports from the world and from South Africa.
- Finally, “**Undetermined**”, imports from South Africa were zero for one or more of the years under consideration, such that performance could not be assessed.

We emphasise that this is a market share analysis – it says a limited amount about relative profitability of the categories or individual lines. In general, however, we can hypothesise that it is better to be higher on the list than lower. With the South African imports into the EU we were able to work with 4,529 HS lines for all merchandise trade and 587 lines for agricultural trade. For EU imports into South Africa we were able to work with 3,240 lines for all trade and 263 lines for agricultural trade.

### **South Africa’s performance in the EU**

Table 23 show how well South Africa has performed in the EU market since the inception of the TDCA by overall trade. As discussed, the categories are the relative growth rates (which effectively equate to market share) for an average of 2000/2011 over 1999/2000, using the actual imports for 2011. For **all merchandise trade** South Africa has done well using these criteria: some 25 percent are ‘real starts’ while another 24 percent are ‘basic stars’. Recall that for ‘real stars’ South Africa is gaining market share in a strongly growing EU market, while for ‘basic stars’ South Africa’s growth

rates in these lines is above its overall average in lines where the global EU imports are similarly above their average, but South Africa’s growth rates are not as good as the overall competition.

**Table 27: South Africa’s overall performance into the EU market in 2011, 2010/2011 compared to 1999/2000**

	Rand mill	%
<b>TOTAL</b>	<b>197,994</b>	<b>100</b>
<b>1 'Real Stars'</b>	49,711	25.11
<b>2 'Basic Stars'</b>	47,512	24.00
<b>3 'Growing Slowly in a Strongly Growing Market'</b>	17,424	8.80
<b>4 'Shrinking in a Strongly Growing Market'</b>	1,531	0.77
<b>5 'Growing Strongly in a Slowly Growing Market'</b>	26,762	13.52
<b>6 'Growing Slowly in a Slowly Growing Market'</b>	30,599	15.45
<b>7 'Shrinking in a Slowly Growing Market'</b>	9,230	4.66
<b>8 'Growing Strongly in a Shrinking Market'</b>	3,229	1.63
<b>9 'Growing Slowly in a Shrinking Market'</b>	588	0.30
<b>10 'Real Dogs'</b>	1,785	0.90
<b>11 'Undetermined'</b>	9,527	4.81

Source: Global Trade Atlas data

Of special interest to the TDCA analysis is the extent to which the change in South African imports is driven by tariff concessions into Europe. The majority of imports (61%) are in the zero to 4 percent tariff preference points range, but importantly some 26 percent are in the category where the tariff concession has been between 10 and 20 percentage points. Only one percent are in the ‘beyond 20 percentage points’ range where preferential access would be expected to be significant.

### **Performance of the EU into the South African market**

We then examined the reciprocal performance of EU imports into South Africa and the influence of the TDCA upon these imports. The ‘real stars’ categories suggest that South Africa is doing better into the EU market than the converse of EU imports into South Africa, while ‘basic stars’ are similar. Notable is that for agriculture in particular there is a high percentage of EU imports into South Africa

that are ‘undetermined’. These lines are likely to be either new trade or a tariff classification change at the HS 6 line by South Africa in recent years.

We also assessed the linkages between the tariff reductions under TDCA and their relative share of EU agricultural imports during 2011. Analysis showed that 65 percent of agricultural imports into South Africa have been granted tariff concessions of 10 percent or greater in comparison with a significantly lower 33 percent into the EU from South Africa.

### **Intra-industry trade**

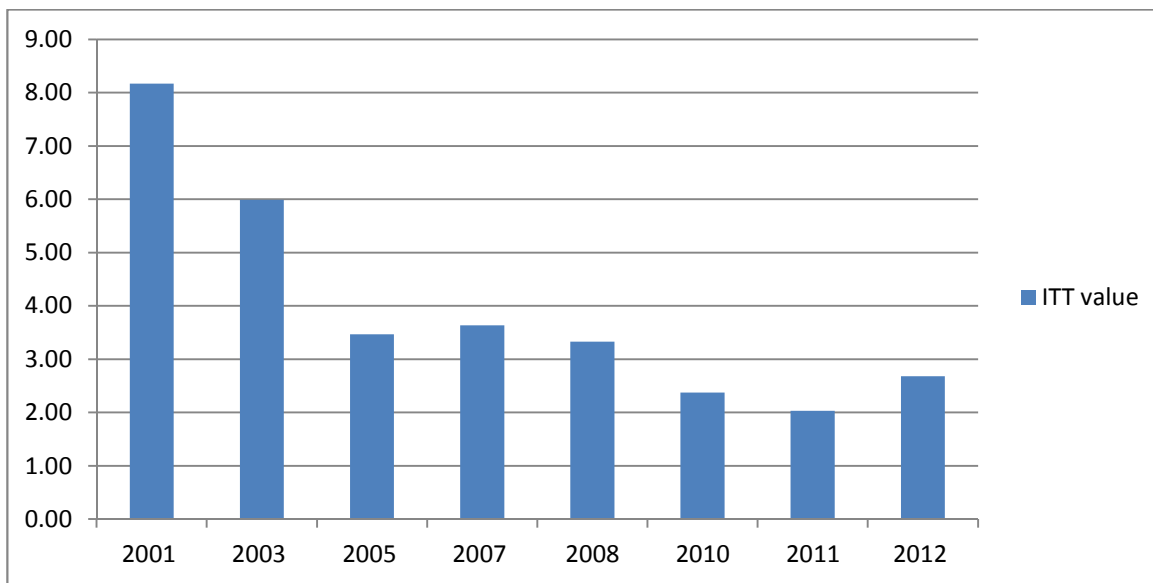
The traditional concept of trade is the standard comparative advantage one whereby nations trade products that each can specialise in, i.e., perhaps South African natural resources for Chinese manufactured goods. However, a particular feature of modern trade, and especially trade between developed countries, is that there is an increasing trade in similar products. Examples of this may be that countries producing similar motor vehicles may see one country making gear boxes and another clutches, or French wine for Spanish wine within the EU, still specialising, but in a very narrow range. This phenomenon sent trade practitioners off in search of a theory to fit the facts – a reverse of the way it is supposed to work! Consequently, the term ‘intra-industry trade’ was coined in the 1970s. Here one divides the trade in a particular item into net or total trade by simply adding imports and exports in each line and intra-industry trade, with the latter a ratio of the difference between exports and imports in that line divided by the total net trade. Thus, if trade is mostly either exports or imports, the ratio will be low. But if there is a high level of both, the ratio or intra-industry trade index will be high. There are variations to the formula and some sophistication in the formula derivations, but we will keep to the basics here.

We consider that there is insufficient trade between South Africa and Mozambique to undertake such an analysis so we present an example using South Africa and Zimbabwe. We have used the HS 6 level data, and reported from South African data over the last twelve years. Note that while the index figure is usually reported as being between zero and one, with zero no intra-industry trade at all and one being all intra-industry trade, we have taken the liberty of expressing the data as an index between one and 100 to make reading easier. The relativity stays the same of course.

Intuitively we would expect the **results** for trade between South Africa and Zimbabwe to be lower than ITT trade between the developed countries, which is often in the 50 to 70 range. The overall index figure for all trade in 2012 was 2.68, and this index for is shown in Figure 1, with the values

calculated for the last twelve years. These values are low, with general trend downwards from 2001 through to 2006 evident before stabilising. This indicates a limited sophistication in the trading relationship over this period. Not shown, but an examination of the data for 2001, the first and highest rated year, reveals that tobacco, coke, furniture and benzene were the main contributors to the ITT values that year.

**Figure 1: Values for Intra-Industry trade between South Africa and Zimbabwe**



Source: GTA, South Africa data.

## Other trade analysis tools<sup>13</sup>

### Trade Intensity Index

The trade intensity index is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is defined as the share of one country's exports going to a partner divided by the share of world exports to the partner. An index of more (less) than unity indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country's importance in world trade.

### Revealed Comparative Advantage (RCA) Index

The RCA indicates whether a country is in the process of extending the products in which it has a trade potential, as opposed to situations in which the number of products that can be competitively exported is static. It can also provide useful information about potential trade prospects with new

<sup>13</sup> Some of this is from the WTO website while others are from actual tralac research

partners. When used at detailed levels of product disaggregation RCA can highlight on non-traditional products that might be successfully exported. The index  $j$  is measured by the product's share in the country's exports in relation to its share in world trade. Depending on how the results are presented a value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product.

### **Export Specialization Index**

The export specialization (ES) index is a slightly modified RCA index in which the denominator is usually measured by specific markets or partners. It provides product information on revealed specialization in the export sector of a country and is calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports. The ES is similar to the RCA in that a value of the index less than unity indicates a comparative disadvantage and a value above unity represents specialization in this market.

### **Export Diversification (or Concentration) Index**

Export diversification is considered to be important for developing countries because many developing countries are often highly dependent on relatively few primary commodities for their export earnings, and this makes them vulnerable to price shocks. Since the covariation in individual commodity prices is less than perfect, diversification into new primary export products is generally viewed as a positive development. The strongest positive effects are normally associated with diversification into manufactured goods, and its benefits include higher and more stable export earnings, job creation and learning effects, and the development of new skills and infrastructure that would facilitate the development of even newer export products. The related measure used by UNCTAD and others is the concentration index, or Hirschman index which is calculated using the shares of all three-digit products in a country's exports. The index has been normalized to account for the number of actual three-digit products that could be exported, and the lower the index, the less concentrated are a country's exports.

