



29 March 2017

(17-1707)

Page: 1/16

**Trade Policy Review Body**

Original: English

## **TRADE POLICY REVIEW**

REPORT BY

MOZAMBIQUE

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Mozambique is attached.

---

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Mozambique.

---

## Contents

|  |           |
|--|-----------|
| <b>1 INTRODUCTION .....</b>                                      | <b>3</b>  |
| <b>2 ECONOMIC ENVIRONMENT AND DEVELOPMENT .....</b>              | <b>3</b>  |
| 2.1 Economic environment .....                                   | 3         |
| 2.2 Development .....  | 4         |
| 2.3 Investments .....  | 4         |
| 2.4 Business environment .....                                   | 5         |
| <b>3 MACROECONOMIC POLICIES .....</b>                            | <b>5</b>  |
| <b>4 FINANCIAL AND TAX SECTOR.....</b>                           | <b>6</b>  |
| <b>5 AGRICULTURE AND FISHERIES .....</b>                         | <b>7</b>  |
| <b>6 SERVICES .....</b>  | <b>8</b>  |
| 6.1 Transportation and communications.....                       | 8         |
| 6.1.1 Ports and railways .....                                   | 8         |
| 6.1.2 Maritime transport .....                                   | 8         |
| 6.1.3 Road transport .....                                       | 8         |
| 6.1.4 Air transport .....  | 8         |
| 6.1.5 Telecommunications.....                                    | 9         |
| 6.1.6 Postal services .....                                      | 9         |
| 6.2 Tourism.....   | 9         |
| 6.3 Financial services .....                                     | 10        |
| 6.3.1 Banking and micro-finance services .....                   | 10        |
| 6.3.2 Insurance .....  | 10        |
| <b>7 MANUFACTURING.....</b>                                      | <b>10</b> |
| <b>8 ENERGY AND MINERAL RESOURCES .....</b>                      | <b>11</b> |
| <b>9 TRADE POLICIES AND STRATEGIES.....</b>                      | <b>12</b> |
| 9.1 External trade/trade balance.....                            | 12        |
| 9.2 Trade agreements and other preferential initiatives .....    | 13        |
| <b>10 MOZAMBIQUE IN THE WORLD TRADE ORGANIZATION (WTO) .....</b> | <b>14</b> |
| <b>11 TRADE-RELATED TECHNICAL ASSISTANCE .....</b>               | <b>15</b> |

## 1 INTRODUCTION

1.1. The Government of the Republic of Mozambique is pleased to submit its Third Trade Policy Report to its fellow WTO Members.

1.2. Mozambique considers this periodic review mechanism as a key element of the multilateral trading system embodied in the WTO, contributing to a more transparent and comprehensive understanding of Members' trade policies and practices among other legal frameworks that regulate the international trade.

1.3. Mozambique presented its last Trade Policy Review in April 2009 and, since then, several reforms and economic and trade regulations were introduced, in order to create a more conducive trade and investment environment, as well as predictability in its policies.

1.4. Mozambique, as a Least Developed Country, sees the Trade Policy Review as a worthwhile exercise, through which information concerning different sectors, reforms and progresses made have been put together, and it is recognized that challenges are still enormous.

1.5. The multilateral trading system continues to be a priority for Mozambique and we believe that well-functioning multilateral trade rules are essential for the efficiency of international trade and for the good functioning of the global economy. In this regard, Mozambique reiterates its commitment to providing its contribution towards to an early conclusion of the Doha Development Round and in its objective of promoting a more inclusive, equitable and development-oriented international trading system.

## 2 ECONOMIC ENVIRONMENT AND DEVELOPMENT

### 2.1 Economic environment

2.1. Over the course of several years, the Mozambican economy recorded strong growth. As of 2009, and after a remarkable economic performance, Mozambique economy growth decelerated down at a slower pace.

2.2. The deceleration of the Mozambican economic growth rate resulted, on the one hand, from the global economic situation which continues to present challenges and from uncertainties regarding the future, on the other hand and, also due to the national situation, of which we highlight:

- i) The fall in international prices of the country's main export products which tends to discourage the expansion of production in export-oriented sectors; and
- ii) The effects of drought and floods in different regions of the country.

2.3. As a result, between 2009 and 2015, the Mozambican economy, measured in terms of GDP, grew by an average of 6.9%, 1.1 percentage points below the growth recorded between 2002 and 2008. In 2015, the real GDP grew by 6.6% and the GDP per capita was US\$601. In the same period, the average inflation recorded was 7.1%.

**Table 2.1 Economic Indicators, 2009-2015**

| Indicator            | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|------|------|------|------|------|------|------|
| GDP growth (%)       | 6.4  | 6.7  | 7.1  | 7.2  | 7.1  | 7.4  | 6.6  |
| Inflation (%)        | 3.3  | 12.7 | 10.4 | 2.1  | 4.2  | 2.56 | 3.55 |
| GDP per capita (USD) | 516  | 466  | 552  | 643  | 662  | 692  | 601  |

2.4. Agriculture, livestock, hunting, forestry, related activities and fisheries continue to be the main contributors to economic growth, with an average GDP share of 25.4%, and these are the employment sources for about 80% of the population. However, despite their weight in the GDP structure, these sectors have the lowest growth rates, with a record of 3.6% average growth over

the review period. In this period, the extractive industry sector grew the most, with an average 24.1% growth, and contributed 2.4% on average in the GDP structure.

