TRADE POTENTIAL BETWEEN SOUTH AFRICA AND MOZAMBIQUE

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1. INTRODUCTION

Agriculture plays a pivotal role in the development of most countries, especially least developed countries. It is a source of revenue and employment, accounting for over 50% of Gross Domestic Product and 70% of employment across the developing nations. These countries are characterized by persistent poverty. The Millennium Development Goal (MDP) aims at amongst other things to reduce poverty by half by 2015. Poverty is highly concentrated, particularly in Africa. In response to the persistent poverty, African ministers of agriculture under the umbrella of NEPAD (New Partnership for Africa's Development) initiated a Common African Agricultural Development Programme (CAADP)[i] in which member states commit themselves to contribute at least 10% of GDP to agricultural development initiatives. To achieve poverty reduction targets set by the Millennium Development Goal and NEPAD, the economies in the region have to grow at the minimum rate of 7% over the intervention period.

The CAADP aims at restoring agricultural growth, rural development and food security in the African region. The architects of the program have identified agricultural trade as one of the pillars that can induce growth in the sector. Africa has a strong actual and potential international comparative advantage in agriculture and agro-processed products. However, developed countries suppress this advantage by distorting market prices of goods through domestic support and tariff peaks in which poor African countries have an advantage. Hence, achieving agricultural trade liberalization in the Doha round of negotiations is important for Africa's future development prospects.

There is large disparity between individual countries in the Southern African region. The region is dominated by South Africa accounting for 77.6% of total GDP. Mozambique, Malawi and Zambia are counted amongst the world's poorest countries with low levels of income. South Africa has a responsibility to lead in terms of lobbying for a just and fair multilateral trading system for the countries in the region.

South Africa's foreign policy objective is to promote economic regeneration of Africa through NEPAD. The promotion of regional integration and South Africa's leading role in the NEPAD initiative is evidence of the commitment South Africa has to African development. From an agricultural trade perspective, South Africa has to play a leading role in promoting African development and intra- Africa trade.

This study focuses on agricultural trade flows between South Africa and Mozambique in order to identify the existing and potential trade patterns. This was done as part of a broader Inter Africa study which endeavors specifically to foster trade in Africa and increases market access for South African agricultural products in African countries. The study begins by providing brief country facts about Mozambique in order to outline key features of the country. This was followed by outlining the historical background and Mozambique's infrastructural development. The assessment of Mozambican's economic performance is also provided.

The study continues with a discussion on South Africa's agricultural trade relations with SADC member states. The key features of Mozambican agriculture and trade policy are discussed. This is followed by a discussion on the range of trade barriers employed by Mozambique. The next section examines the existing agricultural trade structure between South Africa and Mozambique. South Africa's leading export

products to and import products from Mozambique are identified and discussed with the aid of trade databases. Thereafter, a Trade Potential Index is constructed and employed to identify products that provide the greatest trade potential for both exporters and importers. Lastly conclusions are provided.

2. COUNTRY FACTS[ii]

Mozambique is situated on the south east coast of southern Africa. It is bordered by the Indian Ocean in the eastern parts of the country, South Africa and Swaziland in the South, Zimbabwe, Zambia and Malawi in the West and Tanzania in the North.

It covers an area of 799 390 square miles, with a population of 19.8 million (2006) according to the Mozambican National Institute of Statistics[iii]. The country is characterized by subtropical to tropical climate from south to north. The capital city of Mozambique is Maputo which is also considered a province on its own merits making it the eleventh province. Other provinces are: from south to north – Gaza, Inhambane, Sofala, Manica, Tete, Zambezia, Nampula, Cabo-delgado, and Niassa. Land use is divided along the following patterns:

- Arable 5.1%
- Permanent 0.3 %
- Other 94.6% (2001 estimates)

The population is made up of 99.66% of indigenous tribal groups (Makhuwa, Tsonga, Lomwe, Sena, and others); Europeans constitute 0.06%, Euro-Africans 0.2% and Indians 0.08%. Religious beliefs consists of Catholic 23.8%, Zionist Christian 17.5%, Muslim 17.8%, other 17.8%, none 23.1% (1997 census). Mozambique's official language is Portuguese, however there are over 30 other Bantu-group languages including Emakhuwa 26.1%, Xichangana 11.3%, Elomwe 7.6%, Cisena 6.8%, Echuwabo 5.8%, other Mozambican languages 32%, other foreign languages 0.3%, unspecified 1.3% (1997 census). The majority of populations are staying in provinces of Zambezia and Nampula, with 20% and 19% respectively.

3. HISTORICAL BACKGROUND

Mozambique became independent from Portugal in 1975, ending almost five centuries of Portuguese administration of the territory. A UN- negotiated peace agreement between FRELIMO and Rebel Mozambique National Resistance (RENAMO) forces ended 16 years of civil war in 1992. In 1994, the first multiparty elections took place. In December 2004, as a result of the third presidential and legislative elections, Armando Emílio Guebuza replaced Joaquim Chissano, who had held office for 18 years. President Guebuza, like his predecessor from FRELIMO, is committed to continuing the sound economic policies that have encouraged large foreign investment.

4. ECONOMIC OVERVIEW

At the end of the civil war in 1992, Mozambique ranked among the poorest countries in the world. It still ranks among the least developed nations with very low socio-economic indicators. In the last decade, however, it has experienced a notable economic recovery. Per capita GDP in 2000 was estimated at $222; in the mid-1980s, it was $120. With a high foreign debt (originally $5.7 billion at 1998 net present value) and a good track record on economic reform, Mozambique was the first African country to receive debt relief under the initial HIPC (Heavily Indebted Poor Country) Initiative. In April 2000, Mozambique qualified for the Enhanced HIPC program as well and attained its completion point in September 2001. This led to the Paris Club members agreeing in November 2001 to substantially reduce the remaining bilateral debt. This will lead to the complete forgiveness of a considerable volume of bilateral debt, including that owed to the United States.