### **Constant Market Share – Export growth share**

The decomposition of a country's export growth can provide information about the role of structural and competitiveness factors as drivers of exports as well as some answers to the question of whether or not you have been under-performed competitors in selecting high-growth destination markets and

sectors. The Constant Market Share approach (CMS) is a method that decomposes a country's export growth into parts attributed to the general rise in world exports, the commodity composition, the market distribution, and the effect of competitiveness changes.

It is a decomposition method that was built from the assumption that a country's exports may succeed (fail) to grow as rapidly as the world average for three reasons: (a) exports may concentrate in commodities in which the demand is growing relatively fast (slowly); (b) exports may be going to relatively growing (stagnant) regions; (c) the country in question may have been able (unable) to compete effectively with other sources of supply.

There is firstly a structure effect, which shows the change in the aggregate export market share which would have occurred if your share in the world market had remained constant (demand effect). It measures the extent to which the variation between your country and the world export trade can be attributed to the way exporters responded to changes in global demand. This can be differentiated into parts attributed to the (1) general rise in world demand/imports; (2) a product composition effect, which shows whether the specialization of exports was directed towards dynamic products in world demand; and (3) a market-distribution effect, which shows whether the export specialization was directed towards dynamic export markets; and a residual which reflects effect resulting from the interaction of product and market specialization.

Secondly there is the competitiveness effect, the difference between the actual export change and the hypothetical increase if your country had maintained its share of export of each commodity group to each country, i.e., the total export change minus the structure effect.

The framework provides an efficient method of structuring applied research into a nation's competitiveness. Within this framework, a number of empirical techniques may be applied, with the simple CMS model and market shares-norm as the starting point. Also, the more differentiated techniques of decomposition make the measurement of the competitiveness effect very accurate and permit comparisons with competing countries and to different destination markets. However does not identify the reasons behind a change in a country's export performance identified by their export differential, such as changes in domestic cost structure or the exchange rate, although analysis of the three components can share some light on the structural characteristics which lie behind any positive or negative net shift in export growth.

## Product varieties

This introduces a simple measure of evaluating export performance by counting the number of products exported to each country around the world and assessing the changes to this number. It is really a form of concentration index, and looks at how well a country is doing in introducing new products to new markets. In general most countries in Africa have expanded the number of products they export, although tralac analysis for Zimbabwe found that they has gone the wrong way and were exporting fewer products over the last ten years. The data for Mozambique is shown below in Table 28, with analysis at the HS 6 level. Two points are apparent: the first is that there is significantly more diversity in imports into Mozambique than in exports from the country, while the second is that imports increased over the early years to reach a plateau while exports have been very unstable and finished almost exactly where they started from. This measure says little about the trade though other than the number of lines rather than their relative or absolute value. But it is a trade marker. Note though that subtle changes to HS 6 line definitions and categories over the years may have biased the total numbers in that some of the earlier HS 6 lines may have been split into two or even more.

**Table 28: Demonstration for Mozambique of Product Varieties traded**

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of HS 6 lines in Imports into Mozambique											
2965	3142	3431	3456	3549	3650	3584	3694	3715	3446	3600	3742
Number of HS 4 lines in Exports from Mozambique											
726	998	1261	987	939	1067	1053	1215	1118	815	970	721

Source: IT, tralac calculation

## Trade Chilling

Economic analysis of the results of tariff liberalisation tends to concentrate upon the analysis of the impacts of tariff reductions on existing flows of trade. This relatively simple calculation can be estimated using a CGE (computable general equilibrium) model. It is more difficult to obtain an estimate of the so-called “trade chilling” effect of high tariffs, namely the degree to which high rates limit or even prohibit trade in that particular product.

A starting point was to take the tariff schedule for your target country and isolate out the specific sectors where the tariff is at a level of say 10 percent or higher by the HS six-digit level, The next step was to take your export data as it related to the world and country that are similar to your target. This export data is then analysed to find where exports to your target at the HS 6 level are below average



exports to the world and also compared to your benchmark destinations. The final step is to analyse whether your target tariffs may have been a factor in this trade chilling. The working hypothesis is that high tariffs chill trade. Therefore, as a starting point, trade to selected countries will have a lower percentage of trade in the HS lines considered to have high tariffs than is the case for global exports – or, more importantly, than exports to the essentially duty-free regional “control” markets. These percentage shares can be compared with the tariff rate to see if a general pattern is visible. The following limitations must be stressed:

- many exports face high barriers elsewhere, so “global exports” is a proxy only; tastes and preferences vary considerably among regions and countries;
- domestic supply conditions vary considerably, and/or;
- non-tariff measures may be inhibiting trade (and these effects are not taken into account in the current analysis).

### **Trade widening versus trade deepening**

Bilateral Free Trade Agreements (FTAs, or Closer Economic Partnerships – CEPs) have however been criticised on the basis that indications from modelling suggest limited economic welfare gains. While this may be true in the traditional and narrow economic sense, proponents of freer regional trade have argued that benefits, including business-to-business relationships and investment effects, are more extensive than just the tariff elimination effects and over the longer term may prove to be more valuable.

Another potential and usually overlooked benefit is that of trade widening. This takes place when new trade is created as a result of the CEP. It is defined as an expansion of trade in new areas that did not take place prior to the CEP. It is distinct from trade deepening, defined as an expansion of trade in the sectors as they were at the inception of the CEP. Trade widening is a feature of CEPs that will be difficult to capture by traditional computer general equilibrium (CGE) models. These CGE models operate at the margin, with output predicated upon existing production and trade relationships. Although these models can conceivably allow for the development of new trade, or trade expansion based upon pre-existing but limited trade, such analysis is often unreliable as it is extrapolating further than just a marginal analysis (as trade chilling suggests). Model results must be treated with caution once they move outside of the realm of this marginal analysis. At the same time one must exercise caution in that trade patterns change over time for a variety of reasons such as taste and preference

changes and developments in technology. In short, change cannot be attributed to tariff liberalisation alone.

The methodology requires that you get data at the very detailed SITC 5 level<sup>14</sup> for a period representing your initial starting point (pre FTA possibly) and the most recent data for trade with both the world and your selected partner. The ranking procedure to be carried out on your initial data set is to use 10 percent splits for the commodity profiles, starting from the most important sector through to the myriad of smaller trade lines. Next you take the most recent trade data and line it up against your starting set to analyse where the growth in trade has come from. Is it an increase in the main pre-FTA lines (trade deepening) or is it an increase in the smaller trade lines with several new lines being added (trade widening)? Sandrey et al 2007 examining the South African / EU relationship following the introduction of the TDCA arrived at a general conclusion from the main export lines that the evidence for tariff changes fostering South African exports to the EU was, well, inconclusive. While there was some tentative evidence of trade widening, the evidence was not compelling.

## 6. International Competitiveness

While easy to say this is more difficult to actually define, but it can be measured by observing what happens to an economy, as a continuous footrace could be observed by watching who is moving up or down the field. Economies, as with runners in this mythical endless footrace, can stay at the front, back or middle of the field, or by hard work and effort they can move forward (or backwards through mismanagement). Similarly, stars such as the Asian economies over the last few decades can move through the field with impeccable training and hard work while others with similar natural abilities do not as they cannot or will not put in the effort.

International competitiveness is the degree to which a country can, under free and fair market conditions, meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its citizens. Note the term ‘under free and fair market conditions’, as the race is not always free and fair! A nation’s competitiveness depends primarily on keeping productivity growth rates equal to or greater than those of its major competitors. This productivity growth rate is the essential key and is directly related to a nation’s rate of investment on research and innovation and its abilities to apply the outcomes from this research, and all of this demands a stable and sound economic infrastructure to work from with a nation determined to put in the effort.

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<sup>14</sup> SITC data is better than HS data as HS undertakes revisions to the categories and this can skew analysis.

Mwanza 2014<sup>15</sup> in reporting from the Davos International meetings wrote that:

“In spite of recording some impressive statistics including a third of its economies experiencing annual economic growth of more than 6%, and six out of the ten fastest growing economies in the world being from the continent, renewed calls for ensuring that such growth is inclusive and sustainable were made. This is particularly in view of the fact that the continent’s population is expected to double to 2 billion by 2050. By that time, the continent is expected to be home to a quarter of the global workforce. Depending on how this situation is managed, it is recognised that it could represent either an opportunity or threat to the development process within and across countries of the continent. Job creation and fostering entrepreneurship particularly among women and the youth was therefore seen as the top priority in ensuring that growth is inclusive into the long term. Increasing intra-African trade was seen as essential for such job and wealth creation, with some areas that will require particular focus for such increased trade and for further social-economic and political progress being cited as infrastructural development, investment in education, creation of an enabling environment for private sector growth, macroeconomic stability, political stability and good governance. It was noted that while some natural resource sectors such as mining are driving growth considerably, these are normally capital intensive and so may not create many jobs. They hence need to be managed in ways that ensure that resources are invested back into economies so as to ensure that they are diversified in a sustainable way.”

