-Mozambique-

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GENERAL FEATURES OF TRADE POLICY

Following its independence in 1975, Mozambique implemented a socialist model of economic development that resulted in centralizing government control of the economy, including banking and agriculture. The failure of this strategy became apparent as the economy stagnated and suffered significant setbacks. In the late 1980s, Mozambique embarked on a programme of economic reform, but progress was slow until after the end of the civil war in 1992. Since the mid 1990s, the pace of reform has accelerated, and Mozambique has focused on macroeconomic stabilization and fiscal reform supported by international financial institutions.

Mozambique's main trading partners are South Africa, the European Union, Japan, and Zimbabwe. Mozambique's exports are primarily agricultural commodities, especially food products, such as non-frozen crustaceans, and fresh and dried nuts. Transportation equipment, machinery, mineral products, and foodstuffs constitute the major imported products. Due to climatic conditions, domestic agricultural production has decreased during the past few years, causing sharp increases of food imports.

Mozambique became a member of the WTO on 26 August 1996.
Mozambique grants at least MFN treatment to all its trading partners. As with other WTO Members, Mozambique has adopted the results of the Uruguay Round in their entirety. As a least developed country, Mozambique benefits from the special and differential treatment afforded developing countries in the form of exemptions or delayed implementation of certain provisions. Mozambique is not currently involved in any dispute settlement proceeding under the WTO.

Mozambique is a member of the Southern African Development Community (SADC), and the Cross-Border Initiative (CBI). Under the Cotonou Agreement (successor to the Lomé Convention), Mozambique receives aid made available to ACP countries by the European Union, and non-reciprocal preferential treatment in the form of exemption from import duties for certain exports. Likewise, Mozambique's exports enjoy non-reciprocal preferential access to the markets of other developed countries through the Generalized System of Preferences. Due to its limited export capacity, Mozambique has not benefited significantly from these preferential arrangements.

Mozambique has undertaken important reforms since 1987 – and at a more accelerated pace in the past few years. The reforms have resulted in a significantly liberalized trade regime that is essentially based on tariffs. Most export restrictions have been eliminated, as have foreign exchange controls. Mozambique has been making a determined effort to create an environment that is conducive to private investment, both domestic and foreign. The Government has shown a strong interest in expanding exports, particularly of agricultural and fisheries products, but limited export capacity has hindered significant export-led growth.

The following table is an overview of the tradeflow between the European Union and Mozambique

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	49,254,330	428,410
	1997	63,597,790	1,330,600
	1998	55,440,910	867,570
	1999	59,622,420	805,050
	2000	85,437,550	864,730
	2001	78,335,130	496,980
	2002	68,412,140	221,540
	2003	59,534,110	237,440
Vegetable products	1996	7,245,670	16,503,070
	1997	7,556,910	2,730,380
	1998	7,667,990	2,650,910
	1999	9,767,010	3,787,700
	2000	7,168,690	3,907,720
	2001	2,854,890	3,006,030
	2002	2,184,800	4,639,480
	2003	645,720	14,225,360
Animal or vegetable fats	1996	0	3,224,470
	1997	0	723,920
	1998	0	1,278,590
	1999	0	1,396,840
	2000	0	1,399,820
	2001	0	1,127,530
	2002	0	496,220
	2003	0	1,080,390
Prepared foodstuffs	1996	3,998,810	4,816,090
	1997	2,201,480	5,733,080
	1998	2,107,570	6,437,810
	1999	2,096,850	7,519,520
	2000	8,544,600	10,456,200
	2001	13,239,900	6,245,280
	2002	23,785,110	4,239,640
	2003	27,374,150	4,079,490
Mineral products	1996	7,567,700	3,459,610
	1997	8,946,080	2,798,830
	1998	14,431,680	599,430
	1999	7,377,820	2,211,830
	2000	15,245,830	2,104,630
	2001	17,663,590	1,442,990
	2002	7,715,810	597,800
	2003	7,245,450	1,683,820
Chemical products	1996	13,230	10,855,500
	1997	16,030	9,307,890
	1998	3,060	21,397,320
	1999	16,560	21,090,640
	2000	250,290	15,903,410
	2001	163,160	20,769,720
	2002	455,740	22,046,640
	2003	127,070	20,074,840
Plastics & rubber	1996	18,050	3,637,580
	1997	0	4,619,240
	1998	1,890	4,509,900
	1999	20,860	3,960,140
	2000	8,190	4,981,080
	2001	54,850	4,494,310
	2002	32,660	3,824,020
	2003	27,190	5,191,650
	1996	67,510	93,850
	1997	70	152,950