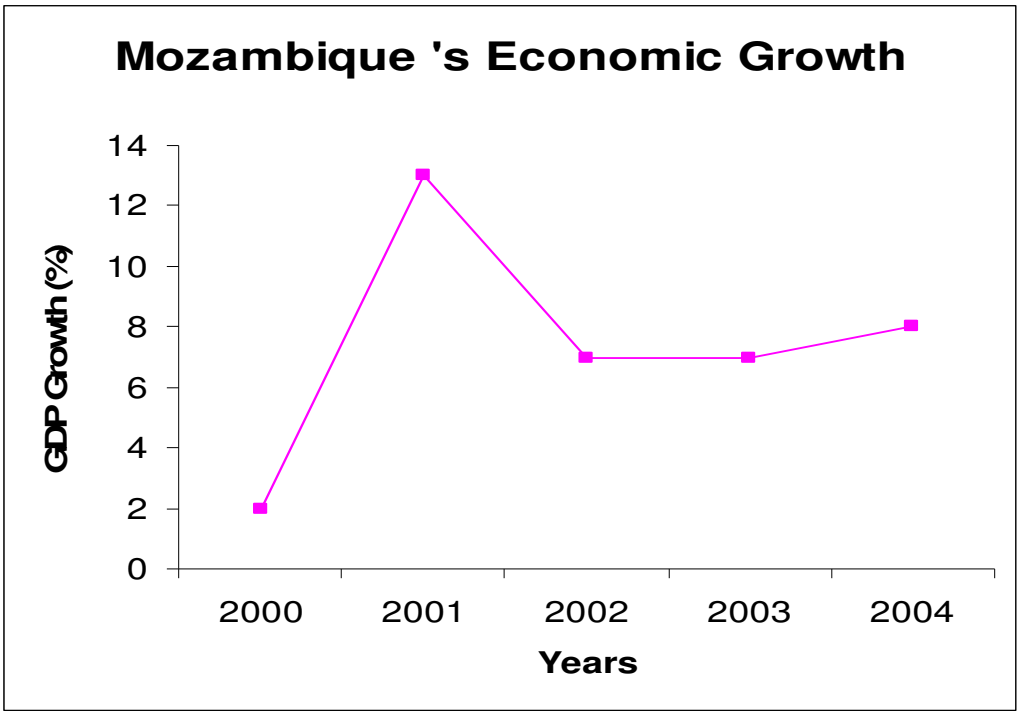
The resettlement of war refugees and successful economic reform has led to a high growth rate: the average growth rate from 1993 to 1999 was 6.7%; from 1997 to 1999, it averaged more than 10% per year. The devastating floods of early 2000 slowed GDP growth to 2.1%. With massive implementation of government projects in 2001 the economy recorded an average GDP growth of 7.4% for the five year period ranging from 2000 to 2004. Figure 1 below shows Mozambique's economy over the period 2000 to 2004.

The rapid expansion in the future hinges on several major foreign investment projects, continued economic reform, and the revival of the agriculture, transportation, and tourism sectors. More than 75% of the population engages in small-scale agriculture, which still suffers from inadequate infrastructure, commercial networks and

investment. Yet 88% of Mozambique's arable land is still uncultivated. Focusing economic growth in this sector is a major challenge for the government.

The government's tight control of spending and the money supply, combined with financial sector reform, successfully reduced inflation from 70% in 1994 to less than 5% from 1998-99. However, in 2000 as a result of economic disruptions stemming from devastating floods, rates spiked to 12.7%. It then increases to 13% in 2004.

Figure 1: Mozambique's economic performance



Source: World Development indicator data base

The value of Mozambique's currency, the Metical, lost nearly 50% of its value against the dollar since December 2000, although in late 2001 it began to stabilize.

Over 1,200 state-owned enterprises (mostly small) have been privatized. Preparations for privatization and/or sector liberalization are underway for the remaining parastatals, including telecommunications, electricity, water services, airports, ports and the railroads. The government frequently selects a strategic foreign investor when privatizing a parastatal. Additionally, customs duties have been reduced and customs management has been streamlined and reformed. The government introduced a highly successful value-added tax in 1999 as part of its efforts to increase domestic revenues. Future plans includes Commercial Code reform; comprehensive judicial reform; financial sector strengthening; continued civil service reform; improved government budget, audit and inspection capability; and the introduction of the private management of water systems in major cities.

During the period 2000 to 2003, the value of imports has surpassed that of exports by almost 2:1, an improvement over the 4:1 ratio of the immediate post-war years. In 2003 imports were estimated at 23 million, and exports were 39 million. Support programs provided by development partners have largely compensated for balance of

payments shortfalls. The medium-term outlook for exports is encouraging since a number of foreign investment projects should lead to substantial export growth and a better trade balance. MOZAL, a large aluminum smelter that commenced production in mid-2000 has greatly expanded the nation's trade volume.

Traditional Mozambican exports include cashews, shrimp, fish, copra, sugar, cotton, tea and citrus fruits. Most of these industries are being rehabilitated. Mozambique is less dependent on imports for basic food and manufactured goods because of steady increases in local production. Table 1 below provides a comparison of South Africa and Mozambique for selected social, demographic and economic indicators for 2004.

Table 1: Comparative Data Profiles of South Africa and Mozambique[iv] ---- 2004

INDICATOR	MOZAMBIQUE	SOUTH AFRICA
SOCIAL AND DEMOGRAPHIC INDICATORS		
Total Population (Millions)	19.12	45.5
Population Growth (Annual Percentage)	2%	1%
Life expectancy at birth (Years)	41	46
ECONOMIC INDICATORS		
GDP (US $ billions)	5. 55	212.78
GNI per capita (Current US$)	250	3 630
GDP Growth (Annual percentage)	8%	4%
CPI (Annual %) Dec 2004[v]	9.29	4. 3
Export of Goods and Services (% of GDP)	23%	28%
Imports of Goods and Services (% of GDP)	39%	26%
STRUCTURE OF ECONOMY (% OF GDP)		
Agriculture	26%	4%
Industry	31%	31%
Services	43%	65%
Exchange Rates (Rates Exchange to US$) (February 2006)	24,593.50 (Metical)	R6.10

Source: World Development Indicators database

5. INFRASTRUCTURE[vi] AND COUNTRY RISK[vii]

Mozambique's infrastructure development has been affected by long lasting civil wars and floods. Mozambique possesses 30 400 km of roads of which 18.7% (5 685 km) are paved and 81.3% (24 715 km) unpaved (1999 est.). There are three international airports and 22 other airports with paved runaways. The total passengers carried in 2001 is estimated at 264 000. The main ports and harbors are situated at Maputo, Beira and Nacala.

The World Bank's International Risk Guide (ICRG) gives Mozambique a rating of 61 (where highest risk is 0 out of 100 points) for the year 2003. The rating has remained the same compared to the previous year, but has shown an improvement on the score

of 55 in 2000. The Credit Guarantee Insurance Corporation (CGIC) Country Rating for Mozambique is currently 3C (3 = high political risk; C = high commercial risk)

According to Transparency International, in 2004 Mozambique scored 2.8 out of 10 on a Corruption Perceptions Index (where 10 is "highly clean" and 0 is "highly corrupt), and was rated the 90th most corrupt country out of 146 countries surveyed, on a par with Gambia, India, Malawi, Nepal, Russia and Tanzania (where 1 = least corrupt and 146 = most corrupt).

6. REGIONAL AND INTERNATIONAL INTEGRATION

Mozambique participates in various international and regional organizations. At international level it is a member of WTO (World Trade Organization), IMF (International Monetary Bank) and World Bank. It is also a member of ACP (African, Caribbean and Pacific) group of states. At regional echelon, it is a signatory to SADC trade protocol and IOR-ARC Indian Ocean Rims Association for regional cooperation.

It enjoys preferences under AGOA (African Growth and Opportunity Act), Cotonou agreement, GSP (General System of preferences) and a Trade Preferential Agreement with South Africa. The country is currently negotiating bilateral trade agreement with the following countries: Algeria, Cuba, Egypt, India, Kenya, Malawi, Mauritius, Russia, Zambia and Zimbabwe.

These agreements have been used as instruments for promoting trade and improving economic relations between Mozambique and these countries.