There are many components determining a stable and sound economic infrastructure and compiling let alone measuring these components is a daunting task. This section will draw heavily upon and extensively use the **Global Competitiveness Report (GCR)** is a yearly report published by the World Economic Forum. There are other international agencies and forums measuring the same or similar factors either in part or in whole but their general conclusions point the same way.

The GCR ranks countries based on the **Global Competitiveness Index**, an index that integrates the macroeconomic and the micro/business aspects of competitiveness into a single index. It assesses how well the foundations are to allow a country to productively use available resources by measuring and ranking the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity for an individual country. Economists earlier developed the concept of comparative advantage which assesses the natural advantages that a country has and how that is

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<sup>15</sup> Mwanza, W. 2014. ‘Africa in a constantly evolving global economic landscape: Reflections from Davos 2014’, tralac Hot Seat Comment, January 29th, 2014.

reflected in its trading portfolio and performance. More recently the focus has shifted to competitive advantage, which in effect places more weight upon what a country does with what it has rather than just examining what it has. An analogy can be drawn with a sportsperson, as many people have natural abilities but few succeed with intensive preparation and training. Critically, competitiveness is not about cheap labour or favourable exchange rates, it is about productivity which in turn can be loosely interpreted as measuring the output against your inputs.

The GCR rightly considers that in the early stage of development countries compete based on their factor endowments, primarily unskilled labour and natural resources. Within that country companies then compete on the basis of prices and sell basic products or commodities, with their low productivity reflected in low wages. That development is based upon twelve pillars of competitiveness is the thesis of the GCR. These are: 1) institutions, 2) appropriate infrastructure, 3) a stable macroeconomic framework, 4) good health and primary education, 5) higher education and training, 6) efficient goods markets, 7) efficient labor markets, 8) developed financial markets, 9) the ability to harness the benefits of existing technologies, 10) market size, both domestic and international, 11) producing new and different goods using the most sophisticated production processes, 12) and finally but not least innovation. To maintain competitiveness at an early stage of development, competitiveness hinges mainly on well-functioning public and private institutions (pillar 1), appropriate infrastructure (pillar 2), a stable macroeconomic framework (pillar 3), and good health and primary education (pillar 4).

An examination of the so-called ‘Asian miracle’ whereby a succession of Asian countries went virtually from under or undeveloped in the space of a generation clearly points to this framework. This ‘Asian miracle’ is still happening, as China and the new generation ‘miracle’ economies in Asia such as Vietnam and Cambodia attest. Over at least four decades this expansion has been driven by manufacturing exports to the United States in particular, and has been enabled through an overall constructive policy package that opened markets, implemented favourable trade and exchange rate policies, and provided a sound and stable government that inspired investment and secured property rights.

Notwithstanding the dramatic economic growth of Botswana, there has been no ‘African miracle’ of countries following the Asian pathway. While a succession of Asian countries have exhibited dramatic growth over the last thirty to fifty years, Africa has largely stagnated. Africa has been unable to put the full package in place, and this has resulted in a manufacturing sector whose contribution to both Gross Domestic Product (GDP) and export shares is significantly below the continent’s developing-

country peers. Growth in natural resource-rich developing countries in general has lagged behind those with a manufacturing focus, and this is especially the case in Africa with its poor linkages to unskilled labour and its appetite for rent-seeking activities. Africa's industrial base is not as robust as theory suggests it should be. Except for South Africa, manufacturing exports are notably absent, with only textiles and clothing featuring in those countries where manufacturing also features. Importantly, Africa has failed to capitalise on its significant tariff preferences into the US, although we recognise that non-tariff measures are inhibiting African efforts.

In recent times much has been said about Industrialization in Africa. Sadly, as often is the case for the continent, when all has been said and done much more has been said than done. Africa, and in particular South Africa, has missed this industrialization bus. There are three consequences of missing the bus. The first is that East Asia (read China in particular but not exclusively) has dominated the global markets – especially for manufacturing and increasingly services. This has in turn allowed the second consequence of the decline of the manufacturing sectors in African countries (with some exceptions in South Africa such as the auto industry). Finally, and perhaps more importantly, China has left Africa with this severely weakened base to begin a renaissance to recapture even home markets let alone those elsewhere on the continent and further afield against this firmly entrenched Chinese domination.

Back to the GCR, they argue that as wages rise with advancing development, countries move into the efficiency-driven stage of development, when they must begin to develop more efficient production processes and increase product quality. At this point, competitiveness becomes increasingly driven by higher education and training (pillar 5), efficient goods markets (pillar 6), efficient labour markets (pillar 7), developed financial markets (pillar 8), the ability to harness the benefits of existing technologies (pillar 9), and its market size, both domestic and international (pillar 10). Finally, as countries move into the innovation-driven stage, they are only able to sustain higher wages and a higher standard of living if their businesses are able to compete by providing new or unique products. At this stage, companies must compete by producing new and different goods using the most sophisticated production processes (pillar 11) and through innovation (pillar 12).

Thus, the impact of each pillar on competitiveness varies across countries, in function of their stages of economic development. Therefore, in the calculation of the GCI, pillars are given different weights depending on the per capita income of the nation. The Global Competitiveness Index's annual reports are somewhat similar to the Ease of Doing Business Index and the Indices of Economic Freedom, which also look at factors affecting economic growth.

## Enabling Global Trade Report<sup>16</sup>

The World Economic Forum also conducts an assessment of factors that enable trade provides a reminder of the attributes that govern a nation’s ability to benefit from trade. These attributes are captured in the Enabling Trade Index (ETI), which stands at the core of the Report and includes four broad categories: market access, border administration, infrastructure, and the business environment. The ETI measures the countries’ institutions, policies, and services facilitating the free flow of goods over borders and to destination. As shown in Table 26 the structure of the Index mirrors the main enablers of trade, breaking them into four overall issue areas, or subindexes: (1) market access, (2) border administration, (3) transport and communications infrastructure, and (4) the business environment. The assessments and rankings for Mozambique are given below for the aggregate pillar rankings for 2012 on the right hand side. These rankings are out of 132 countries, and disappointingly Mozambique’s rankings are low-ish in too many categories. Note however that Mozambique scores relatively highly for market access.

**Table 29: World Economic Forum Enabling Trade Index for Mozambique, global rankings**

Enabling Trade Index (with rank out of 132 countries)	2012
2012 Index .Overall	97
Subindex A: Market access	31
1st pillar: Domestic and foreign market access	31
Subindex B: Border administration	87
2nd pillar: Efficiency of customs administration	87
3rd pillar: Efficiency of import-export procedures	98
4th pillar: Transparency of border administration	81
Subindex C: Transport & communications infrastructure	120
5th pillar: Availability and quality of transport infrastructure	99
6th pillar: Availability and quality of transport services	126
7th pillar: Availability and use of ICTs	118
Subindex D: Business environment	102
8th pillar: Regulatory environment	107
9th pillar: Physical security	101

Source: Global Enabling Trade Report, 2012

Listed separately the most problematic factors for exporting where: Access to trade finance; Inappropriate production technology and skills; Identifying potential markets and buyers; Difficulties

<sup>16</sup> <http://www.weforum.org/issues/international-trade>

in meeting quality/quantity requirements of buyers; Access to imported inputs at competitive prices; Burdensome procedures and corruption at foreign borders; High cost or delays caused by domestic transportation; Technical requirements and standards abroad; Rules of origin requirements abroad; and High cost or delays caused by international transportation. Similarly, the most problematic factors for importing were; Corruption at the border; Tariffs and non-tariff barriers; Burdensome import procedures; High cost or delays caused by international transportation; High cost or delays caused by domestic transportation; Crime and theft; Domestic technical requirements and standards; and Inappropriate telecommunications infrastructure.

## **7. Trade negotiations and trade modelling**

### **Other issues in the negotiations**

Any negotiation will end with both winners and losers. Consumers benefit from the free trade agreement as they have a wider access to goods at lower prices. Producers in the importing country suffer losses, as there is a price decrease that induces a decrease in output of existing firms (and perhaps some closures), a decrease in employment, and a decrease in profit. And the government loses tariff revenue that would have been collected on imports, and this, in turn, may reduce government spending or transfers or raise government debt. The aggregate national welfare effect is found by summing these gains and losses to consumers, producers and the government. The relative size of these components dictates whether the overall effect is positive or negative. In practice, the producer effect is likely to be negative notwithstanding the extent to which competition exhorts more efficiency; the consumer effect will be unambiguously positive. The tax collection effect is likely to be negative notwithstanding the (largely) theoretical argument that it can be positive as the increase in imports is such that more tariff revenue can, in fact, be generated. This can become a major issue for developing countries. Another factor is the complex issue of employment. The latter is important in Africa in particular where neither alternative employment nor welfare nets are available to those losing their jobs. It also features strongly in the protectionist policies of developed countries as they seek to curtail labour-intensive goods such as clothing and footwear where developing countries have a low labour cost competitive advantage.