Hides & skins	1998	83,200	308,700
	1999	19,640	635,600
	2000	44,040	477,940
	2001	107,410	311,390
	2002	215,240	134,260
	2003	305,700	177,830
Wood & wood products	1996	1,333,580	372,720
	1997	814,260	184,790
	1998	1,353,450	267,020
	1999	2,721,740	841,230
	2000	4,088,020	1,081,880
	2001	3,200,560	1,328,440
	2002	3,962,030	969,570
	2003	3,095,210	369,840
Wood pulp products	1996	1,140	2,547,900
	1997	6,140	3,364,560
	1998	170,710	4,007,940
	1999	26,490	3,378,050
	2000	28,030	4,103,440
	2001	12,140	5,081,970
	2002	3,850	4,958,070
	2003	21,960	9,653,710
Textiles & textile articles	1996	16,060,970	3,160,700
	1997	23,261,660	4,547,490
	1998	21,255,070	4,548,610
	1999	21,546,620	5,553,240
	2000	22,233,560	6,357,340
	2001	16,310,130	5,685,630
	2002	10,594,310	4,891,110
	2003	12,780,250	4,347,910
Footwear, headgear	1996	75,390	751,590
	1997	110,660	915,510
	1998	303,240	954,380
	1999	965,900	886,750
	2000	770,540	1,216,070
	2001	268,430	1,339,500
	2002	9,950	1,474,210
	2003	160	991,050
Articles of stone, plaster, cement, asbestos	1996	52,680	2,747,230
	1997	97,980	3,595,590
	1998	41,180	3,399,610
	1999	21,320	7,985,900
	2000	260	4,385,210
	2001	71,100	5,070,840
	2002	6,170	17,260,480
	2003	20	3,605,100
Pearls, (semi-)precious stones, metals	1996	142,810	109,520
	1997	172,240	576,270
	1998	21,170	347,380
	1999	95,400	10,530
	2000	1,164,070	182,210
	2001	829,580	1,250,490
	2002	790,130	511,300
	2003	521,910	561,810
Base metals & articles thereof	1996	672,980	12,332,640
	1997	2,179,290	8,863,260
	1998	2,033,580	8,930,840
	1999	3,112,530	8,673,930
	2000	21,579,150	9,887,330
	2001	381,650,810	8,326,160
	2002	462,991,250	21,003,810

	2003	482,636,660	11,817,270
Machinery & mechanical applicances	1996	2,692,060	49,666,710
	1997	1,374,670	50,237,610
	1998	1,801,410	60,406,410
	1999	618,620	160,140,870
	2000	1,352,670	88,560,940
	2001	503,400	73,220,910
	2002	335,870	149,713,400
	2003	780,340	89,299,640
Transportation equipment	1996	360,080	18,959,310
	1997	169,120	16,479,030
	1998	324,980	11,243,500
	1999	102,620	10,796,950
	2000	999,850	7,802,500
	2001	443,140	26,698,680
	2002	246,560	12,067,040
	2003	187,330	7,588,360
Instruments - measuring, musical	1996	283,460	4,456,620
	1997	533,320	5,275,320
	1998	2,199,490	5,334,320
	1999	322,910	2,968,890
	2000	1,381,980	6,464,020
	2001	813,720	9,666,440
	2002	272,550	10,805,200
	2003	144,670	11,546,290
Arms & ammunition	1996	0	34,090
	1997	0	111,180
	1998	0	3,830
	1999	0	14,440
	2000	0	91,930
	2001	0	262,690
	2002	0	215,820
	2003	0	119,350
Miscellaneous	1996	32,360	2,700,690
	1997	2,810	4,062,410
	1998	36,660	4,931,460
	1999	36,180	5,544,880
	2000	21,510	5,150,400
	2001	14,420	5,076,490
	2002	7,350	5,971,380
	2003	6,780	5,124,100
Works of art	1996	5,270	4,570
	1997	2,380	634,460
	1998	21,640	19,290
	1999	29,590	60,640
	2000	7,800	4,480
	2001	8,210	140
	2002	9,050	7,300
	2003	30,050	700
Other	1996	76,810	4,197,130
	1997	34,730	5,324,280
	1998	8,170	3,075,900
	1999	37,160	3,018,490
	2000	413,240	4,756,620
	2001	1,003,400	3,816,210
	2002	122,560	3,786,770
	2003	975,070	3,403,770