## 2.2 Development

2.5. Between 2001 and 2014, the Government of Mozambique prepared and implemented the Poverty Reduction Action Plans with five-year periods, namely PARPA I 2001-2005, PARPA II 2006-2009 and PARP 2011-2014. These Plans were implemented in parallel with other policy instruments. The Government's Five-Year Programs are developed and implemented in each governance cycle. In these instruments, the Government defines the underlying objectives for the promotion of economic, social and inclusive development; and poverty and vulnerability reduction in the country in an environment of peace, harmony and tranquillity.

2.6. This macro-objective would be achieved by promoting rapid, sustainable and comprehensive socio-economic growth with a focus on rural development, basic social services and infrastructure, job creation, as well as on an environment conducive to private investment and development of national business.

## 2.3 Investments

2.7. Law No. 3/93 of 24 June (Investment Law) defines the basic and uniform legal framework for the process of realization in the Republic of Mozambique of national and foreign investments eligible for the enjoyment of tax guarantees and incentives foreseen therein. This Law applies to investments of an economic nature carried out in all sectors open to private initiative, except investments in the extractive industry of mineral resources, which are subject to specific legislation, and enshrines the principle of equal treatment between domestic and foreign investors, which are subject to the same rights, duties and obligations.

2.8. According to the law in force, private investments, regardless of their form, should contribute to the sustainable economic and social development of the country and abide by the principles and objectives of the national economic policy.

2.9. In order to ensure a stable flow of foreign capital to meet national development objectives, Mozambique's investment policy is based on the following pillars:

- a) Security and protection of property rights, as established in the Investment and Agrarian Laws;
- b) Freedom to receive and repay foreign loans and repatriate profits;
- c) Ensure fair and efficient settlement of disputes, accession to the International Centre for the Settlement of Investment Disputes, supplemented by bilateral investment treaties with 20 countries;
- d) Negotiation of double taxation treaties with some of the main economic partners;
- e) Establishment of Special Economic Zones and Industrial Free Zones; and
- f) A proportional tax on the income of legal persons supplemented by a simple progressive tax on the income of natural persons.

2.10. All activities of an industrial nature are authorized in the Industrial Free Zones provided that at least 70% of the volume of their production is destined for export, with the exception of research and extraction of natural resources.

2.11. Investment and export promotion activities were integrated into a single agency, with the merging of the Investment Promotion Centre (CPI), the Office of Economic Zones for Accelerated Development (GAZEDA) and the Institute for the Promotion of Exports (IPEX), and the establishment of the Agency for the Promotion of Investments and Exports (APIEX).

## 2.4 Business environment

2.12. In 2008, the Government approved its first strategy for improving the business environment, EMAN I, for the period 2008/2012, which aimed essentially at stimulating the private sector to invest in the country for economic growth and thereby contribute to job creation and, consequently, the redistribution of domestic income.

2.13. In order to consolidate the reforms initiated with the implementation of the first strategy, and taking into account the development dynamics, the second strategy for the improvement of the business environment, EMAN II, for the period 2013/2017, was approved, with the main strategic objectives being the simplification of the business cycle and competitiveness improvement.

2.14. The Government gives priority to Private Public Dialogue (DPP), the necessary interaction for the improvement of the business environment where joint solutions for problems that hinder the development and competitiveness of the private sector are discussed. This interaction takes place periodically and at the highest government level on a bimonthly basis between sectoral ministers and their private sector counterparts, and quarterly and yearly with the Prime Minister and the President respectively. This process is supported by a matrix of priority reforms, which is annually agreed between the Government and the private sector.

2.15. An Integrated Electronic Platform for the Provision of Services has been established aiming, in a first phase, to integrate the process of licensing of economic activities in order to improve the services rendered at the One Stop Shop throughout the country. The Platform will also enable interconnectivity between the various actors in the different economic and other areas of activity, with the ultimate goal of facilitating and reducing procedures, time and costs for the private sector, thus contributing to the country's economic growth.

2.16. Mozambique established the Competition Regulatory Authority in 2013, with the approval of Law 10/2013 of 11 April, which sets out the legal regime of competition in the exercise of economic activity, and is currently in the process of operationalization.

2.17. The Consumer Protection Law was approved, Law 22/2009, dated 28 September, which establishes the legal regime of consumer protection.

## 3 MACROECONOMIC POLICIES

3.1. In recent years, Mozambique has been experiencing a slowdown in its economic growth levels, with an average economic growth rate of 6.9% in the last seven years, partly as a result of the world economic situation, on the one hand, and the national context, on the other.

3.2. Despite the slowdown, economic growth was above the average 4.8% in sub-Saharan Africa as a result of sound and prudent macroeconomic policies that ensure macroeconomic stability, in spite of the existing challenges to the impact of such policies on poverty reduction.

3.3. Real GDP growth declined slightly from 7.4% in 2014 to 6.6% in 2015, largely due to the fall in international prices of the main export products, which tend to discourage the production expansion of the export-oriented sectors, and the effects of drought and floods in different regions of the country. The military tension in the central region has been a barrier to the free movement of people and goods, as well as to the realization of investments in the various areas. GDP per capita has followed the same trajectory from US\$692 in 2014 to US\$601 in 2015.