### **Sensitive products**

Fundira (2011) examines the issue of sensitive products or those products that countries wish to protect from further competition in the context of regional integration through the so-called Tripartite



FTA. He finds that regionally designating sensitive products can perpetuate inefficiencies and undermine the process of regional integration, and this problem is accentuated by the lack of resources and analytical capacity in the region to undertake detailed analysis and develop guidelines and benchmarks. Furthermore, there is no clear understanding as to what the purpose of a sensitive list is (beyond lobbying) with respect to economic versus social versus political concerns and agendas, and even a modest sensitive list reflects poorly on the desire for the liberalisation that the region has an ostensive aspiration to. Therefore, it is essential to be clear about what goods need protection and why. And, of course, it goes without saying that a clear and concise negotiating agenda is necessary with respect to those goods for which market access concessions are sought for entry to the negotiating ‘adversaries’ market. That said, it must also be recognised that should instant gratification not be obtained on either offensive or defensive positions, a phasing-in period may be acceptable in the long term. And recognise when examining your defensive positions that in the longer term competition from imports may well force efficiency gains into your domestic productive sectors, as that accounts for much of the theoretical gains suggested by computer model simulations (based on the model assumption and directives that this will happen of course).

An indication of the potential road-block problems from sensitive products can be gleaned from the initial listing provided by the EAC to the EPA negotiations. The EAC<sup>17</sup> Secretariat report that about one-fifth (17.4%) of EAC imports from the EU is excluded from liberalization commitments under the EPA. These products constitute the EAC Exclusion List/List of Sensitive Products. Criteria for including products on this list included contribution to rural development, employment, livelihood sustainability, promotion of food security, fostering infant industries, contribution to government revenues. Products which were deemed to contribute or to have a potential to contribute to increased production and trade competitiveness were excluded from the list. All products subsidized by EU are on this list.

Some of the products on the EAC exclusion list include: live animals; meat and edible meat offal; fish and crustaceans, molluscs and other aquatic invertebrates; dairy produce; birds' eggs; natural honey; edible products of animal origin; live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage; edible vegetables and certain roots and tubers; edible fruit and nuts; peel of citrus fruits or melons; coffee, tea, maté and spices; cereals; products of the milling industry; malt; starches; vegetable plating materials; vegetable products nes; animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes; preparations of meat, of fish or of

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<sup>17</sup> Verbatim from [http://www.eac.int/trade/index.php?option=com\\_content&id=121&Itemid=105&limitstart=1](http://www.eac.int/trade/index.php?option=com_content&id=121&Itemid=105&limitstart=1)



crustaceans, molluscs or other aquatic invertebrates; sugars and sugar confectionery; cocoa and cocoa preparations; preparations of cereals, flour, starch or milk; pastry cooks' products; preparations of vegetables, fruit, nuts or other parts of plants; miscellaneous edible preparations; beverages, spirits and vinegar; residues and waste from the food industries; prepared animal fodder; tobacco and manufactured tobacco substitutes; plastics and articles thereof; wood and articles of wood; cotton; man-made filaments; man-made staple fibres; footwear, gaiters and the like; parts of such articles; iron and steel; and articles of iron or steel.

### **Trade diversion**

Another danger in preferential trade agreements is trade creation versus trade diversion. Trade creation is new trade from a FTA partner which would not have existed otherwise, and that, generally, is good. But often much of this may just be trade diversion away from other, non-preference partners, and that may be bad – bad in the sense that it has resulted from an artificial advantage under the FTA in that one is not buying from the world's lowest cost supplier. This is mitigated under a WTO agreement, as all trading members of the WTO are treated equally (the Most Favoured Nation – MFN – principle).

Recent research and discussion point to how trade diversion becomes a particular and potentially costly problem for Africa (Nkuepo, undated). In general, sourcing from a low-cost supplier (China) avoids this problem whereas an agreement such as the TDCA whereby SACU may be sourcing from the higher-cost EU may be hiding trade diversion. A wedge is driven between comparative advantage and what actually happens. Conversely, it must be stated that one country's trade diversion (negative for that country) is the partners' trade creation (good for them).

Only by a careful analysis of overall effects can an indication be made as to whether or not an FTA will be unambiguously positive for a country. Often a computer trade model is employed to undertake such an analysis, as in a dynamic and complex world where there may be many trade policy options facing politicians and other decision makers. This is because a model can assist in clarifying the potential trade-offs. These trade models' strength is the ability to handle large and complex data sets and interactions within an economy and to report upon the implications of the changes under examination. Their weakness is that models only react to the assumptions made and the data used, and great care must be exercised in the interpretation of their results.

The simpler step-by-step analysis can, however, be extremely useful. Tralac are using a spreadsheet model for a line-by-line analysis of the trade and tariff effects, and it is hoped to bring that analysis

into this paper. On the wider theme Khor (2005) provides a blueprint for FTA analysis, where he lists possible benefits and costs. Under ‘benefits’ he includes market access in both merchandise goods and services, possible concessions on Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) issues, possible aid mechanisms, and possible investment and investment-related benefits. On the costs side, he lists market access costs of merchandise goods and into the home country, intellectual property costs such as restricted and more costly access to medicines and copyrights, the so-called Singapore issues, and labour and environmental costs. He stresses how many of these costs really only apply to developing countries, which reinforces the need for often capacity-constrained developing countries to be vigilant.

We consider that a useful framework approach is to consider the issues within the context of international competitiveness. This is a valid, indeed a necessary, approach, as a fundamental objective of a trade agreement must be to improve the competitiveness of the business sector. This, in turn, reinforces the need for negotiators to be in meaningful dialogue with the business sector. Trade negotiations are not a game for officials but rather a meaningful attempt to improve the competitiveness of the wider economy and increase overall welfare.

Although not really relevant to this TFTA discussion, Martin Khor (2005) presents an excellent discussion of how differences between multilateral (WTO) and regional/bilateral agreements such as the EPA and TFTA negotiations unfold in reality. He supports the generally agreed view that an FTA is not the best option as multilateral agreements are preferred. His first point is the trade diversion phenomenon discussed above, with the weaker bargaining positions and negotiated resources of developing countries (a weakness accentuated by the proliferation of negotiating demands). This is followed by the WTO principles of special and differential treatment whereby least developed countries in particular usually mean that those poorer countries are obliged to make few, or even no, meaningful concessions. Conversely, FTAs generally feature reciprocity whereby equal treatment is likely to result in unequal outcomes for developing and least developing countries. This can apply to merchandise goods’ access, intellectual property, and services. Next is the concept of ‘WTO plus’ whereby many issues such as the Singapore issues are introduced ‘by the side door’ as they have been rejected as WTO issues in many modern FTAs.

### **Non-tariff Barriers and Non-tariff Measures**

This final point is important. The WTO defines Non-tariff Barriers as a term that normally refers to government imposed’ or ‘government sponsored’ measures, other than measures such as quotas,

import licensing systems, sanitary regulations, prohibitions, and so forth. The next sentence states that they are the same as ‘non-tariff measures’.<sup>18</sup> Viljoen (2011) discusses how successive rounds of multilateral trade negotiations have led to a decrease in the use of tariffs as barriers to trade and how this has been substituted by the increased importance of NTBs that increase business costs and restrict market access. These restrictions include a diverse range of measures such as export taxes, import bans, government monopolies, cumbersome documentation requirements and a lack of physical infrastructure, and they are seen as a growing concern in Africa and a major obstacle to regional integration.

Viljoen finds that the most prevalent NTBs hindering regional trade in the Tripartite Territory of COMESA, the EAC and SADC include customs procedures and administrative requirements, technical standards, government participation in trade, and the lack of physical infrastructure. This is of particular importance to agricultural trade within the region. Cumbersome documentation requirements, stringent standards and inefficient road and rail networks cause time delays and increase the cost of intraregional trade. This has a direct and indirect impact on the quality and price of agricultural products available in the regional market. She considers that in order to enhance regional development and promote intraregional trade the tripartite member states need to intensify efforts to address NTBs on a regional basis.

Pearson (2012) gives an excellent outline of the problems that excessive freight costs bring to the TFTA area and the steps that are being taken to alleviate these problems. Road transport and associated border crossings are at the heart of these problems, and consequently much of the effort to mitigate these costs is aimed here.

### **Trade models in FTA negotiations**

In a dynamic and complex world where there are many trade policy options facing politicians and other decision makers the use of models to assist in clarifying the potential trade-offs that are inherent within such complexities is becoming more routine. The model of choice is the Global Trade Analysis Project (GTAP) model. Examples using this GTAP model include earlier tralac research (Sandrey et al., 2011) exploring the economic background to the FTA between Comesa, the EAC and SADC. This showed that while there were solid economic gains to the region from such an FTA there were also many problems, both from an economic perspective and from the political-economy perspective. Furthermore these problems were interrelated. Highlighted were the problems of (a) overlapping

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<sup>18</sup> See [http://www.wto.org/english/tratop\\_e/dda\\_e/status\\_e/jargon\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/status_e/jargon_e.htm)

memberships in the region and (b) the substantial economic losses for some countries resulting from comprehensive trade liberalisation. In addition, and while perhaps not highlighted but certainly in the background, is the regional problem of several failed or semi-failed states that are patently not yet candidates for regional integration.

Computerised trade models are extremely sophisticated in their linkages and reflections to economic theory, their data bases are enormous and their abilities to simulate complex questions involving a multitude of interactions cannot be replicated any other way. Their strength is undoubtedly the ability to handle these large and complex data sets and interactions within an economy that take place when a structural change is made and to report upon the implications of these changes. There are however several weaknesses, including the large of reliable data and the inability to provide any insights into potential new areas of trade that may develop from an FTA. This development of new trade is an important part of the potential gains from an FTA, and introduces the notion of ‘trade chilling’ whereby current tariff barriers are inhibiting trade to the extent there is no base for the marginal increase that tariff reductions may bring. Overall, while these models have their uses it is appropriate to consider whether a large scale (the so-called CGE for computer general equilibrium model) is really needed for a case we are studying.