Services - Communications & Audiovisual

The Ministry of Transport and Communications (MTC) is responsible for policy related to the development of the telecommunications industry. In 1999, the Government adopted a

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new telecommunications law aimed at opening the telecommunications market and allowing private participation. The law sanctions two main levels of effort: a policy level and an operational level. At the policy level, there are primarily two actors: the Government, represented by the Ministry of Transport and Communications, which gives guidelines and enforces the law; and a Telecommunications Regulatory Authority (TRA), originally created in 1992 but given more power in the 1999 law. The TRA is a quasi-governmental entity responsible for assuring a level playing field for all.

At the operational level, Mozambique Telecom (TDM), a fully owned government company, is responsible for basic telecommunications services. TDM's monopoly is intended to last until 2004. Limited privatization is expected in 2001, and the Government is already looking for a strategic investor. The Government is likely to keep a share in TDM for the foreseeable future, although it is unclear how much and for how long. The modalities of privatization have yet to be worked out. However, it is expected that competition will be allowed after five years.

For cellular service, there is currently one operator, run as part of TDM. It is expected that a second operator will be allowed, but will have to use TDM as a gateway and rent interconnection space. The price for this will not be determined by the TRA, but by negotiation. The various rates were to be established in the fall of 2000 by the Government. The second cellular operator will be required to have the same universal access responsibility as TDM's cellular provider.

A special Commission comprising an inter-ministerial group determines telecommunications fees (tariffs). For basic service, TDM proposes tariffs, and the Commission approves them. For cellular, in contrast, when competitive providers exist, the Government intends to let competition create the pricing structure. As TRA begins to gain experience under the new law, however, it is expected that changes will occur.

Mozambique's telephone density is very low, but increasing annually.

Mozambique has not made any specific commitments in the General Agreement on Services (GATS) with respect to telecommunications.

Services - Energy
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Electricity

Mozambique is rich in hydropower resources, coal and natural gas and could become a major source of electrical energy for the region. The sector has the potential to be a major source of economic growth through its generation of foreign exchange earnings and tax revenues, as well as for the availability of electricity domestically. At the present time, the most significant electricity producer is the Cahora Bassa (sometimes referred to as Cabora Bassa) dam. Much of the electrical energy production is exported to South Africa and Zimbabwe. The exports to South Africa and many of the internal distribution facilities were significantly damaged as a result of the floods in 2000.

The Cahora Bassa dam currently produces 2,075 MW of electricity. This project produces an interesting trade anomaly: electricity is exported to South Africa, which pays two cents per kWh, while Mozambique has to import electricity from South Africa to supply Maputo (which is too far from Cahora Bassa to be supplied in a cost effective manner), and pays four cents per kWh for its imports. Foreign investors are currently studying the possibility of a second dam, downstream from Cahora Bassa.

Responsibility for managing the country's electrical power remains with the state-owned Electricidade de Mozambique (EDM). Although there has been discussion about a strategic private investor for EDM, it still maintains a monopoly on the management of the national grid.

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TARIFFS AND DUTIES

Mozambique has recently simplified the structure of its customs duties; the tariff rates currently range from 0 to 30%. The tariff structure is modestly escalatory. The simple average applied MFN tariff is 13.8%, among the lowest import duties in southern Africa. In 1999, Mozambique introduced a 17% value-added tax (VAT). The Government expects the VAT to improve public revenue; this will facilitate a future reduction of the maximum tariff to 20%. Excise taxes are levied on automobiles, luxury goods, alcoholic beverages, and tobacco products.