3.4. The country has also made significant progress on the macroeconomic front, especially in fiscal and monetary policies. The monetary policy of the Central Bank of Mozambique during the period was aimed at stabilizing the local currency and keeping inflation to a single digit.

3.5. Inflation was significantly reduced between 2009 and 2015. However, between 2010 and 2011 it was above one digit due to rising oil and food prices in international markets. Inflation accelerated in the second half of 2015 as a result of floods earlier that year which put upward pressure on food prices by the end of 2015, and the depreciation of the Metical, especially in relation to the South African Rand, which caused a rise of export prices for those products.

3.6. Recent economic developments show that the country's production is driven mainly by investments in mineral resources, industry, services and agro-industry, which was possible due to strong macro-economic reforms, which have attracted foreign direct investment and led to good performance in the construction sector.

3.7. The country's national accounts show that public investment, as a proportion of GDP, remained stable over the period 2009-2015. In addition, private investment has also remained stable thanks to significant flows of foreign direct investment and donor-funded infrastructure rehabilitation programmes. The country's external demand has deteriorated since 2011, mainly due to the fall in international prices of the country's main export products.

3.8. The budgetary policy has been targeted in line with the main objectives of poverty reduction, mainly through the implementation of fiscal reforms and substantial progress in reporting and public financial management. Revenue collection procedures improved during the period 2009-2015, which justified the fiscal revenues increase from 17.6% in 2009 to 26.5% of GDP in 2014.

#### **4 FINANCIAL AND TAX SECTOR**

4.1. The Government is implementing reforms in the financial sector to: 1) modernize and expand the financial system; 2) promote the entry of new financial institutions; 3) promote microfinance institutions; 4) increase the level of monetization; 5) expand financial services in rural areas; 6) develop financial services for SMEs and family businesses; and 7) improve the insurance, pensions and social security sectors.

4.2. The Government has adopted a series of reform-based measures to liberalize the exchange rate, and introduced a multilateral system for determining the exchange rate in the interbank exchange market and for foreign exchange auctions in 2005.

4.3. As part of the reform of the tax system, there is a tax and customs reform programme that provides for the adjustment and establishment of new taxes and legislation. The objectives of this programme are:

- a) Progressive increase in tax revenues;
- b) Simplification of the tax regime;
- c) Expansion of the tax base;
- d) Simplification and modernization of the tax system, aligning it with good regional and international practices;
- e) Trade facilitation;
- f) Protection of the national and regional economy; and
- g) Improving the security of international trade.

4.4. As part of the measures to broaden the tax base, the Tax Education and Tax Popularization Campaign was launched in 2010 with a view to revitalizing the culture of tax payment.

4.5. In the implementation of this campaign, and in order to provide greater coverage, the establishment of partnerships with various segments of society in the dissemination of messages and in the registration of the NUIT (Unique Tax Identification Number) was prioritized, particularly in the encouragement of micro and small businesses, for the benefit of the Simplified System for Small Taxpayers (ISPC) introduced in 2010.

4.6. Other actions were undertaken as part of the improvement of the business environment in Mozambique, and as a means of facilitating citizens in fulfilling their tax obligations. Among which:

- a) Rationalization of fiscal incentives and promotion of foreign and domestic investment, geared to activities that contribute to income generation and to the fight against absolute poverty, including basic infrastructure, agriculture, fisheries, tourism, rural development, manufacturing and research and scientific and technological development;

- b) Introduction of the Single Electronic Window to facilitate trade and establish an efficient, effective and sustainable operation and continuous growth for the customs clearance of merchandise;
- c) Legislation introducing tax machines (electronic invoicing) was approved in the transmission of goods and services provided by taxable persons, which raises the mechanisms of control and supervision adequate and compatible with technological modernity for VAT taxable persons; and
- d) Adoption of Specific Taxation and Tax Benefits Schemes for Petroleum Operations and Mining Activity.

## **5 AGRICULTURE AND FISHERIES**

5.1. Agriculture continues to be the sector which has deserved prominence in the Government's policies, aimed at transforming it from subsistence to commercial. Programmes and strategies have been developed to increase production and productivity so that our agriculture is competitive in international markets while at the same time attracting investments in the sector.

5.2. Under the Comprehensive Africa Agriculture Development Program (CAADP) of the New African Partnership for Development (NEPAD), the Maputo Declaration was adopted, which provides for the allocation of 10% of the Government's total budget for agriculture, which will result in 6% growth per year.

5.3. In May 2010, Mozambique approved the Strategic Plan for the Development of the Agrarian Sector (PEDSA) 2011-2020, to boost agrarian development.

5.4. The objective of PEDSA is to contribute to food security and farmers' incomes in a competitive and sustainable manner, guaranteeing social and gender equity, in order to achieve agricultural growth of around 7% per year.

5.5. In 2013, as a result of the business meeting led by the then-President of the Republic, the CAADP pact was signed, culminating in the approval of the Agrarian Sector Investment Plan (PNISA).

5.6. Although Mozambique has substantial growth indicators, especially self-sufficiency in maize production, the country remains a net importer of rice and wheat with an estimated annual deficit of about 315,000 tons and 450,000 tons respectively.