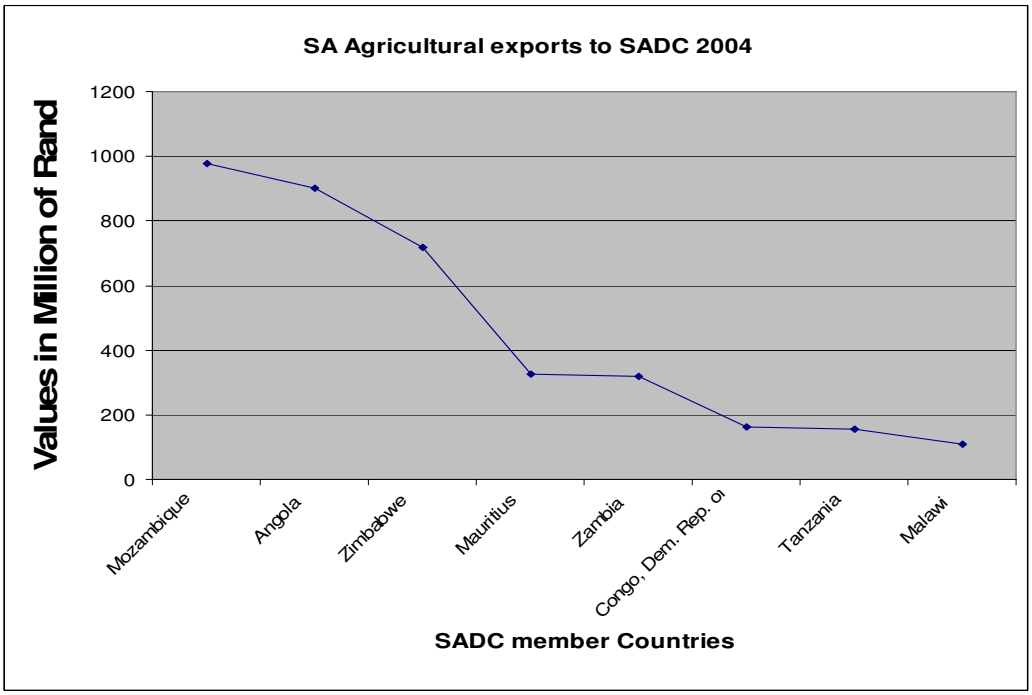
7. OVERVIEW OF AGRICULTURAL TRADE[vii][viii] WITH SADC

The graphics below (figure 2 & 3) illustrates South Africa's agricultural trade with SADC member states in 2004. Exports of agricultural products to SADC members represent approximately 16% of South African agricultural exports while imports from the region represent approximately 8% of South Africa's total agricultural imports.

Examining South Africa's agricultural exports to SADC it becomes clear that trade is dominated by exports of *beverages, cereals, sugars, miscellaneous edible preparations and edible fruits* whilst imports from SADC constitutes mainly of *cotton, tobacco, coffee and sugars.*

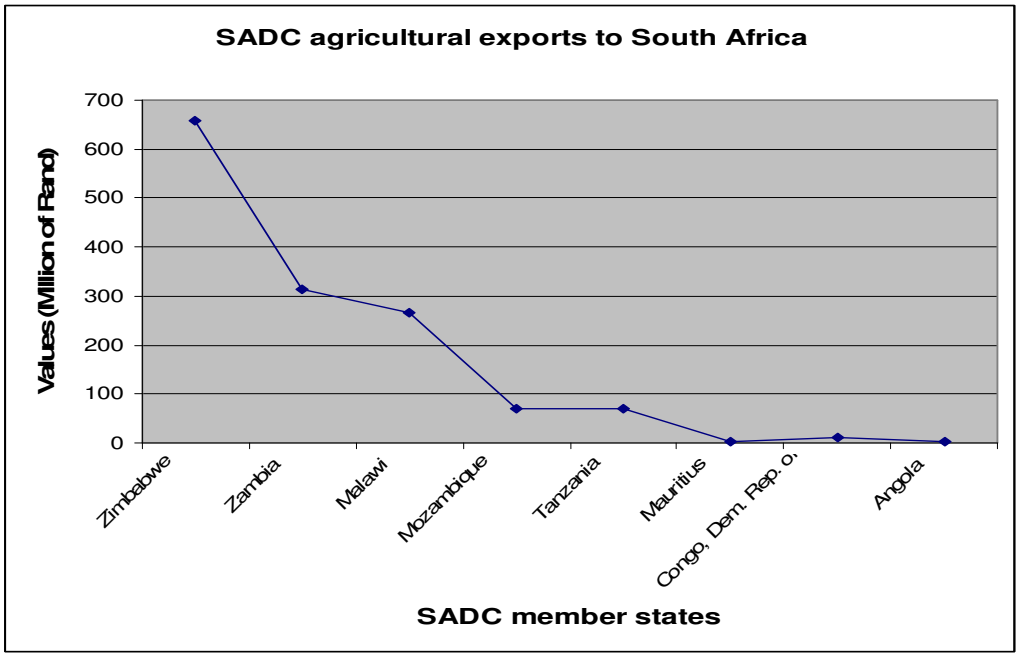
Figure 2 below indicates that Mozambique is the leading importer from South Africa accounting almost 26% of total South African agricultural exports to SADC member states valued at R977 million. It is followed by Angola and Zimbabwe with trade valued at R899 million and R720 million respectively. These three countries combined accounted for almost 70% of total South African's agricultural exports to SADC. However, certain of the remaining SADC members' countries recorded small volume of trade with South Africa, notably Tanzania and Malawi.

Figure 2: Value of South African Agricultural Exports to SADC 2004



Looking at figure 3 below which displays SADC's agricultural exports to South Africa, it is apparent that Zimbabwe, Zambia and Malawi were the leading agricultural exporters to the South African market in 2004. Both countries accounted for approximately 90% of total South African imports from SADC valued at R1237.4 million in 2004. However, Mauritius, Democratic Republic of Congo and Angola recorded low volume of trade.

Figure 3: Value of SADC agricultural exports to South Africa 2004



Source: World Trade Atlas

8. MOZAMBIQUAN AGRICULTURE

The Mozambique economy depends largely on agriculture. It provides employment for over 75% of the workforce and contributed about 26% of GDP in 2004. The main source of income is derived from exports of *copra, cashew nuts, sugar cane, cotton, tea and citrus fruits.* At present the agriculture sector is still dominated by peasant family production, which occupies almost 90% of the cultivated area and includes 2.5 million households. This sector is characterized by rain fed farming and the use of basic agricultural techniques which results in low yields. The remaining arable land is cultivated by commercial farmers which grow exclusively cash or export crops.

The agricultural sector in Mozambique has huge potential; it has an estimated 36 million hectares of arable land, of which only 10% are currently used for production. The wide diversity of soil types and the diverse climatic conditions in the country are suitable for a large variety of crops. Most of the cultivated areas are not irrigated. Among the principal irrigation systems in the country, the most outstanding are the one at Chokwe and the sugar plantations at Incomati, Maragra, Buzi, Mafambisse and Luabo, covering a total of some 59 000 hectares. The Zambezi valley has great investment potential, given the nature of the land and the facilities for irrigation provided by the river.

In recognition of this potential, the government of Mozambique has responded by establishing the Zambezi Planning Office in 1997 with the aim of promoting and coordinating social and economic development of the region. Special tax incentives are also offered.

Some larger export crop farms have been revived through foreign direct investment and joint venture companies, such as the cotton and citrus producer Lonrho Mozambique Agriculture Company (LOMACO), which operates in several regions of Mozambique.