This introduces the concept of a smaller model or partial equilibrium model that just examines the recent trade flows and associated tariffs in isolation from all other factors to get an approximation to the possible changes. Such a spreadsheet model has been developed by tralac and is being used for the individual TFTA partners to look in more detail at the trade flows at the disaggregated level. These results are proving extremely valuable and provide more detailed analysis for policy makers.

Another feature of this tralac spreadsheet model is that it is able to give an accurate picture of how the tariff concessions may influence the total tariff collection at the border.

## An example - Implications for Mozambique of a Free Trade Agreement: ‘Cape to Cairo’<sup>19</sup>

### Introduction

In assessing Southern Africa’s future trade policy options, the increasing focus on the African continent and in particular the so-called ‘tripartite’ agreement has to be considered. The trade and political economy background to this agreement was discussed in Sandrey et al. (2011), along with the quantitative analysis of how regional trading within the tripartite countries may be advanced by the adoption of a free trade agreement (FTA) between SACU and SADC and the EAC and COMESA. The GTAP database and its associated general equilibrium model are used for the analysis, and the starting point is a simulation of the ‘known’ and best estimate conditions that will prevail at the end of 2020, followed by an assessment of the difference that the selected FTA policy change under consideration is likely to make.

In order to reach the final tripartite FTA and indeed an initially acceptable set of comprehensive regional FTAs, there needs to be a resolution of the overlapping memberships in the region. Unfortunately this problem is somewhat exaggerated by the GTAP country/regional aggregation (shown later). In this section four sequential FTA scenarios are run: 1) SADC, 2) EAC, 3) COMESA and 4) tripartite. Each one is deemed to be fully operational before the next simulation in the sequence is run, starting with SADC because the analysis concentrates on the impacts for South Africa. Basically, if a country like Mauritius belongs to both SADC and COMESA, and Kenya belongs to both EAC and COMESA, there will be no gains to Mauritius for sugar exports to Kenya from the full FTA as it already has that access via COMESA. Thus, it is hardly surprising that, as both the powerhouse of Africa and one of the few countries not claiming multiple memberships, South Africa gains the most from a final tripartite FTA.

Much of the literature related to FTAs has been focused on the relationship between the EU and African countries/regions with respect to the Economic Partnership Agreements (EPAs) currently being negotiated. Lewis et al. (2003) find that unilateral access to the EU is more beneficial for SADC countries than a SADC FTA because the SADC countries trade more with the EU than with each other, but that all the FTAs are trade-creating. Keck and Piermartini (2005) find that EPAs with the EU lead to substantive increases in real GDP for SADC, and that in most SADC countries further gains may arise from intra-SADC liberalization. They also found that at the sectoral level the largest

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<sup>19</sup> This draws heavily from recent tralac work by Hans Grinsted Jensen and Ron Sandrey

expansions in SADC economies take place in the livestock and processed food sectors. McDonald and Thierfelder (2009) confirm that for a ‘pure’ SADC FTA the welfare gains are substantial but heavily weighted to South Africa.

Karingi and Fekadu (2009) examine the implications of rationalizing the trade regime of the COMESA, EAC and SADC groupings through the formation of what they called a ‘Grand CES FTA’. Their analysis differs from that conducted here because they also model the impact of an EU-CES FTA. Their results clearly show that overall, for the group of 26 tripartite countries, there are benefits from the Grand CES FTA, but that SADC takes most of the gains. For the SADC FTA their results suggest GDP gains of just on 2.25 percent to SADC countries once the EU is brought into the agreement, but only about half of that without the EU. The EAC gains marginally but COMESA actually loses by around 0.75 percent of GDP once the EU relationship is consummated. This leads them to argue that the CES Tripartite Framework should also work towards addressing supply side constraints in each of the regional groupings.

DNA (2007) looks beyond the usual boundaries of FTA analysis to a Customs Union, and conclude that a SADC customs union would promote development if it is used to promote openness and integration into the global economy and lower cross-border transaction costs. Benefits of regional trade may be important, but intra-regional trade is unlikely to be the main driver of regional development as the region is too small.

### **The GTAP database/model**

The standard GTAP model<sup>20</sup> is a comparative static general equilibrium model: while it examines all aspects of an economy it does not specifically incorporate dynamics such as improved technology and economies of scale over time. The economic agents (consumers, producers and government) are modelled according to neoclassical economic assumptions, with both producers and consumers maximising profits and welfare respectively, with markets perfectly competitive, and with all regions and activities linked. Results are measured as a change in welfare arising from the reallocation of resources and the resulting change in allocative efficiency; as terms of trade effects; as capital accumulation; and as changes in unskilled employment. This change in welfare is based upon a representative household, so unless this is modified it is not possible to examine the distributional aspects other than through the skilled/unskilled labour market closures. The standard GTAP model

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<sup>20</sup> See Hertel and Tsigas, 1997 for an explanation of the structure of the GTAP model, Hertel *et al.*, 2007 for a discussion of its usefulness in policy making and Valenzuela *et al.*, 2008 for its sensitivity to modeling assumptions.

also does not address the time path of benefits and capital flows. These changes are important as they allow consumers to borrow, which in turn allows consumption patterns to vary over time. The database is the pre-release Version 8 GTAP database with the base year 2007 but where the 2004 tariff data originating from the Market Access Maps (MacMap) database have been used with some verification and minor modifications. The main unskilled labour market closure of the model has been changed so that the supply of unskilled labour is endogenously determined by the labour supply elasticity.

The GTAP model expresses the welfare implications of a modelled change in a country's policy as the Equivalent Variation (EV) in income. This measures the annual change in a country's income (gains or losses) from having implemented, for example, an FTA. The EV in this case is simply defined as the difference between the initial pre-FTA scenario income and the post-FTA scenario income, with all prices set as fixed at pre-FTA levels. If a country's EV in income increases due to a policy change, the country can increase its consumption of goods equal to the increase in income and thereby improve the national welfare in the country. Total welfare gains/losses can be decomposed into contributions from improvements in allocative efficiency, capital accumulation, changes in the employment rate of the labour force, and terms of trade.

Gains from **allocative efficiency** arise from improved reallocation of resources from less to more productive uses. For instance, when import tariffs are abolished, resources shift from previously protected industries towards sectors where the country has a comparative advantage, producing an increase in real GDP and economic welfare. In normal 'non GTAP speak' this economic efficiency is all about building a competitive economy.

**Terms of trade** effects are the consequence of changing export and import prices facing a country. So, when a country experiences an increase in its export price relative to its import price (e.g. due to improved market access), it may finance a larger quantity of imports with the same quantity of exports, thus expanding the supply of products available to the country's consumers. While allocative efficiency contributes to increases in global welfare, the terms of trade affect the distribution of welfare gains across countries; essentially, one country's terms of trade gain is another country's terms of trade loss. The global total must therefore add to zero, and if a large proportion of the benefit to South Africa from an FTA is derived from terms of trade effects, this implies transfers to South Africa from the rest of the world.



**Capital accumulation** summarises the long-run welfare consequences of changes in the stock of capital due to changes in net investment. A policy shock affects the global supply of savings for investment as well as the regional distribution of investments. If a trade agreement has a positive effect on income through improvements in efficiency and/or terms of trade, a part of that extra income will be saved by households, making possible an expansion in the capital stock. At the same time, rising income will increase demand for produced goods, pushing up factor returns and thus attracting more investments. Generally, economies with the highest growth will be prepared to pay the largest rate of return to capital, and will get most of the new investments. Therefore long-run welfare gains from capital accumulation tend to reinforce the short-term welfare gains deriving from allocative efficiency and terms of trade.

The welfare effects of changed **employment** rates are the consequence of changes in the employment of the unskilled labour force due to changes in the real wage. In a situation where the demand for labour increases and thereby the real wage, the amount of labour employed increases, reducing the relative increase in the real wage and thereby increasing the competitiveness of the country's industries.

### **The GTAP simulations<sup>21</sup>**

The analysis undertaken here is based upon a variant of the GTAP model to simulate the impact of possible multilateral market access reforms resulting from a sequence of FTAs involving Mozambique. The applied ad valorem equivalent (AVEs) tariff data found in the pre-release GTAP Version 8 database originates from the Market Access Maps (MacMap) database and contains bilateral applied tariff rates (both specific and ad valorem) at the 6-digit Harmonised Systems (HS6) level. These are then aggregated to GTAP concordance using trade weights.