5.7. In order to reverse the situation, the Mozambican Government has defined as a priority, for the five-year-period 2015-19, the increase in investments in agriculture. With this in mind, the Government approved a mechanization programme, which allowed the establishment of about 47 machinery parks throughout the country, an irrigation programme that resulted in the increase of infrastructure areas, as well as research and assistance to producers.

5.8. In 2016, the Government prepared the Operational Plan for Food Production, which advocates for substantial increases in food production. With the implementation of this Plan, the expectation is to reduce the import levels of rice and chicken by 50% by 2019.

5.9. It has been noted that the country is diversifying its exports with the increase of non-traditional value chains such as pigeon pea, sesame and macadamia. Taking into account these results, the Government has defined six priority export value chains, namely banana, sugar cane, cashew nuts, cotton, macadamia and paprika.

5.10. In the fisheries sector, the Government approved the Strategic Plan for the Development of Tuna Fishery in 2013 and the Aquaculture Development Strategy for the period 2008-2017 in 2008 as an effort to increase production and productivity, as well as the increase of the income and the contribution of this sector in the national economy.

5.11. Fisheries currently contribute about 310,000 tons of fish, and the aquaculture subsector has a minimum productive potential of 791,000 tons/year of marine fish in ponds and cages, 545,000

tons of shrimp/year, 640,000 tons of algae/year and a minimum potential of 2 million tons/year in freshwater aquaculture.

## **6 SERVICES**

### **6.1 Transportation and communications**

#### **6.1.1 Ports and railways**

6.1. Taking into account its geographical location and the fact that it is a service provider for landlocked countries, Mozambique has constructed the Nacala-Velha terminal to handle about 22 million tons of coal and diverse cargo.

6.2. Likewise, in order to increase its capacity, work was done on the Sena railway line, as well as the completion of the construction of the multi-use terminal in the Port of Beira, in order to harmonize the line's capacity with the port's handling, from 6.5 million metric tons to 20 million metric tons per year.

6.3. The public tender process was concluded and the contract for the rehabilitation of the Port of Nacala, phases II and III, is under negotiation for the construction of accesses to the port, the new container terminal, dredging, as well as the acquisition of new and modern cargo handling equipment. With this project, we hope to improve efficiency and competitiveness in the Nacala Development Corridor.

#### **6.1.2 Maritime transport**

6.4. The revitalization of maritime cabotage is crucial to ensuring the flow of large cargoes and goods throughout the country at competitive prices.

6.5. To this end, legislative and operational instruments and incentives have been recently adopted to stimulate the private sector to invest in maritime cabotage so that products reach consumers at more affordable prices; and to ensure the development of the local economy, such as: ensuring priority in the mooring of coastal shipping vessels and the reduction of tariffs by 50% in national ports.

#### **6.1.3 Road transport**

6.6. At the regional level, the principles of road agreements in the context of SADC regional cooperation, as well as mechanisms for the facilitation of cargo and passenger traffic, are being implemented in order to optimize the potential and existing facilities in the country.

6.7. Road passenger and goods transport has played an important complementary and feeder role to other modes of transport within the framework of the integrated transport system at national and regional level.

6.8. The Government approved the Integrated Program for the Roads Sector (PRISE), currently in its second phase, which consists of establishing the connection of the whole country, using the National Road N1 as a backbone, in order to ensure accessibility for areas with agricultural potential. Other production-related activities were integrated within this programme to address issues related to road trafficability, namely; (PROMER), Program for the Promotion of Fisheries Markets (PROPECA) and the Technical Secretariat for Food and Nutrition Security (SETSAN).

#### **6.1.4 Air transport**

6.9. Mozambique has opened its national airspace to one of the most prestigious international operators, Turkish Airways, which has joined Kenya Airways, Qatar Airways, South Africa Airways, Ethiopia and Emirates, thus increasing the offer of flights and air links to more worldwide destinations, as well as contributing to the growth of the tourism industry.

6.10. In order to comply with the Yamoussoukro (DY) Decision, the country has been establishing a series of mechanisms for the Single Air Transport Market in Africa by 2017. In this context,



several actions have been undertaken to liberalize the national airspace in line with the provisions of the Strategy for the Integrated Development of the Transport System, such as:

- a) Abandonment of the Mono designation for Duo designation in Bilateral Air Transport agreements;
- b) Increase of Capacity and Frequencies in Air Services Agreements;
- c) Improvement of aeronautical infrastructure; and
- d) Signing and review of air transport services agreements with several countries in the region and the world.

### **6.1.5 Telecommunications**

6.11. A new Telecommunications Law was approved with the aim of ensuring the licensing and operation of communications services in an environment of technological convergence and the flexibility to deal with rapid changes in the market. The aim of this Law is to stimulate competition in the telecommunications market, improve its operation and ensure the basic rights of consumers.

6.12. There are currently three mobile operators namely, MCEL, VODACOM and MOVITEL, and two land-line telephone operators, which are Mozambican Telecommunications (TDM) and MOVITEL. There are also 29 Internet service providers as well as 2 international submarine cable operators.

6.13. As part of the restructuring of public companies, the Government approved the merger of the mobile telephone company MCEL with TDM.

6.14. In the context of digital migration, the pilot project was completed, consisting of the installation of 18 digital emitters in provincial capitals and border areas to avoid interference from neighbouring countries.