Rehabilitation of the existing agriculture-related infrastructure, including roads, railway lines, ports, irrigation systems and water and power supply is a priority of the government and of the international aid agencies assisting the Mozambican agricultural sector. Development of commercial agriculture in suitable areas of existing water resources and irrigation networks such as Chokwe and Massingir in the Gaza province, and Corrumana in Maputo province is another priority of the government.

In 1996 the Mozambican government launched an ambitious commercial agriculture joint venture between South African farmers and Mozambique (MOZAGRIUS, coordinated by the Ministry of Agriculture and Rural Development), a broadly successful scheme to attract farmers from South Africa to the largest and most fertile Northern Province of Niassa. Farmers participating in the scheme have already settled in Niassa. There is also an influx of farmers from Zimbabwe who have settled in the Manica province.

9. TRADE POLICY INSTRUMENTS

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.

9.1 Tariff structure

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%. In 1999 Mozambique introduced a 17% 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. Mozambique has bound tariff commitments on all agricultural products at a 100%.

9.2 Customs Administration

In January 1997, the government of Mozambique entered into a contract with Crown Agents for the management of Mozambique's customs. The government also has an agreement with Intertek Testing Services to perform preshipment inspections and for goods not subject to preshipment inspection, post shipment inspections. Mozambique still uses Brussels Definition of Value. Mozambique has no national legislation regarding anti-dumping, countervailing, or safeguard measures.

9.3 Standardization

The National Institute of Normalization and Quality (INNOQ) are responsible for the administration of standards. INNOQ is also developing new standards on the basis of foreign or international ones: 17 are in the final stages of development and 25 are in process. Mozambique maintains certain controls for sanitary and phytosanitary purposes. The related institutions are the Ministry of Agriculture and Natural Resources.

9.4 Government procurement

Mozambique is neither a signatory nor an observer to the WTO Plurilateral Agreement on Government procurement. The Ministry of Planning and Finance supervises all government procurement activities in Mozambique, and its guidelines govern all public procurement, except large projects involving international funding. In such cases, the procurement regulations of the donor organization are followed. Only companies registered in Mozambique are allowed to tender for public procurement under US$750 000.

9.5 Privatization

The government of Mozambique implemented a privatization programme over the period 1989-99. The vast majority of state-owned companies have been privatized. However, the Government has maintained control over companies considered "particularly important", primarily public utilities, including telecommunications,

ports and rail roads, where government policy has not yet been formulated, (but is expected to be announced soon) and certain mining companies.

9.6 Intellectual Property

Responsible for intellectual property matters is divided between two departments, one responsible for patents and other "industrial" matters, and the other for copyrights. The country's first law on industrial property protection came into force only in 1999. No law yet exists on copyright matters. Enforcement of the current intellectual property laws is minimal

10. BILATERAL TRADE STRUCTURE AND PRODUCT ANALYSIS

10.1 South African exports to Mozambique

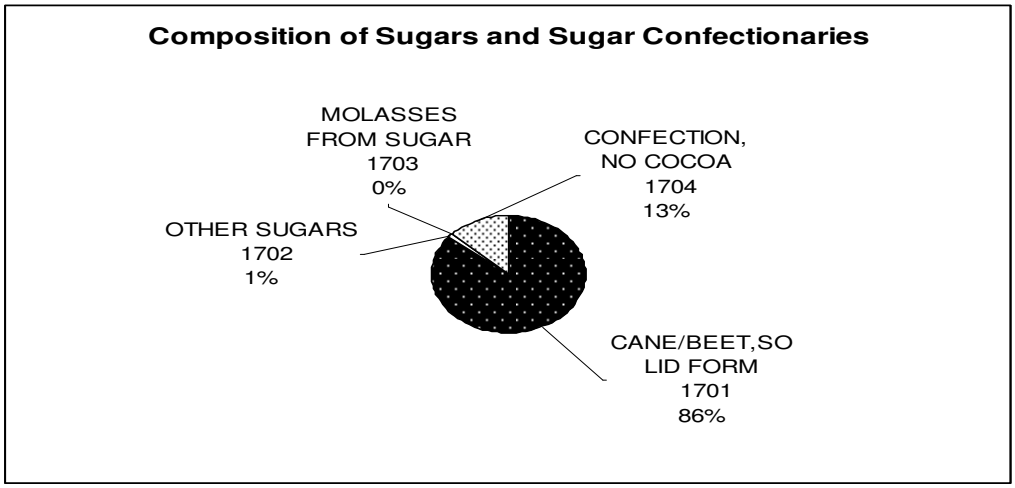
The analysis of South African exports to Mozambique at 2HS level reveals the leading export clusters to Mozambique include: *Sugars, edible fruits and nuts, miscellaneous edible preparations, dairy products, beverages, spirits and vinegar.* Annex 2(a) provides a complete list of the agricultural exports, includes the relevant HS codes, a product description and the corresponding Rand values of the exports. The annex provides comparative data for 2002 to 2004. The products are ranked in order of trade value for the year 2004. The three leading product nomenclatures for 2004 as contained in the annex also provide the basis for the export analysis that follows. The selection of products is based on the definition of agricultural products as covered by the WTO Agreement on Agriculture[ix].

10.1.1 Sugars and Sugar Confectionary (HS 17)

Annexure 2(a) revealed that sugars and sugar confectionaries represented the largest category of agricultural products exported to Mozambique in 2004. An estimated 122.03 million kilograms of sugars and sugar confectionaries was exported to Mozambique at an estimated average price of R2.18 per kilogram. This generated R266.48 million worth of revenue and accounted for almost 27% of total South African agricultural exports to Mozambique. Trade data indicates that the export performance of sugars and sugar confectionaries has been declining in value terms starting from 2002 to 2004. For the period between 2002 and 2003 it recorded a decline of 9.5% and 35% for the period 2003 and 2004.

Within the category of sugar and sugar confectionary (HS 17), the leading product is cane/beet sugar in solid form (HS 1701) which accounts for 95% of total exports in this category. This will serve as a basis of analysis in this category.

Figure 4: Composition of Sugar and Sugar Confectionary



(a) Cane/ Beet Sugar in Solid Form (HS 1701)

Cane or beet sugar in solid form is the leading export product within sugar and sugar confectionary nomenclature. In 2004 an estimated 120.18 million kilogram of these product were exported at an average price of R 2.11 per kilogram. In value term this amounted to R253.41 million. This represents 95% of trade in this category and 26% of total agricultural exports to Mozambique. Disaggregated to the 6 HS digit level this is dominated by exports of raw sugar cane (HS 170111) which accounted for almost 94% of trade in this subcategory. The performance of raw sugar cane (HS 170111) for the period 2002 to 2004 is depicted in Table 2 below.

Table 2: Export Performance Product Code-HS 170111 from SA to Mozambique

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
Value of Trade (Millions of Rand)	386.10	362.49	237.81
Quantity Trade (Millions of kilograms)	183.14	166.33	115.87
Average price (Rand per kilogram)	2.11	2.18	2.05
Growth in Value (Relative to previous year)	**20.8%**	**-6.1%**	**-34.4%**

Source: World Trade Atlas

Table 2 indicates that exports of raw sugar cane started to decline in 2003 and continued in 2004. Trade Map analysis for raw sugar cane reveals that South Africa is the leading exporter of this product to Mozambique enjoying 100% share of Mozambique's imports. In turn Mozambique imports 27% share of South Africa's exports of this product. Over a five year period ranging from 2000-2004 the total Mozambique import demand for sugar products has grown by an average of 27%.