Before simulating the trade policy (FTA) scenario, a baseline scenario implementing trade policy commitments which would likely precede a 'tripartite' FTA was constructed and projected to the year 2025. Thereafter the 'tripartite' FTA is implemented in the year 2020. The baseline scenario updates the standard database with a projection of the world economy from 2007 to 2020, applying suitable shocks to GDP, population, labour and capital, as well as incorporating important developments, realised or planned, since 2007. These developments are the implementation of the Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU. In addition, the assumption is made that the EPAs between all African countries except South Africa and the EU will

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<sup>21</sup> See Hertel, *et al.* (2007) for a discussion of the usefulness of the GTAP in modelling free trade agreements.



be implemented. For the EPA the assumptions are made that (a) EU27 tariffs are reduced to zero for all EPA countries and commodities, except for sugar and beef where reductions of 50 percent were made, (b) for South Africa the EU reduces their tariffs by 20 percent in an agreement associated with the EPA, and (c) all EPA countries reduce their tariffs by a blanket 40 percent on EU imports.<sup>22</sup>

Shocks are applied to GDP, population, labour force, and capital to project the world's economy to the baseline year of 2020 when the FTAs should be fully implemented. The GTAP model then determines changes in output through both an expansionary and a substitution effect in each country/region of the model. This expansion represents the effects of growth in domestic and foreign demand shaped by income and population growth and the assumed income elasticities, while substitution reflects the changes in competitiveness in each country/region shaped by changes in relative total factor productivity, cost of production as well as any policy changes.

The TFTA FTA is implemented using the updated GTAP database as the base for this simulation. This enables the gains achieved at 2020 by implementing the FTA to put into perspective. More precisely the modelled scenarios assume that:

- All ad valorem tariffs and ad valorem equivalents of specific tariffs between the 'willing' are abolished;
- An assumed two percent blanket tariff equivalent to represent non-tariff barriers (NTBs) has been built in to proxy a reduction in these barriers from an FTA. Note that there is no empirical justification for this level;
- A similar two percent NTB has also been applied to services to proxy some gains from an FTA where services have been factored in.

Differences between the baseline and the primary scenario as measured by the changes in 2020 as expressed in 2007 real US dollars are therefore the results of implementation of the FTA.

### **The economy-wide results**

We use as our primary scenario the simulation whereby all tariff between participants are reduced to zero **and** factor in an additional 2 percent reduction as a proxy for enhanced efficiency gains in areas such as infrastructural cooperation between the two parties that can be viewed as a proxy for a reduction in NTBs. An FTA is more than just a tariff reduction programme, and we believe that this additional 2 percent advantage gained proxies this.

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<sup>22</sup> While this may not be an accurate prediction of the EPA outcomes, it seems to be a realistic one.

Table 30 shows the changes in welfare from the FTAs assuming the scenario of the 100 percent reduction in merchandise tariffs and a 2% reduction in NTBs. The results are expressed in US\$ million as one-off increases in annual welfare at the assessed end point of 2020. For South Africa these gains are some \$6 billion in real terms, which completely dominates the results, and most of these gains come from a full integration of the SADC FTA. The EAC and COMESA FTA's are of little importance to South Africa, but the full TFTA does add significant welfare gains. Mozambique makes significant gains from the SADC FTA as shown, and similarly with South Africa the EAC and COMESA integrations are of no consequence. The full tripartite FTA is however important, and we would expect these gains to be the result of better sugar access into the EAC (Kenya) in particular.

**Table 30: Change in welfare (EV of income) due to the FTAs, US\$ million, 2007-2020.**

	SADC	EAC	COMESA	Tripartite	Total
total SADC	4,713	30	-73	1,371	6,040
South Africa	4,755	-16	-6	1,312	6,045
Angola/DRC	-1,892	-9	-166	-28	-2,096
<b>Mozambique</b>	<b>561</b>	<b>0</b>	<b>-1</b>	<b>94</b>	<b>653</b>
Tanzania	531	58	-7	25	608
total EAC	455	325	458	-254	984
total COMESA	1	-9	649	189	830
World Total	2,041	-193	-459	91	1,480

Source: GTAP output

Because of the problems of overlapping memberships and the large losses that result for the Angola/DRC aggregation, tralac extended the GTAP analysis to include just those larger economies that may be more amenable to an FTA in Sandrey and Jensen (2013). It was, in essence, a European Union approach to integration whereby countries accede to the founding members when they become eligible and willing to join. These initial members were SACU, EAC and Egypt. Thus Mozambique was not 'admitted to the inner circle'. This simulation used an updated GTAP database but the same basic scenarios, and the results clearly reinforced that (a) South Africa has as much to gain by going forward with the 'Willing' FTA as it does from a fraught Tripartite agreement and (b) the 'collateral damage' to those TFTA members excluded was absolutely minimal excepting for Mozambique. An interrogation of the GTAP output reveals that Mozambique loses because it is not able to benefit from improved sugar access into Kenya in particular and exports are lost through trade diversion from South Africa and Swaziland.

## Assessment of the COMESA-EAC-SADC Tripartite FTA, Willenbockel, 2013

Willenbockel 2013 undertakes a similar GTAP exercise to that done by tralac at different stages. He uses the same country aggregations, similar product aggregations and runs a series of eight different scenarios that are somewhat similar to those undertaken by tralac in different papers. These scenarios are<sup>23</sup>:

1. Elimination of remaining intra-COMESA and intra-SADC baseline tariffs (tralac baseline)
2. Elimination of all intra-TFTA tariffs
3. 2 without participation of Angola, DR Congo and Ethiopia<sup>24</sup>
4. 2 except tariffs on fossil fuels and sugar products
5. Combination of 3 and 4 exclusions
6. Full liberalisation of capital goods, 80% tariff cuts on intermediate goods, 50% tariff cut on consumption goods
7. Full liberalisation of non-sensitive commodity groups, partial (50%) liberalisation of sensitive goods, defined by high (10% plus) tariff rates.
8. Elimination of tariffs as in 2 and real transport/transaction cost reduction on intra-TFTA flows.

All eight trade liberalization scenarios give positive net real income gains for TFTA region as a whole, but only the final scenario that includes transportation cost reduction gives positive values for all individual TFTA countries / country aggregations as well as clearly being the best option. As with tralac results, the Angola / DRC aggregation shows negative outcomes for all except the inclusion of transaction costs, while Malawi, Rwanda, Zambia and Zimbabwe similarly all show losses except for the transport costs scenario. This is similar to the tralac results, although Willenbockel uses a different welfare measurement from GTAP and a different baseline for the simulations in that tralac assumes that Willenbockel's Scenario 1 has taken place before the GTAP runs. This will alter the magnitude of the changes but should have little influence on the positive/negative outcomes. The reduction in transport costs is overwhelmingly the most important outcome, and highlights just how expensive inadequate and expensive transport in the region holds back progress. For transport costs you could just as easily read general non-tariff barriers in infrastructure.

<sup>23</sup> Note in particular two simulation, number 3 and number 5, exclude Ethiopia as well as the problematical Angola/DRC grouping.

<sup>24</sup> It is unclear as to why Ethiopia has been left out of this scenario 3 and scenario 5. Deleting both Angola and DRC is understandable as neither are ready for deeper regional integration.

Willenbockel provides a summary for each country and we will provide a moderately edited copy of his summary in this paper of his discussion for Mozambique. In the background discussion he outlines that how Mozambique is a member of SADC and baseline tariffs on imports from TFTA countries are already very low or zero in the baseline. On the export side, Mozambique faces a very high average TFTA baseline tariff rate for sugar products and also high TFTA tariffs on ‘other manufactures’ and on beverages and tobacco. The country’s main merchandise exports are in the commodity groups metals and fossil fuels. Mozambique is projected to enjoy a moderate aggregate net welfare gain (0.21 percent) under the S2 scenario and a very strong gain (2.19 percent) under the S8 scenario. The volume of aggregate intra-TFTA imports rises by 2 to 11 percent while the volume of intra-TFTA exports rises by 4 to 14 percent.

The strongest sectoral impact of TFTA is projected for sugar products with an output increase by over 37 percent relative to the baseline as Mozambican total sugar product exports are boosted by 60 percent in response to the tariff cuts under S2. As a result, domestic sugar cane production also expands strongly. However, as the shares of the domestic sugar sectors in total aggregate gross output, employment and exports of the Mozambican economy are small the impact of these strong sectoral effects on aggregate economy-wide variables including national welfare remains moderate. To offset the reduction in tariff revenue under S2, an increase in the effective income (or value-added) tax rate by 0.36 percentage points or an increase in effective household consumption taxes by 0.45 percentage points would be sufficient. These sugar results are consistent with tralac’s research.

### **The tralac spreadsheet – partial equilibrium model**

Computerised trade models are extremely sophisticated in their linkages and reflections to economic theory, their data bases are enormous and their abilities to simulate complex questions involving a multitude of interactions cannot be replicated any other way. Their strength is undoubtedly the ability to handle these large and complex data sets and interactions within an economy that take place when a structural change is made and to report upon the implications of these changes. There are however several weaknesses, including the large of reliable data and the inability to provide any insights into potential new areas of trade that may develop from an FTA. This development of new trade is an important part of the potential gains from an FTA, and reinforces the notion of ‘trade chilling’ discussed above whereby current tariff barriers are inhibiting trade to the extent there is no base for the marginal increase that tariff reductions may bring. Overall, while these models have their uses it is

appropriate to consider whether a smaller scale and more detailed model may give more insightful information.

This introduces the concept of a smaller model or partial equilibrium model that just examines the recent trade flows and associated tariffs in isolation from all other factors to get an approximation to the possible changes. Such a spreadsheet model has been developed by tralac and is being used for the individual TFTA partners to look in more detail at the trade flows at the disaggregated level. These results are proving extremely valuable and provide more detailed analysis for policy makers.