6.15. The mobilization of funding for the implementation of the definitive Migration Project from analogue to the digital system is underway. With this project, the expectation is to (i) increase television signal coverage to more than 70% of the population; (ii) increase the quality of the television signal; (iii) the diversification of television content giving rise to the emergence of educational channels, and knowledge of the culture and habits of the Mozambican people.

### **6.1.6 Postal services**

6.16. The Postal Service Law was also approved with the aim of providing the country with an instrument to regulate this sector, as well as to encourage the expansion of private sector participation and modernize services provided to the public, and to discipline the actions of postal operators who are already working. This new Law creates, in an objective and transparent way, the conditions for the development of the sector, to ensure greater openness of postal services in the country; stimulate competition with benefits for the user; and encourage access to new and advanced information and communication technologies.

6.17. The said Law will allow the State to act as a provider of public postal services, and opens doors to private action, within a legal framework that allows fair and just competition, in which context it assumes the duty to protect certain interests that free market rules would not.

## **6.2 Tourism**

6.18. Tourism is gradually assuming its potential in the national economy, as a result of the growth of investments over the last years. The country has been investing in tourism mainly focused on biodiversity and nature conservation projects and sustainable economic development.

6.19. The Government approved the Strategic Plan for the Development of Tourism for the period 2016-2025, which aims to have Mozambique as the most vibrant, dynamic and exotic destination of Africa in 2025. To this end, concrete actions are being taken which should culminate in the

increased competitiveness of Mozambique at regional and international levels in the tourism sector.

### **6.3 Financial services**

#### **6.3.1 Banking and micro-finance services**

6.20. Mozambique entered into a specific commitment in the area of financial services (banking and other financial services excluding insurance) in April 1994 under the General Agreement on Trade in Services of the World Trade Organization,

6.21. Mozambique has 18 licensed banks, 11 micro banks, 9 credit unions, 2 investment firms, 2 electronic money companies, 14 exchange offices, 12 credit and savings organizations and 340 microcredit lenders.

#### **6.3.2 Insurance**

6.22. The sector contributed less than 1.4% of GDP in 2011. It has grown from 5 insurance companies in 2003 to 13 in 2011.

6.23. The Government approved several pieces of legislation regulating access to and the exercise of insurance activity and mediation in Mozambique, and the Insurance Supervision Institute of Mozambique was established.

## **7 MANUFACTURING**

7.1. Industry in the country is in a phase of revitalization taking into consideration that part of the industrial sectors still present low production rates, thus giving a smaller contribution to the GDP growth in the country.

7.2. In May 2016, the Council of Ministers approved the Industrial Policy and Strategy for the period 2016-2025 (Resolution No. 23/2016 of 12 September), which specifies the general guidelines for industrial development in the country, defining the following industries as the priority:

- a) Food and agro-industry;
- b) Clothing, textiles and footwear;
- c) Non-metallic minerals;
- d) Metallurgy and manufacture of metal products;
- e) Wood and furniture processing;
- f) Chemistry, rubber and plastics; and
- g) Paper and printing.

7.3. In 2008, the Government approved the Strategy for the Development of the Textile and Clothing Sector (Resolution 46/2008 of December 3), the main objectives of which are:

- a) Increased cotton production;
- b) The establishment of a spinning and weaving industry;
- c) The establishment of clothing export factories;
- d) The use of the internal market; and
- e) The establishment of the artisanal production of typical products.

7.4. In addition to the MOZAL's aluminium ingot production, added value, business links and local content were promoted in domestic production with the establishment of the aluminium cable and rod factory by MIDAL Cables Company. These actions contribute in some way to the internal and

external supply of aluminium products with effect on the country's trade balance, in addition to better use of the various bilateral and multilateral preferential mechanisms of which the country is a signatory for the placement of these products.

7.5. The consolidation of the Industrial Parks Project, the Development Corridors Strategy, the Integrated Transport Development Strategy and the Industrial Free Zone Programs is seen as a pillar of the Infrastructure for Economic Development, which is relevant to attracting industrial investments and facilitating the development of the productive sector.

7.6. In 2011, the Locone Industrial Free Zone (Decree No. 50/2011 of 10 October) and the Industrial Free Zone of Minheuene in Nacala, Nampula, (Decree No. 51/2011 of 10 October) were established. In 2014, the Mocuba Industrial Free Zone was established in Zambézia (Decree No. 29/2014, of 6 June).

7.7. Furthermore, in 2016, Decree 41/2016 of 3 October was approved for the establishment of the Revubue Industrial Free Zone in Tete. It has an area of 4,484 hectares and is associated with the Iron and Steel Project, which will include upstream and downstream activities, thus contributing to:

- a) Add value through the use of national resources, increasing the supply of national consumer goods in the lives of population, thus replacing imports;
- b) Strengthen the integration and growth of national industries in the value chain of mega-projects, favouring small and medium-sized enterprises; and
- c) Promote and encourage the establishment of units for the processing of domestic primary products and their integration into the market.

7.8. As part of Rovuma's natural gas projects, the establishment of the Palma and Pemba Industrial Park within the Logistics Base of the concession area of the Cabo Delgado Ports has been planned.

## **8 ENERGY AND MINERAL RESOURCES**

8.1. The country has abundant energy resources, including coal, gas and renewable resources such as hydroelectric power, biomass, wind and sun. Some of these resources - hydro, coal and gas - can be the basis for regional energy exports, generating export revenues and additional economic growth.