South Africa is the sole exporter of sugar to Mozambique. The leading world exporters of sugar to the world are Brazil, Thailand and Cuba; but no existing trade with Mozambique in this product is recorded.

Apart from trade barriers mentioned in section 10, a specific trade barrier faced by exporters of this product to Mozambique is:

- MFN Tariffs (applied rate) - 7.5% (Tariff ad valorem).

10.1.2 Edible Fruits & Nuts (HS 08)

Edible fruits and nuts represent the second largest category of agricultural products exported to Mozambique in 2004. South Africa exported approximately 75.5 million kilograms of edible fruits and nuts to Mozambique at an average price of R1.63 per kilogram. The total value of exports amounted to approximately R123.17 million. Exports of edible fruits and nuts, in value terms, represented almost 13% of total agricultural exports to Mozambique.

Comparing trade data from 2002 to 2004 reveal that the export value of edible fruits and nuts has grown by 32% during the period 2002 and 2003. For the period between 2003 and 2004 exports of edible fruits and nuts declined by 1.7% from R125.4 million to 123.2 million.

Disaggregated at 4HS level trade data indicates that exports in this category are dominated by fresh & dried citrus fruits. This accounted for almost 95% of trade in this category. This will therefore serves as a basis for analysis.

(a) Fresh & Dried Citrus Fruits (HS 0805)

In 2004 an estimated 73.5 million kilograms of Citrus products were exported to Mozambique at an average price of R1.60 per kilogram. In value terms this amounted to approximately R117.16 million. This represents 95% of the trade within this category and 12% of total agricultural exports to Mozambique.

Figure 5: Composition of Citrus fruit exports to Mozambique (HS 0805)

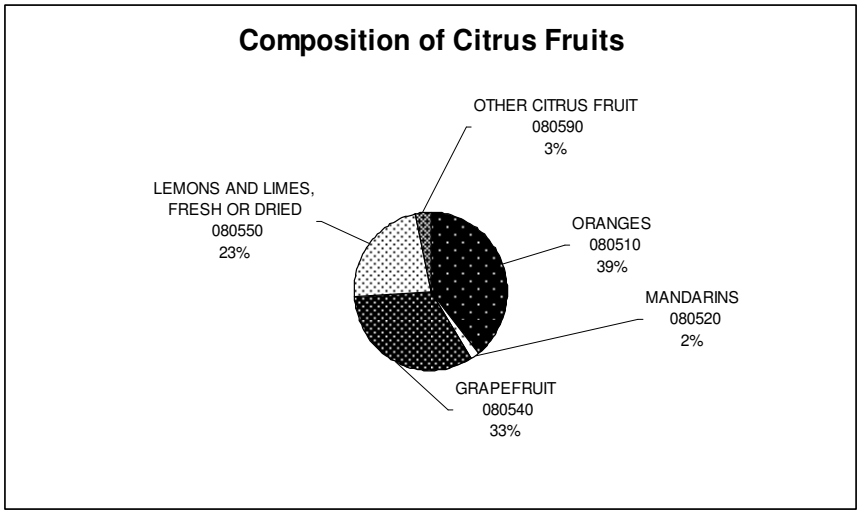


Figure 5 above indicates that within citrus fruits nomenclature, exports are dominated by oranges (HS 080510) and grape fruits (080540), which accounted for approximately 67% and 32% of exports respectively.

Table 3: Export Performance of Oranges – HS 080510

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
Value Traded (Millions of Rand)	60.21	99.20	79.37
Quantity Traded (Millions of kilogram)	46.51	55.65	49.90
Average Price (Rand per kilogram)	1.29	1.78	1.59
Growth in Value (relative to previous year)	**216%**	**65%**	**-20%**

Source: World Trade Atlas

Table 2 indicates that exports of oranges have realized a significant growth for the period 2002 and 2003, however in 2004 exports declined. A reduction in average price paid per kilogram in 2004 appears to be strongly correlated to a decrease in quantity supplied during the same period.

Trade map analysis[x] of exports of oranges reveals that South Africa is the sole exporter of these products to Mozambique, accounting for almost 100% of Mozambique's total imports. In turn the Mozambican market imports 5% of South Africa's total exports for this product. Over a five year period ranging from 2000 to 2004 the total Mozambican import demand for these products has grown by an average of 78%. This growth is significantly higher than the growth in South Africa's exports of Citrus to the rest of the world, which averaged 21%.

Trade data indicates that there are no existing competitors for supplying oranges to Mozambique. The potential competitors and by implications the world's leading exporters of oranges are Australia, Greece and Morocco. Mozambique has not reported imports from these countries.

In addition to the general trade barriers faced by South African exporters of Oranges to Mozambique are:

- MFN Tariffs (applied) - 25% ad valorem tariff,
- Preferential tariff for SADC countries - 0%.

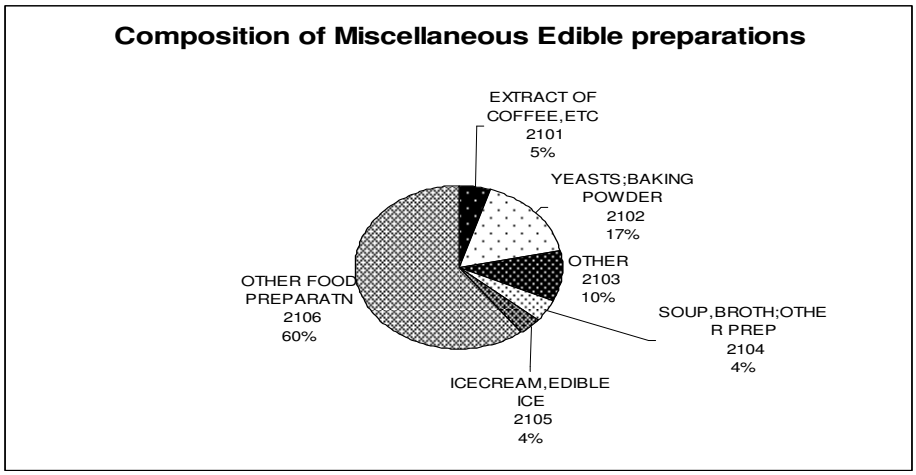
10.1.3 Miscellaneous Edible Preparations (HS 21)

In 2004 *miscellaneous edible preparations (HS 21*) represented the third largest category of agricultural exports to Mozambique. An estimated 6.6 million kilograms of food preparations was exported to Mozambique at an average price of R11.85 per kilogram. This generated an estimated R70.1 million worth of revenue and accounted for almost 8% of total South African agricultural exports to Mozambique. Contrasting trade data of 2004 with that of 2002 and 2003 reveal that South African export of miscellaneous food preparations to Mozambique has been fluctuating. From 2002 to 2003 trade in this category of products grew by an estimated 28%. However this trend

discontinued over the period 2003 and 2004 with trade declining at an estimated 35% over this period.

The composition of the export profile in this category is depicted by figure 6. Within the category of *miscellaneous edible preparations (HS 21)* the leading product exported is *other food preparations* accounting for 52% of total exports in this category. These will therefore serve as a basis for trade analysis that follows.