Another feature of this tralac spreadsheet model is that it is able to give an accurate picture of how the tariff concessions may influence the total tariff collection at the border.

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## Annex

This Annex provides details of Mozambique’s trade with its TFTA negotiating partners of EAC, Comoros, the DRC, Angola, Djibouti, Egypt, Libya, Seychelles, Sudan, Ethiopia and Eritrea. Data is presented in US dollar thousands for the 2001 to 2012 period along with the total trade over this period. It is ranked by this total trade on the right hand column. The data is at the HS 6 level for imports and the less disaggregated HS 4 level for exports. A short description is also provided. A consistent format is used of providing (a) the Mozambique imports from the respective partner and then (b) the reverse flows of Mozambique’s exports to that partner

Note that only those countries with reported trade are included. There is no reported trade with Comoros, Djibouti or Libya, and only imports from Eritrea and exports to Ethiopia.



	Product label	Mozambique's imports from East African Community (EAC)												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	1,266	2,261	2,743	6,464	6,642	9,370	13,464	11,137	18,814	69,896	28,676	21,078	191,811
'2710	Petroleum	0	0	0	0	45	0	0	0	7	58,496	4,630	85	63,263
'5407	Fabrics	86	484	366	966	528	933	4,165	2,929	6,863	582	13,365	11,677	42,944
'8504	Transformers	34	0	0	0	46	595	1,149	1,170	913	101	125	125	4,258
'7010	Carboy etc	0	0	0	4	1,462	1,079	509	635	395	0	37	0	4,121
'7210	Flat iron	0	304	232	1,183	1,096	683	214	0	27	96	51	158	4,044
'3004	Medicament	100	179	59	124	129	194	342	956	610	583	532	233	4,041
'3402	Liquid soap	0	0	0	553	852	418	200	139	1,278	221	357	0	4,018
'2402	Cigarettes	0	73	46	90	48	31	34	64	224	59	155	2,223	3,047
'3924	Tableware plastic	0	0	0	1	5	14	13	104	457	275	1,116	777	2,762
'9403	Furniture	0	21	0	8	20	4	89	64	228	833	157	559	1,983
'8701	Tractors	0	0	0	0	0	223	48	12	397	1,229	0	18	1,927
'8709	Special trucks	0	0	0	0	0	0	0	0	0	0	1,853	0	1,853
'8451	Washing machines	0	0	0	0	0	0	1,447	322	57	0	8	0	1,834
'4819	Packing paper	0	0	0	4	91	230	148	194	97	314	528	103	1,709
'8438	Machinery of food	0	0	0	0	0	384	0	0	1,076	0	30	126	1,616
'3923	Plastics	0	12	0	0	29	12	159	516	366	277	91	44	1,506
'8704	Trucks	30	18	5	282	91	193	189	43	45	160	363	71	1,490
'2520	Gypsum	0	0	0	0	246	259	231	145	140	293	0	0	1,314
'4418	Timber	0	0	0	1	3	0	0	0	526	746	0	0	1,276
'8702	Buses	401	272	28	161	0	191	29	16	121	0	0	0	1,219
'2839	Silicates	0	0	5	0	7	0	62	196	153	260	220	314	1,217
'2401	Tobacco	0	0	0	0	0	0	0	0	0	1,190	0	0	1,190
'0713	Dried peas beans	0	25	0	218	164	771	0	0	0	0	0	0	1,178
'6305	Sacks etc	0	19	0	51	46	25	53	6	364	63	109	400	1,136
'3901	Polymers	0	0	0	48	37	488	455	26	0	17	42	0	1,113
'8418	Refrigerators	0	0	0	979	0	0	2	1	29	1	0	0	1,012

	Product label	Mozambique's exports to East African Community (EAC)												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	842	4,090	4,768	4,789	2,934	5,995	22,762	3,072	10,486	7,057	37,182	10,343	114,320
2710	Petroleum	0	0	0	0	0	0	0	0	0	1,250	23,592	5,273	30,115
1701	Sugar	0	0	545	0	0	3,468	19,758	0	0	0	0	0	23,771
902	Tea	183	1,527	943	1,351	1,442	1,135	2,139	1,556	2,250	2,670	1,670	1,474	18,340
1005	Maize (corn)	478	0	402	773	0	418	0	291	0	0	4,482	1,708	8,552
8705	Special vehicles	0	0	0	0	0	0	0	44	3,918	0	0	166	4,128
8431	Machinery part	0	0	3	0	0	0	0	1	565	554	765	718	2,606
713	Dried peas beans	0	144	34	554	510	7	0	0	0	0	829	63	2,141
8430	Boring machine	0	0	232	0	0	0	0	140	49	241	1,341	0	2,003
8702	Buses	6	0	0	1,529	0	0	0	0	0	0	0	0	1,535
2402	Cigarettes	0	0	0	0	0	0	320	181	0	438	449	0	1,388
5203	Cotton	0	606	446	18	252	0	0	0	0	0	0	0	1,322
9999	Commodity other	48	1,123	14	0	0	0	0	0	0	0	0	0	1,185
306	Crustaceans	0	0	0	0	2	1	0	1	0	3	1,078	2	1,087
5201	Cotton	0	0	928	0	0	0	0	0	0	0	0	0	928
1513	Coconut oil	0	0	0	0	34	15	0	76	0	263	469	35	892
8701	Tractors	0	0	0	0	0	0	0	0	700	137	0	0	837
8446	Weaving loom	0	0	0	0	0	0	0	0	412	386	0	0	798
307	Molluscs	0	0	0	0	0	0	0	0	0	0	670	27	697
8704	Trucks	19	58	45	16	12	2	63	85	282	0	0	102	684
8716	Trailers	0	1	0	0	0	0	35	0	535	0	0	0	571
1702	Sugars	0	0	0	0	0	529	0	0	0	0	0	0	529
2701	Coal	0	0	0	207	148	52	0	69	0	0	33	0	509
8474	Machinery mines	0	53	296	0	0	104	0	0	0	1	40	0	494

	Product label	Mozambique's imports from Angola												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	69	2	118	95	18	32	155	2,988	92	231	12,598	3,489	19,887
'8429	Bulldozer etc	0	0	0	0	0	0	0	0	0	0	4,283	0	4,283
'8462	Machine-tools	0	0	0	0	0	0	0	0	0	0	2,916	0	2,916
'8477	Machinery	0	0	0	0	0	0	0	2,109	0	0	0	434	2,543
'8705	Special vehicles	0	0	0	0	0	0	0	0	0	0	1,721	0	1,721
'8473	Parts computers	0	0	0	0	0	0	0	0	20	0	1,137	0	1,157
'8471	Computers	0	0	0	2	0	0	0	0	0	183	853	13	1,051
'8430	Boring gear	0	0	0	0	0	0	0	0	0	0	64	829	893
'8431	Machinery parts	0	0	0	15	0	0	0	621	0	0	124	102	862
'7308	Structures iron	0	0	0	0	0	0	0	0	0	0	0	682	682
'8480	Moulding	0	0	0	0	0	0	0	12	0	0	0	503	515
'8704	Trucks	0	0	0	0	0	0	6	0	14	5	382	0	407
'8474	Sorting gear	0	0	0	0	0	0	0	0	0	0	174	72	246
'8701	Tractors	0	0	0	0	0	0	0	0	0	0	197	0	197
'8479	Machines	0	0	0	0	0	0	0	0	0	0	0	129	129
'8525	Television gear	0	0	0	0	0	0	0	0	1	0	0	112	113
'8536	Fuses etc	0	0	0	6	0	0	92	0	0	0	0	1	99
'3824	Chemical products	0	0	82	0	0	0	0	17	0	0	0	0	99
'8427	Fork-lifts	0	0	0	0	0	0	0	0	0	0	96	2	98
'8501	Generators	0	0	0	0	0	0	0	0	0	0	90	5	95

	Product label	Mozambique's exports to Angola, \$1,000												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	501	483	859	621	821	1,540	15,213	9,314	8,961	2,522	6,838	24,064	71,737
8431	Machinery part	0	0	0	0	0	0	0	324	3,501	1,399	2,003	17,350	24,577
4907	Stamps	7	0	293	0	9	28	11,677	66	7	3	881	320	13,291
8429	Bulldozer etc	0	0	89	0	0	94	0	3,287	1,156	14	0	0	4,640
8704	Trucks	0	0	0	0	0	0	79	1,831	289	0	0	0	2,199
2402	Cigarettes	0	0	0	0	0	0	81	888	1,010	0	0	0	1,979
8479	Machines nes	0	0	0	0	0	0	0	127	4	0	0	1,802	1,933
8430	Boring gear	0	0	0	18	0	0	0	185	1,555	0	0	0	1,758
8307	Metal tubes	0	0	0	0	0	0	0	0	0	0	0	1,737	1,737
7204	Scrap iron	0	0	0	0	0	0	1,587	0	0	0	21	0	1,608
8306	Bells etc	0	0	0	0	0	0	0	0	0	0	1,431	0	1,431
1005	Maize	0	0	0	265	106	493	410	0	0	0	0	0	1,274
3923	Plastics	0	21	60	60	388	539	7	0	0	0	0	2	1,077