8.2. Mozambique has the second largest hydroelectric potential in Southern Africa. On the Zambezi River alone, the potential is about 6,000 MW, of which only 2,075 MW (Cahora Bassa Hydroelectric Power Plant) were developed. The total untapped hydroelectric potential is estimated at 18,000 MW.

8.3. The country's electricity demand growth averaged 10% per annum in the period 2000 to 2010, and between 2011 and 2013 it grew by 13%, as a result of the strong dynamics that characterize the economy, particularly with the start-up of high-energy projects and the accelerated pace of the implementation of the electrification programme. The average growth registered in the northern part of the country exceeds the value of 20% per year.

8.4. During the period 2009-2015, in the field of mineral resources and energy, among several actions were: the entry of new operators into the fuel market; the involvement of the private sector in energy production and transportation activities; development distribution and use of natural gas; drafting of electricity directories; and approval of legislation in the mining and oil sector, among others.

8.5. Mozambique is also witnessing significant growth in the exploitation of fossil fuel resources, based on confirmed reserves of coal and gas.

8.6. The coal reserves, whose exploitation in Moatize began in 2011, are estimated at about 25 billion tons. Despite the need for further evaluation and certification, their exploitation may be a

real factor for the local and regional economy and contribute to raising the national growth rate well above the 7% average maintained by the country over the last decade.

8.7. Given the relevance and scale of the opportunities and challenges for the period 2014-2023, the following is anticipated:

- a) Increased access to diversified forms of energy, in a sustainable way, contributing to the industrialization and economic and social development of the country;
- b) Strengthening the institutional capacity of the State to implement promotion, facilitation and regulation measures necessary for the development of energy infrastructures; and
- c) Strengthening the role of Mozambique in regional economic integration.

8.8. It is also expected that this will ensure the adoption and implementation of policies and standards that ensure the rational use of mineral resources for wealth creation and the harmonious development of the country.

8.9. The Government set the following specific objectives by 2023:

- a) Increase of the installed generation capacity by at least 5,000 MW, assuming the current growth of the national and regional markets, and the location of the new power stations should, whenever possible, enable the construction of other infrastructure important for the development, such as the Palma-Nacala gas pipeline, to serve the natural gas consumption of the Nacala Special Economic Zone and other consumption centres along the route, with potential for productive activities;
- b) Creation of a single interconnected national transport network that allows the competitive energy of the Zambezi Valley to be brought to the whole country and export markets, as well as allowing the development of three large interconnected production centres in the north, centre and south of the country;
- c) Strengthening of regional interconnections and the export capacity of the surplus by at least 2,000 MW;
- d) Improvement of mineral-geologic knowledge of resources in soil and subsoil, inland waters, territorial sea, continental shelf and exclusive economic zone, where, according to international law, the State has sovereign rights and jurisdiction;
- e) Conversion of mineral resources into one of the main contributors to the country's industrialization and development, diversification and economic transformation and improvement of the country's balance of payments;
- f) Optimize production and add value to mineral resources; and
- g) Preservation of the environment, establishing the necessary technical and economic conditions.

## **9 TRADE POLICIES AND STRATEGIES**

9.1. The main objectives of Mozambique's trade policies and strategies are to create an appropriate environment to promote the competitiveness of Mozambican products in international markets, without prejudice to the promotion of regional and intra-African trade, which constitutes an important and priority part of our policy and strategy.

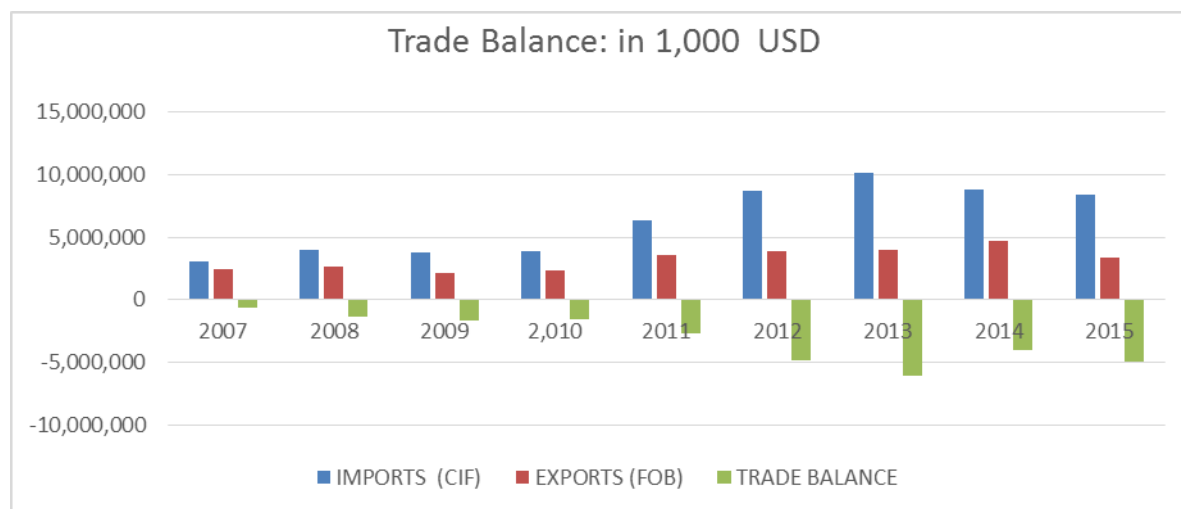
9.2. Trade policies and strategies are formulated to assist Mozambique's industrialization process through linkages with global value chains, the creation of local value chains, diversification of exports, and the reduction of the country's dependence on primary products.