Figure 6: Composition of Miscellaneous edible preparations exports from South Africa to Mozambique (HS 21)



(a) Other food preparations (HS 2106)

In 2004 an estimated 3.1 million kilograms of other food preparations were exported at an average price of R13.15 per kilogram. In value terms this amounted to approximately R40.10 million. This represents approximately 63% of the trade within this category and 4% of total agricultural exports to Mozambique. Disaggregated to the 6 HS level this category is dominated by exports of *other preparations (HS 210690)* which accounted for 94% of trade in this sub category. Table 4 below contrasts the performance of this product in 2004 with that of 2003 and 2002.

Table 4: Export performance of product code (HS 210690) from SA to Mozambique

	2002	2003	2004
Value of Trade (millions of Rand)	37.46	48.04	38.44
Quantity Trade (kilograms)	3 128 493	4 016 836	2 612 174
Average Price (Rand per kilogram)	11.97	11.96	14.72
Growth in Value (relative to previous year)	**131%**	**28%**	**-20%**

Source: World Trade Atlas

As indicated by Table 4 exports of other preparations have grown significantly during the period 2002 and 2003, however there is a notable decline in value in 2004 as compared to 2003. This decline in value is highly correlated to decrease in quantity traded over the same period. The fall in quantity traded may either be explained by less demand due to increase in average prices or strengthening of domestic currency.

TradeMap analysis of exports of *other preparations* reveals that South Africa is the largest exporter of these products to Mozambique, accounting for approximately 93% of Mozambique imports. In turn Mozambique's import of this product constitutes almost 19% of South Africa's exports. Over a five year period ranging from 2000 to 2004 total Mozambican import demand for these products has grown by an average of 48% percent. During the same period Mozambican import demand for South African products has grown by an average of 54%. Of the leading exporters to Mozambique, this represents the largest average growth over the five year period. This growth is significantly higher than the growth in South Africa's exports to the rest of the world, which averaged 22%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could "theoretically" trade between themselves. The TradeMap database captures this in estimating "indicative trade potential" between trading nations. TradeMap data indicates that in 2004 South Africa exports to the rest of the world amounted to US$ 30.98 million. This therefore implies that South Africa has a capacity supply *other food preparations* worth of US$ 30.98 million. Mozambique's import demand for these products during the same period totaled approximately US$ 6.45 million; of this demand South Africa supplied approximately US$ 5.99 million worth of other food preparations. Given this, the theoretical potential trade between South Africa and Mozambique is US$ 458 thousand (US$ 6.45 million minus US$ 5.99 million).

The second largest exporter of these products to Mozambique, and by implication South Africa's leading competitor, is Brazil, which accounts for almost 2% of total Mozambican imports worth an estimated US$ 157 thousand in 2004. Brazil's exports of these products have grown significantly during the period between 2002 and 2003, but over a five year period ranging from 2000 to 2004, Brazil's exports of *other food preparation* have declined by an average of almost 19%. The third largest exporter of these products to the Mozambican market is Zambia, which also accounts for 2% of total Mozambican imports of this product.

Apart from general trade barriers listed in section 10, Mozambique has reported the following tariff barriers:

- MFN duties (applied) - 7.5% ad valorem tariff.

10.2 South African imports from Mozambique

The analysis of South African imports from Mozambique on the 2 HS level reveals that the leading agricultural import clusters comprise of: *food industry residues and waste, cotton, and edible fruits and nuts*. Annexure 2(b) provides a list of selected agricultural imports, includes the relevant HS codes, a product description and the corresponding Rand values of the imports. The table also provides comparative data for 2002 and 2003. The products are ranked in order of trade value for the year 2004. The leading product nomenclatures for 2004 as contained in the annex also provide the basis for the analysis that follows.

10.2.1 Food Industry Residue and Waste (HS 23)

In 2004 food industry residues and waste (HS 23), represented the largest category of agricultural imports from Mozambique. An estimated 45.5 million kilograms of *food industry residue and waste* was imported at an average price of R0.53 per kilogram.

This cost South African importers an estimated R 24.11 million. Imports of *food industry residue and waste* accounted for approximately 34% of total agricultural imports from Mozambique. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals imports of *food industry residue and waste* from Mozambique has been fluctuating. From 2002 to 2003 trade in this category of products decreases in value terms by an average of approximately 20%. However in the period between 2003 and 2004 imports of this product realized an upward trend of 9.4%.

In 2004 food industry residue and waste maintained its position as the leading category of agricultural imports from Mozambique. The composition of the export profile in this category reveals that *wheat bran, sharps and other residues (HS 230203)* dominate trade within this product nomenclature, accounting for over 70% of trade in this category. The analysis is therefore confined to this category of products.

Table 5: Export performance of Product Code HS 230230 from Mozambique to South Africa.

	2002	**2003**	**2004**
Value of Trade (Millions of Rand)	16.46	13.77	16.97
Quantity Traded (millions of Kilograms)	32. 20	32.37	32.66
Average Price (Rand per kilogram)	0.5	0.43	0.52
Growth in value (relative to previous year)	**141%**	**-16%**	**23%**

Source: World Trade Atlas 2004

Table 5 above indicates that the performance of Mozambique's exports of *wheat bran, sharps and other residues* has being inconsistent over three year period. It has shown a massive growth of 141% in 2002, which was followed by 16% decline in value relative to the previous period. In 2004 it recorded growth of 23%. The decline in value in 2003 seems to be highly correlated to decrease in average price paid per kilogram during the same period. The price has decreased by 14% between 2002 and 2003, from R0.5 to R0.43 respectively.

TradeMap analysis of South African imports of *wheat bran, sharps and other residues* from Mozambique reveals that South Africa is the largest importer of this products from Mozambique, accounting for approximately 99% of total Mozambiquan exports in 2004. In turn, imports from Mozambique account for approximately 76% of South Africa's total imports.

Over a five year period ranging from 2000 to 2004, Mozambique's exports of these products to the rest of the world has grown by an average of 18% in value terms whilst at the same time South Africa's import demand from the rest of the world has grown by an average of 33%.

Isolating Mozambican trade capacity therefore implies that Mozambique has the capacity to supply US$ 2.666 million worth of *wheat bran, sharps and other residues*. South Africa's import demand for these products during the same period totaled approximately US$ 3.5 million, of this demand Mozambican imports accounted for US$ 2.651 million worth. Given this the theoretical potential trade between Mozambique and South Africa is US$ 15 000 (US$ 2.666 million minus US$ 2.651 million).

The second largest supplier of *wheat bran, sharps and other* residues to South Africa is Zambia enjoying 10% share of the market; worth an estimated amount of US$ 346

000 in 2004. The third largest competitor in the South African market for this product is Germany, which accounts for almost 7% of South Africa's imports. In value terms it is estimated at US$ 249 000.

South Africa has no trade barriers in place to limit imports of this category of product. And no other special requirements need to be complied with for imports of this category of products.

10.2.2 Cotton not carded or Combed (HS 5201)

The second largest category of agricultural imports from Mozambique is represented by *cotton not carded or combed (HS 5201).* In 2004 an estimated 2073 million kilograms of cotton not carded or combed was imported from Mozambique at an average price R7.84 per kilogram. This costs South African importers an estimated R16.25 million. Imports of these product accounted for approximately 7% of total agricultural imports from Mozambique. Examining the trade data as depicted by annexure 2(b), it shows that during the period 2002 and 2003 imports of cotton from Mozambique has realized an impressive growth of almost 470%. This however was followed by decline of 54% between 2003 and 2004 period.