MFN tariff bindings

Under its Uruguay Round commitments, Mozambique bound tariffs on all agricultural products at a ceiling rate of 100%. Tariff bindings on non-agricultural products are very limited; only 17 lines (out of a total of 4,417) at the HS eight-digit level were bound at either 5% or 15%.

Registration and documentation requirements

In 1998, Mozambique simplified its existing export and import procedures, eliminating the need for prior licences. Currently, an importer needs only to be registered as a company with the Ministry of Trade and Industry. An import registration is required annually, exclusively for tax and statistical purposes. Once registered, the importer is authorized to deal directly with Customs. The same is true for exporters, but renewal of registration is required only every five years.

With the elimination of prior licences and the gradual reduction of preshipment inspection (PSI) requirements, a system of customs pre-declaration was put into place. Customs pre-declaration is accomplished through the Single Administrative Document (Documento Único, or DU), based on the system used within the European Union. The pre-declaration must be filed before goods are shipped. Once the pre-declaration is filed, Customs runs a computerized risk analysis to determine whether a PSI is necessary. At the same time, Customs receives a 15% advance, as a deposit against the eventual duty (to cover the Government's and the PSI company's expenses), as well as an administrative charge of US$50 (per bill of entry) on exempted products. At this time, Customs fixes the exchange rate for the transaction.

Inspection, customs valuation, and customs clearance

Since 1997, PSI has been progressively reduced, so that only about 30% of imports undergo PSI. PSI is now conceived as an aid to customs work, rather than an autonomous act. With the strengthening of the customs system, PSI will cease to be carried out systematically. Mozambique's policy is to continue to reduce PSI.

An important change since 1997 has been the establishment of post-shipment inspection. Since 1996, post-shipping inspection, as well as PSI, is handled by the United Kingdom-based company, Intertek Testing Services (ITS), chosen by international tender. Usually, only items not subject to PSI are subjected to post-shipment inspection, unless there are indications the shipment is suspect. The importer (or his agent) must be present at such an inspection, and items are often risk-targeted to determine whether they need to be inspected. This process is constantly being refined to exempt non-suspect goods. Goods that lack documentation are liable for post-shipment inspection and a potential fine of 30% of the c.i.f. value, which may be waived for just cause.

The Customs Department may ask the PSI company to perform a simple inspection, a basic inspection, or a full inspection. A simple inspection includes verification of tariff classification of the goods to be imported, checking the customs value of the goods, and issuing a certified DU, with all details completed. A full inspection includes verification at the place of production, warehousing, or dispatch of any goods, physical inspection of the quality and quantity of goods declared, possible checking of the commercial, technical, and sanitary quality of the goods, the tariff classification, the sealing of goods in containers, and more.

The normal charges resulting from PSI are assumed by the Government, unless a mistake by the exporter or importer requires a new inspection. Charges for inspections of donations from international aid agencies or foreign governments, which have been approved by the Government, are paid by the receiving Mozambican government agency. Importers, however, are responsible for reimbursing the Government for PSI costs if the inspection uncovers un-importable goods, if the DU is not collected within 60 days, or if the pre-declaration is cancelled, by virtue of the conditions set out in the diploma regulating the clearance of goods. The importer is responsible for informing the exporter of any obligation to submit the goods to PSI.

The following goods are exempt from PSI:

- gold, precious stones, semi-precious stones, works of art, explosives, firearms, munitions and other military articles that are not suited to use by civilians, as long as they are imported by competent authorities, and fireworks, antiquities, live animals, fresh chilled or frozen fruits and vegetables, fish or meat or eggs, scrap metal, electricity, current newspapers and periodicals, household and personal effects, parcel post, unprocessed hides, radioactive and nuclear substances, and commercial samples; and
- supplies imported for the use of diplomatic missions, international organizations, governmental organizations, and foreign non-governmental organizations.

For customs valuation purposes Mozambique uses the Brussels definition of value (BDV). This corresponds to the "normal" price of the goods, i.e., the price which, it is considered, these goods would have been able to fetch in the place and at the time they are declared, on full competition terms, between a buyer and seller who are independent. In accordance with the provisions of Article 20 (special and differential treatment) of the Agreement on Implementation of Article VII of the GATT 1994, Mozambique has postponed the changeover to the transaction value. The current priorities are to modernize and professionalize customs performance, eliminate corruption, and pursue a comprehensive staff training programme; the lack of competent customs officials is a major problem.