### **9.1 External trade/trade balance**

9.3. Trade patterns in Mozambique have changed significantly over the past 10 years, as both imports and exports have grown due to foreign direct investment (FDI) in megaprojects, and it is

likely that this momentum will continue in the near future, with the country's trade potential becoming a reality, particularly in the extractive sector.

**Chart 9.1 Trade balance**



Source: INE, International Goods Trade Statistics.

**Table 9.1 Main export and import products**

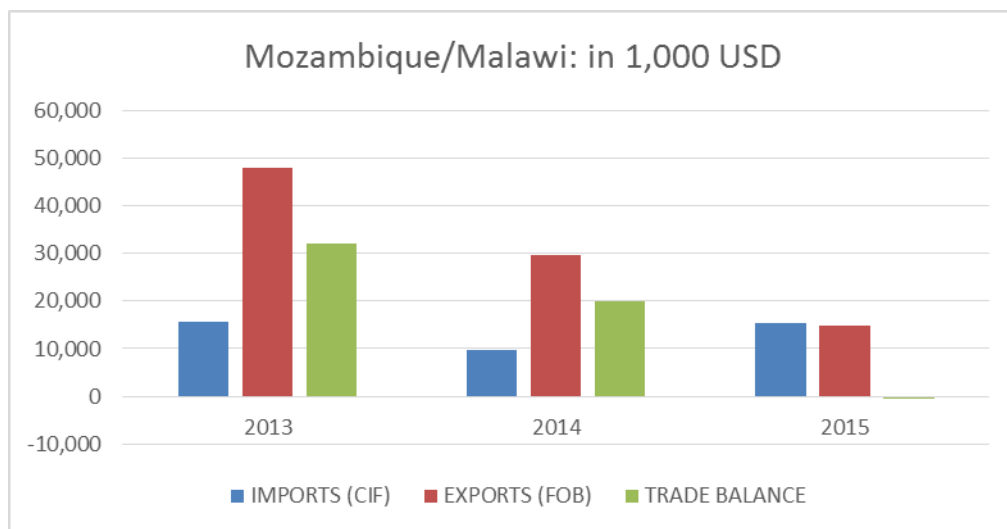
|                         | Megaprojects, extractive industry, industrial products | Income crops | Food products |
|-------------------------|--|--------------|---------------|
| Exports                 | Aluminium  | Cashew nut   | Crustaceans   |
|                         | Coal   | Sesame       |               |
|                         | Natural gas  | Almond       |               |
|                         | Electricity  | Sugar        |               |
|                         | Heavy sands  | Cotton       |               |
|                         | Precious stones  | Banana       |               |
|                         | Wood   | Tobacco      |               |
|                         | Imports  | Oil          | Sugar         |
| Aluminium               |  |              | Wheat         |
| Electricity             |  |              | Maize         |
| Machinery               |  |              | Frozen fish   |
| Building materials      |  |              | Live animals  |
| Vehicles                |  |              | Meat          |
| Pharmaceutical products |  |              |               |
| Furniture               |  |              |               |

## 9.2 Trade agreements and other preferential initiatives

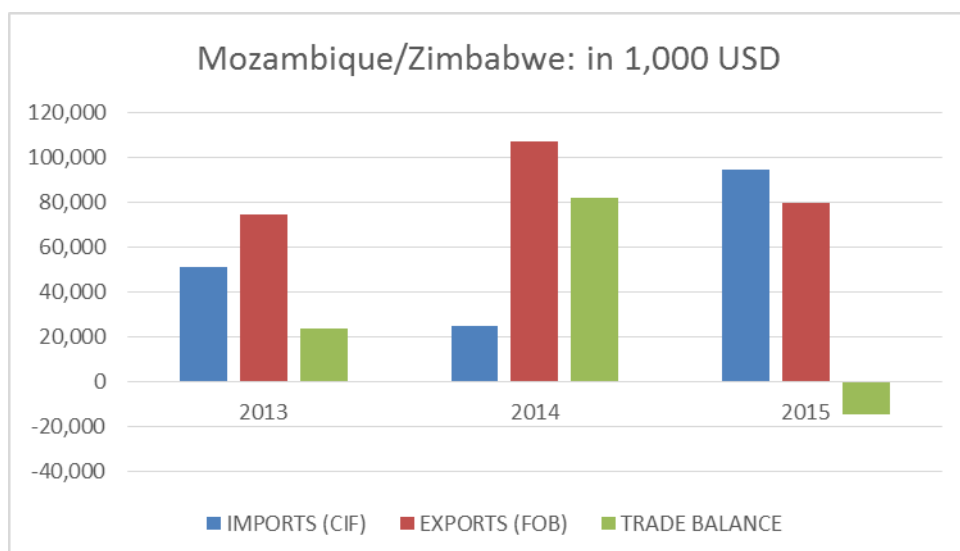
9.4. On 10 June 2016, Mozambique signed the Economic, Final and Comprehensive Partnership Agreement with the European Union, awaiting ratification by the Assembly of the Republic. The ratification process may take place in 2017.