The composition of the export profile within this category reveals that cotton not carded or combed (HS 520100) dominates trade within this product nomenclature, accounting for almost 100% of trade in this category. The analysis is therefore confined to this category of product. The performance of Mozambique's un-carded or combed cotton exports to South Africa is displayed in table 6 below.

Trade map analysis indicates that South Africa is the fourth largest importer of this product from Mozambique, accounting almost 10% of Mozambican exports. In turn Mozambican exports account for approximately 2% of South Africa's total imports. Over a five year period ranging from 2000 to 2004 Mozambique's exports to the rest of the world has grown by an average of only 1% whilst at the same time South Africa's import demand from the rest of the world has grown by an average of 36%.

Table 6: Export performance of product code HS 520100 from Mozambique to South Africa

	2002	**2003**	**2004**
Value of Trade (Millions of Rand)	4.38	24.96	16.25
Quantity Traded (Millions of kilograms)	513.55	3438	2073
Average Price (Rand per kilogram)	8.52	7.26	7.84
Growth/ Decline in Value (relative to previous year)	**n/a**	**470%**	**-54%**

Source: World Trade Atlas 2004

Isolating total demand and total export capacity provides a rough estimate of how much countries could "theoretically" trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading countries. 2004 Trade Map data provides that Mozambican exports to the rest of the world amounted to US$ 25.14 million. This simply implies that Mozambique has the capacity to supply US$ 25.14 million worth of *not carded or combed cotton.* South Africa's import demand for this product during the same period totaled approximately US$ 117.42 million. Mozambique imports accounted for approximately US$ 2.54 million worth. Given this, the potential trade between Mozambique and South Africa is US$ 22.61 million (US$ 25.14 million minus US$ 2.54 million).

The largest suppliers of this product to South Africa are SADC member States. Zimbabwe is the leading exporter of this product to the South African market, accounting for approximately 52% of imports worth an estimated US$ 61.1 million in 2004. Over a period from 2000 to 2004 Zimbabwe's exports to South Africa have shown a consistent average growth of 28%. The second and third largest exporters of *cotton not carded or combed* to the South African market are Zambia and Malawi enjoying market shares of 33% and 10% respectively.

Trade barriers reported by South Africa for this product are disaggregated to 8 HS level; please refer to table 7 for detailed tariff barriers applied by South Africa for each product code.

Table 7: Tariff barriers reported by South Africa for Product: HS 520100

	HS 52010090	**HS 52010010**	**HS 52010020**	
Tariff measures	**Tariff ad-valorem**		**Tariff specific**	**Agreement with the following countries**
MFN duties (Applied)	15%	0%	160c/kg	n/a
Preferential tariff for SADC countries	0%	0%	120c/kg	n/a
Preferential tariff for EU	15%	0%	160c/kg	n/a

10.2.3 Edible fruits and nuts (HS 08)

In 2004 *edible fruits and nuts (HS 08)* represented the third largest category of agricultural imports from Mozambique. An estimated 2.4 million kilograms of edible fruits and nuts was imported at an average price of R4.48 per kilogram. This generated an estimated income of R10.7 million to Mozambican exporters. Imports of edible fruits and nuts accounted for approximately 15% of total agricultural imports from Mozambique. Contrasting trade data of 2004 with that of 2002 and 2003 reveals imports of edible fruits and nuts has been growing rapidly. From 2002 to 2003 trade in this category of products grew by 88%. This trend continued over the period 2003 and 2004 with trade growing at a rate of 144%.

Disaggregated to 6 HS level trade data reveals that imports in this product nomenclature is dominated by *fresh or dry shelled cashew nuts (HS 080132),* accounting for almost 73% of trade in this category. This therefore serves as the basis of analysis in this category of products. The performance of Mozambique's cashew nuts exports to South Africa is displayed in table 8 below.

Table 8: Exports performance of cashew nuts HS 080132 from Mozambique to South Africa.

	2002	**2003**	**2004**
Value of Trade (Millions of Rand)	2.3	3.3	7.8
Quantity Traded (Million kilograms)	71.8	139	297.2
Average Price (Rand per kilogram)	31.4	23.6	26.23
Growth/Decline in value (relative to previous year)	**-30%**	**43%**	**136%**

Source: World Trade Atlas 2004

Table 8 indicates that there was considerable decrease in value for period 2002 relative to 2001 however this decline was followed by a significant increase in export value for the period 2003 and 2004. The noted increase was 43% and 136% respectively. This increase in value is highly correlated to increase in average price of quantity traded.

Trade map analysis of South African cashew nut imports from Mozambique reveals that South Africa is the largest importer of these products from Mozambique, accounting for approximately 59% of Mozambique's total exports in 2004, whilst exports from Mozambique accounts for approximately 16% of South Africa's total imports.

Over five year period ranging from 2000 to 2004, Mozambican exports of these products to the rest of the world has declined by an average of 38% in value terms whilst at the same time South Africa's import demand from the rest of the world has grown by an average of 18%.

Isolating Mozambican trade capacity implies that Mozambique has the capacity to supply US$ 2.1 million worth of cashew nuts. South Africa's import demand for these products during the same period totaled approximately US$ 7.7 million of this demand Mozambique exports accounted for approximately US$ 1.2 million worth. Given this, the theoretical potential trade between Mozambique and South Africa is US$ 839 000 (US$ 2.056 million minus US$1.217 million). However, should Mozambique be able to increase their production of cashew nuts South Africa would be able to import a much larger percentage from Mozambique.

The largest supplier of cashew nuts to South Africa is Brazil, which accounts for almost 32% of total South African imports worth an estimated US$ 2.5 million in 2004. The second and third largest competitors are Tanzania and India, enjoying market shares of 21% and 16% respectively. Mozambique comes fourth in this market. South Africa's import demand from all these countries has shown remarkable growth over a five year period ranging from 2000 to 2004.

Tariff barriers reported by South Africa in 2005 for fresh or dried Cashew nuts are as follows:

- MFN duties - 4c/kg (Tariff Specific)
- Preferential tariff for SADC countries - 0%
- Preferential tariff for EU countries - 4c/kg (Tariff Specific).

11. TRADE POTENTIAL

11.1 Introduction

The identification of potential trade opportunities between South Africa and Mozambique was conducted using the ITC's Trade Maps and in particular the Trade Map estimates of "indicative trade potential". A trade potential index[xi] was developed at the *6HS* level to assist in identifying agricultural products that show the greatest potential for future trade (annexure 3). In terms of the index the products listed below represent some of the products providing the greatest potential for trade between the nations. Annexure 3 both (a) and (b) explore trade potential between South Africa and

Mozambique. The values contained therein serves to estimate trade potential. The product specific discussions that follow will be based on estimates from World Trade Atlas data.

11.2 Potential for South African Exporters[xii]

In terms of export potential, the trade potential index reveals a number of products that present valuable export opportunities. Several leading export potential products are identified in annex 3(a). Five clusters of product have been identified at 2 HS level that provides the greatest trade potential. These include *HS 22 beverages*, *HS 15 animal/vegetable fats*, *HS 16 edible preparations, HS 21 miscellaneous edible preparations* and *HS 19 preparations of cereals.*

The clusters are investigated on the basis of existing trade flows and subsequently disaggregated to their relevant 6HS levels to identify specific products within them that hold the greatest export potential. The leading products per product nomenclature (6HS) level will then serves as the basis of analysis that follows.