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TRADE DEFENCE INSTRUMENTS

Mozambique does not currently have any national legislation on anti-dumping, countervailing, and safeguards measures, although officials indicate that the Government has begun to consider the possibility of introducing measures in the future.

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NON TARIFF BARRIERS

Prohibitions, quantitative restrictions, and licensing
Mozambique maintains a very limited number of import restrictions. The restrictions currently in force are retained for reasons of health, morals, or counterfeiting, and include products such as pornography, narcotic drugs, and certain used automobiles older than five years. Specific products subject to special import regulations and licensing include certain medications, arms and explosives, certain used clothes, gold, silver and platinum, certain foreign and domestic currency, and certain used tyres.

Government procurement
Mozambique is neither a signatory nor observer to the WTO Plurilateral Agreement on Government Procurement. The Ministry of Planning and Finance (MPF) supervises all government procurement activities in Mozambique, either directly or indirectly, through authority deriving from 1997 regulations amending the basic law of 1994. Government procurement activities are subject to one of two procedures: one for large purchases, and one for small purchases.
Large purchases (defined as those over Mt 12 billion or approximately US$750,000) usually involve international funding, and competitive international tenders are the norm. The procurement regulations of the donor organization are followed. Competitors for these can be either domestic or foreign firms, and representation or registration in Mozambique is not a requirement to bid. No preferences are given to national firms, but there is a 10% preference for "national products", i.e. products whose final processing takes place in Mozambique.
The procedures for small purchases are more complex. There is a permanent Commission in the MPF comprising representatives from all ministries. Similar commissions operate in provincial governments. Each year, after public tenders, the Commission publishes a list of prices and accepted bidders for each product. The actual procurement is made by the responsible ministry, which has its own Board responsible for

procurement.

Competition for procurement of less than about US$750,000 is open only to companies registered in Mozambique, regardless of whether the company is domestic or foreign owned. Companies are also required to be registered with the MPF. As in larger procurement, national products (those whose final processing is in Mozambique) have a 10% preference.

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INVESTMENT RELATED BARRIERS

The Government's economic reforms seek to create an attractive commercial environment, and to provide incentives for inward investment. With few exceptions (e.g. public utilities), 100% foreign ownership is permitted in economic activities.

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IPR

Measures for the protection of intellectual property rights

Responsibility for Mozambique's intellectual property rights protection is divided between two government agencies. The Central Department of Industrial Property (DCPI) of the Ministry of Industry and Commerce is responsible for the administration of industrial property rights, including trade marks, service marks, patents, industrial designs, utility models, commercial names, geographical indications and denominations of origin. Responsibility for copyrights rests with the National Institute for Books and Recordings, within the Ministry of Culture.

The first indication of government attention to industrial property protection was the creation of DCPI in 1995. Mozambique joined the WIPO in 1996, the Paris Convention in 1997, and the Madrid Agreement in 1998. The country's first law, a comprehensive Code of Industrial Property Rights, came into force in 1999. Additionally, Mozambique joined the Patent Co-operation Treaty (PCT) in May 2000, and is a member of the African Regional Industrial Property Organization (ARIPO) and its Harare Protocol.

Under Mozambican law, protection for patents is provided for 20 years. Trade mark protection is for ten years, renewable. Geographical indicators of origin are protected for indeterminate periods.

There is no Mozambican copyright law, and the country is not a member of any related treaty. Mozambique still has on its books a 1966 Portuguese law maintained since independence. A draft of a copyright law, however, is working its way through the legislative process. Government officials have indicated that the draft law was written within the context of the WTO TRIPS Agreement.

Enforcement of the current industrial property laws is minimal. Generally, the authorities wait for an aggrieved party to file a charge, and then proceed to trial.

Government authorities have noted a serious recent increase of recording piracy and are considering how to stop it. Unfortunately, current law does not provide a role for the police, and, although customs law prohibits the import of pirated goods, attention to these matters is only beginning to be addressed by customs officials.