9.5. Mozambique appreciates the extension of the American Initiative for Preferential Access, AGOA, until 2025, and is reviewing its strategy to determine how to take more advantage of the US market, and to attract US investments into the product areas eligible for preferential access under the AGOA.

9.6. The preferential agreements signed with the Republic of Malawi and the Republic of Zimbabwe remain in force, despite the limited trade flow between Mozambique and these two countries.

**Chart 9.2 Trade balance - Mozambique/Malawi**

Source: INE, International Goods Trade Statistics.

**Chart 9.3 Trade balance - Mozambique/Zimbabwe**

Source: INE, International Goods Trade Statistics.

9.7. At regional level, Mozambique is a member of the SADC, and has been complying with its obligations under the SADC Trade Protocol. In 2012, Mozambique completed the tariff disarmament for all SADC Members for the list of products it committed to liberalize, except with South Africa, which was only completed in 2015.

9.8. Mozambique will continue trade negotiations aimed at consolidating the economic integration of the SADC, the establishment of the Free Trade Area of the Tripartite Region and the Free Trade Area of the Mainland, as part of the deepening of its trade relations in the areas of trade in goods and services.

## 10 MOZAMBIQUE IN THE WORLD TRADE ORGANIZATION (WTO)

10.1. Mozambique submitted on 6 January 2017 the Instrument of Acceptance of the Agreement on Trade Facilitation of the WTO, following its ratification by the Government on 31 October 2016, through Resolution 26/2016. In addition, all provisions of Categories A, B and C have been notified to the WTO, and the National Committee for Trade Facilitation has been established.

10.2. Mozambique is working towards submitting the Instrument of Acceptance of the Protocol of Amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), before the Eleventh Ministerial Conference of the WTO, to take place in December 2017.

10.3. In 2016, with the assistance of the WTO, Mozambique installed a WTO Public Reference Centre in the Ministry of Industry and Trade. The Reference Centre is an asset for the dissemination of multilateral trade issues and a source of consultation for those who wish to pursue the online courses provided by the WTO Institute for Training and Technical Cooperation.

## **11 TRADE-RELATED TECHNICAL ASSISTANCE**

11.1. In order for Mozambique to be able to take greater and better advantage of opportunities to access regional and global markets and to make improvements in the reforms needed to bring the country into compliance with international obligations under national legislation, trade-related technical assistance will continue to be fundamental.

11.2. Mozambique has been benefitting from trade-related technical assistance under the Enhanced Integrated Framework, a programme of assistance to Least Developed Countries, and a National Implementation Unit of the Integrated Framework has been established within the Ministry of Industry and Trade. The Trade Integration Diagnostic Study was also updated in December 2014 with the support of UNCTAD.

11.3. Aid for Trade is very important and it should assist Mozambique in overcoming supply constraints, improving the quality of export products, diversifying and linking with global value chains and in the internationalization of domestic enterprises.

11.4. The country has also been receiving support from other bilateral and multilateral sources and has been making efforts to include trade in the country's growth and economic development policies and strategies.

11.5. The Government of Mozambique appreciates the invaluable contribution that has been made by all partners in the various spheres of development for the country.

11.6. Mozambique needs trade-related technical assistance, as described below:

- a) Training in international trade;
- b) Tax training in e-commerce;
- c) Training of trainers in multilateral trade matters;
- d) Training in trade remedies;
- e) Training in safeguard measures;
- f) Dissemination and implementation of the various multilateral agreements;
- g) Notifications to the WTO;
- h) Specialized training in policy analysis and strategic planning and economic and legal analysis of trade negotiations;
- i) Legislation, regulations and procedures development and practices to carry out the investigations required to determine alleged cases of dumping, subsidized imports and the application of safeguard measures;
- j) Training of jurists and lawyers specialized in multilateral trade;
- k) Implementation of the Trade Facilitation Agreement;
- l) Rules of prior decision under the Trade Facilitation Agreement;
- m) Rules of Origin;
- n) Customs valuation;
- o) Interface between e-taxation and the Single Electronic Window;

- p) Electronic monitoring system for international traffic;
  - q) Goods evaluation and inspection;
  - r) Classification of goods under the Harmonized System;
  - s) Transfer price training;
  - t) Coordinated border management;
  - u) Measures to avoid erosion of the tax base and transfer of profits;
  - v) Assistance in the implementation of competition authority activities;
  - w) Assistance in the development of simplified legislation for all systems of mineral resources and energy trade;
  - x) Assistance in establishing principles and procedures for all tariffs in the energy sector;
  - y) Assistance in developing or establishing a simplified system for processing license applications for commercial operations in the mineral resources and energy sector;
  - z) Consulting for the establishment of operational routines in the monitoring of prices and tariffs of mineral and energy products;
  - aa) Consulting for the establishment of quality indicators in the minerals and energy sector;
  - bb) Training in pricing techniques and sustainable tariffs in the minerals and energy sector;
  - cc) Development of industrial policies and strategies and statistics;
  - dd) Development of industrial parks and specific legislation (technical regulations of the industrial sector) for sectors defined as priority;
  - ee) Management models of Special Economic Zones and Industrial Free Zones; and
  - ff) Analysis, monitoring and evaluation of investment projects.
-