	Product label	Mozambique's imports from Democratic Republic of the Congo												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	230	30	6	0	0	0	0	0	0	0	107	60	433
'3304	Make-up etc	0	0	0	0	0	0	0	0	0	0	77	60	137
'9999	Commodity other	42	0	0	0	0	0	0	0	0	0	0	0	42
'6209	Baby clothes	0	0	0	0	0	0	0	0	0	0	25	0	25
'5601	Wadding	0	19	0	0	0	0	0	0	0	0	0	0	19
'8439	Machinery	14	0	0	0	0	0	0	0	0	0	0	0	14
'3901	Polymers	11	0	0	0	0	0	0	0	0	0	0	0	11
'8441	Machinery	10	0	0	0	0	0	0	0	0	0	0	0	10
'7214	Bars iron	10	0	0	0	0	0	0	0	0	0	0	0	10

	Product label	Mozambique's exports to Democratic Republic of the Congo												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	125	327	1,390	0	0	0	0	0	0	0	2,389	704	4,935
'8430	Boring gear	0	0	7	0	0	0	0	0	0	0	1,428	204	1,639
'2710	Petroleum	0	0	1,173	0	0	0	0	0	0	0	0	40	1,213
'0305	Fish	67	0	0	0	0	0	0	0	0	0	456	79	602
'8414	Pumps etc	0	0	0	0	0	0	0	0	0	0	504	0	504
'7311	Containers gas	0	0	0	0	0	0	0	0	0	0	0	293	293
'8704	Trucks	0	0	143	0	0	0	0	0	0	0	0	0	143
'8429	Bulldozer etc	0	134	0	0	0	0	0	0	0	0	0	0	134
'8701	Tractors	0	117	0	0	0	0	0	0	0	0	0	0	117

	Product label	Mozambique's imports from Eritrea												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	2	9	0	24	45	3	3	0	636	0	25	6	753
'8704	Trucks	0	0	0	0	0	0	0	0	326	0	0	0	326
'8701	Tractors	0	0	0	0	0	0	0	0	153	0	0	0	153
'8716	Trailers	0	0	0	0	0	0	0	0	52	0	0	0	52
'8543	Electrical gear	0	0	0	5	30	0	0	0	0	0	0	0	35
'8427	Fork-lifts	0	0	0	0	0	0	0	0	22	0	0	0	22
'8708	Car parts	0	0	0	6	1	0	0	0	4	0	11	0	22
'2204	Wine	0	0	0	0	0	0	0	0	0	0	14	0	14
'8609	Containers	0	0	0	5	0	0	0	0	7	0	0	0	12
'7308	Structures iron	0	0	0	0	0	0	0	0	12	0	0	0	12

	Product label	Mozambique's exports to Ethiopia												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	13	1	0	0	65	833	0	0	6	12	0	29	959
'8431	Machinery parts	0	0	0	0	0	310	0	0	2	0	0	25	337
'8705	Special vehicles	0	0	0	0	0	303	0	0	0	0	0	0	303
'8430	Boring gear	0	0	0	0	0	202	0	0	0	0	0	0	202
'7308	Structures iron nes	0	0	0	0	49	0	0	0	0	0	0	0	49
'9999	Commodities other	0	0	0	0	0	19	0	0	0	0	0	0	19

	Product label	Mozambique's imports from Egypt												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	722	1,509	5,835	6,452	2,350	1,220	1,818	13,819	4,280	10,431	2,600	2,602	53,638
'3102	Fertilizers	0	0	0	0	0	0	0	9,760	440	0	0	0	10,200
'8537	Panel boards	0	0	274	152	9	127	0	0	0	8,040	130	67	8,799
'2523	Cements	0	0	1,629	4,526	28	2	714	0	0	0	0	0	6,899
'8414	Air pumps	0	2	2,588	0	1	0	7	0	1	10	9	1	2,619
'3105	Fertilizers	0	0	0	0	0	0	0	1,659	885	0	0	0	2,544
'4818	Toilet paper	0	0	0	72	369	338	32	425	110	0	69	0	1,415
'4011	Tires	0	16	14	27	333	182	117	16	158	136	135	32	1,166
'7308	Structures iron	0	134	0	191	71	0	400	0	114	44	0	159	1,113
'3004	Medicament	0	9	602	0	0	0	0	405	4	18	0	44	1,082
'9028	Gas meter	0	0	0	0	0	1	0	0	946	0	100	0	1,047
'2714	Bitumen	0	0	0	0	917	113	0	0	0	0	0	0	1,030
'8536	Fuse boxes	0	0	43	447	0	1	25	0	0	469	8	0	993
'8415	Air conditioning	418	28	213	310	3	0	0	0	0	14	1	0	987
'4015	Rubber clothes	0	0	0	0	0	0	0	0	0	0	2	770	772
'8471	Computer	58	613	34	33	0	0	1	24	0	3	4	1	771
'8705	Special vehicles	0	0	0	0	0	0	0	0	387	0	186	149	722
'9018	Medical apparatus	0	0	0	0	0	0	0	669	0	15	0	5	689
'3907	Polyacetal	0	0	0	0	50	75	66	97	183	35	0	0	506

	Product label	Mozambique's exports to Egypt												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	0	30	114	442	355	567	22	226	9	35	0	0	1,800
'2302	Bran	0	0	90	362	344	165	17	0	0	0	0	0	978
'9007	Cameras	0	0	0	0	0	401	0	0	0	0	0	0	401
'1207	Oil seeds	0	0	0	0	0	0	0	144	0	0	0	0	144
'5304	Sisal	0	0	0	0	0	0	0	81	0	0	0	0	81
'1103	Grouts etc	0	0	12	46	0	0	0	0	0	0	0	0	58
'0805	Citrus fruit	0	0	0	23	0	0	0	0	0	0	0	0	23
'2512	Siliceou	0	0	0	0	0	0	0	0	9	12	0	0	21
'1202	Ground-nuts	0	0	0	0	0	0	0	0	0	21	0	0	21
'2208	Spirits	0	14	0	0	0	0	0	0	0	0	0	0	14
'9999	Commodity other	0	14	0	0	0	0	0	0	0	0	0	0	14
'0507	Ivory etc	0	0	0	12	0	0	0	0	0	0	0	0	12
'8525	TV camera	0	0	12	0	0	0	0	0	0	0	0	0	12
'0306	Crustaceans	0	0	0	0	11	0	0	0	0	0	0	0	11



	Product label	Mozambique's imports from Sudan												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	8	31	185	25	461	32	116	114	21	65	21	1,350	2,429
'8517	Phone gear	0	0	0	0	16	0	0	0	0	0	0	1,297	1,313
'8471	Computers	0	0	0	0	182	0	0	0	0	0	0	0	182
'9018	Medical apparatus	0	0	166	0	0	0	0	0	0	0	0	0	166
'9015	Surveying etc	0	0	0	0	113	0	0	0	0	0	0	0	113
'7308	Structures iron	0	0	0	0	0	0	102	0	0	0	0	0	102
'9014	Compasses etc	0	0	0	0	95	0	0	0	0	0	0	0	95
'8703	Cars	0	0	0	2	0	0	0	0	0	62	0	0	64
'8525	Television gear	0	0	0	0	37	0	0	1	0	0	0	0	38
'0105	Live poultry	0	0	0	0	0	0	0	31	0	0	0	0	31
'2207	Ethyl alcohol	0	0	0	0	0	0	0	0	0	0	0	30	30

	Product label	Mozambique's exports to Sudan												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	622	1	33	291	101	172	77	0	0	49	880	6	2,232
'8438	Machinery for food	0	0	0	0	0	30	0	0	0	0	788	0	818
'1005	Maize	622	0	0	0	0	0	0	0	0	0	0	0	622
'8201	Hand tools	0	0	0	269	0	0	0	0	0	0	0	0	269
'8704	Trucks	0	0	0	0	76	31	0	0	0	0	0	0	107
'8705	Special vehicles	0	0	0	0	25	76	0	0	0	0	0	0	101

	Product label	Mozambique's imports from Seychelles												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	1	72	99	409	3	109	1,361	10,725	100	77	496	149	13,601
'1511	Palm oil	0	0	0	0	0	109	1,354	5,074	0	0	0	0	6,537
'1507	Soya-bean oil	0	0	0	0	0	0	0	5,605	0	0	0	0	5,605
'2523	Cements	0	0	0	0	0	0	0	0	77	77	361	0	515
'2301	Meat meal	0	0	85	394	0	0	0	0	0	0	0	0	479
'4418	Timber	0	0	0	0	0	0	0	0	0	0	0	149	149
'9999	Commodity other	0	72	0	0	0	0	0	0	0	0	0	0	72
'2208	Spirits	0	0	0	0	0	0	0	0	0	0	68	0	68
'0303	Fish	0	0	0	0	0	0	0	47	0	0	0	0	47
'8465	Mach-tool	0	0	0	0	0	0	0	0	0	0	31	0	31
'1006	Rice	0	0	0	0	0	0	0	0	0	0	28	0	28
'2710	Petroleum	0	0	0	0	0	0	0	0	22	0	0	0	22

	Product label	Mozambique's exports to Seychelles												Total
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HS 4	All products	12	11	16	5	24	47	47	59	0	7	4	0	232
'0306	Crustaceans	12	11	16	5	24	46	47	59	0	0	0	0	220
'1905	Bread etc	0	0	0	0	0	0	0	0	0	7	0	0	7