11.2.1 Beverages (HS 22)[xiii]

World Trade Atlas data indicated that the performance of beverage exports is consistent with the general decline in total South African agricultural exports to Mozambique over the three years ranging from 2002 to 2004. Beverages accounted for almost 7% of total South African exports to Mozambique in 2004, valued at approximately R69.7 million. Contrasting trade data of 2004 with that of 2002 and 2003 indicates that the exports value of beverages has declined by almost 13% between 2002 and 2003 period. This trend continued during the period 2003 and 2004 with a 20% decline recorded. In spite of the decline, beverage products show the greatest trade potential within this category. In order of greatest trade potential these include:

(a) Grape wines (HS 220421)

The Trade Potential Index reveals that of the HS 22 category of products, grape wines provide the greatest trade potential for South African exporters to Mozambique. Exports have grown by an average of 22% over a five year period ranging from 2000 to 2004, which is significantly higher than the 6% growth in Mozambican import demand. In 2004, it is estimated that 624 15 kg of grape wines at an average R16.75 per kilogram was exported this generated an income of approximately R10.46 million. World Trade Atlas data reveals that in 2004, trade value in this category of product declined by almost 22% in value terms. This decline is highly correlated to decrease in quantity traded during the same period. A 49% increase in average price paid per kilogram may be a possible reason for the decline in total value.

The leading competitor in this market is Portugal enjoying 62% market share. South Africa comes second with a 36% market share. The third largest supplier is France with 1% share in this market.

(b) Whiskies (HS 220830)

Whiskies represent the second most valuable trade opportunity within this category of products. World Trade Atlas data indicates that 19.5 thousand liters of whiskies were exported to Mozambique in 2004 at an average price of R38.02 per liter. This

generated an income of over R741 000. This represents an increase in value terms of 183% as compared to 2003. The average price paid per liter of whisky has increase by 19% whilst quantities traded have increase by 134%.

The major suppliers to the Mozambican market are concentrated in Europe, with the United Kingdom enjoying a 90% share of the import market. The United Kingdom is followed by South Africa who has 6% share of the market. The third and fourth largest suppliers are Ireland and Portugal with identical market shares of 2% each.

(c) Non-Alcoholic beverages (HS 220290)

Non-alcoholic beverages represent the third most valuable products in terms of export potential to the Mozambican market. World Trade Atlas data indicates that an estimated 94.34 thousands liters were exported in 2004 at an average price of R5.61 per liter. This generated an income of over R529 000 to South African exporters of this product. However this represents a decline of almost 38% in value terms relative to the previous year.

The leading supplier of non-alcoholic beverages to the Mozambican market is Brazil which enjoys a 38% share in the import market. South Africa comes second after Brazil with 23% share of the market. The performance of South Africa in this market is disappointing as it has recorded an average decline of 29% over the five year period from 2000 to 2004. The third largest supplier in this market is Portugal which enjoys a 16% share of the market. Unlike Brazil and South Africa both of which recorded a decline in exports, Portugal has registered impressive growth of 84% in value as measured from 2000 to 2004.

11.2.2 Animal or Vegetable oils (HS 15)

Animal or vegetable oils are amongst the agricultural products which contributed to the general decline in agricultural trade with Mozambique in 2004. However, according to trade potential index there are products within this category which have trade potential. The discussion that follows analyze these products in order of their indicative trade potential value.

(a) Sunflower seed oils (HS 151219)

Within product nomenclature HS 15, sunflower seed oils show greatest trade potential. It is estimated that 1.95 million kilogram of these products has been exported at an average price of R7.7 per kilogram. This generated an income of approximately R15 million in 2004. The leading suppliers of this product to the Mozambican market are South Africa and Argentina. They enjoy market shares of 61% and 39% respectively. Over a five year period ranging from 2000 to 2004 South Africa has recorded a marginal increase in value exported of 5%, which is very low as contrasted with that of its competitor Argentina. The latter has recorded a significant increase of 56% over the same period.

(b) Palm oil (HS 151190)

The product with the second greatest trade potential within the HS 15 nomenclature is palm oil. It is estimated that 56 214 thousand kilogram of palm oil was exported at an average price of R4.05 per kilogram in 2004. This generated an income of almost R228 million. The leading suppliers to Mozambique for this product are Indonesia, Malaysia and Singapore. They enjoy market shares of 50%, 34% and 15% respectively. Malaysia is ranked first amongst the world exporters of this product, followed by Indonesia. South Africa's share in this market is quite insignificant. Its share is approximately 0%.

11.2.3 Edible Preparations of meat (HS 16)

Edible preparations of meat are one of the few product categories that recorded bilateral growth in spite of a decline in total agricultural trade with the world in 2004. Exports of this category from South Arica to Mozambique grew by almost 108% in 2004 relative to 2003. Two products within this nomenclature are important potential export products receiving a maximum score of 5 out of 5. These include:

(a) Sausages (HS 160100)

The Trade Potential Index reveals this category of product as the product with the leading trade potential within the HS 16 nomenclature. It is estimated that over 196 thousand kilogram of sausages was exported at an average price R14.64 per kilogram. This amounted to approximately R2.9 million in value terms. South Africa is the leading exporter of this product to Mozambique. It accounted for almost 45% of Mozambique's import, followed by Portugal which enjoys 41% share of total Mozambican import demand. The third largest exporter is the Netherlands which enjoys only 14% share of the market.

South Africa has recorded the highest growth rate of 56% in value terms over a five year period starting from 2000 to 2004 as compared to its competitors. Portugal as the leading competitor in this market has recorded a growth rate of 9% whilst the Netherlands registered 11%.

(b) Bovine meat and meat offal (HS 160250)

South Africa's exports of this product have declined by an average of 7% over the five year period from 2000 to 2004. However, exports have shown a positive trend in value during the period between 2003 and 2004. The leading suppliers of this product to Mozambique are Brazil, South Africa and the Netherlands with market share of 77%, 19% and 3% respectively. Brazil is ranked 1st amongst the world exporters of Bovine, the Netherlands ranked 11th while South Africa ranks 24th.

11.2.4.Miscellaneous edible preparations (HS 21)[xiv]

The Trade Potential Index reveals two products in this nomenclature with significant trade potential in the Mozambican market. The two products include *yeasts (HS 210210)* and *food preparations nes (HS 210690)*. The discussion that follows focuses on yeast. Food preparations are discussed in section 10.1.3 page 19.

(a) Yeast (HS 210210)

Yeast is categorized amongst the product which holds enormous trade potential as it has obtained a score of 5 out 5 in a Trade Potential Index. World Trade Atlas trade data indicates that over 995 000 kilogram of yeast was exported to Mozambique at an average price of R9.44 per kilogram. This amounted to R9.4 million in value terms. South Africa's exports of yeast to Mozambique have grown by an average of 49% over a five year period ranging from 2000 to 2004. There are two key competitors in this market; South Africa and Turkey. South Africa leads with a 61% share of the market whilst Turkey enjoys the remaining 39% share. Turkey's performance in this market is quite significant; as evidenced by its average growth in value of 124% over five year period from 2000 to 2004. Turkey is ranked 1st amongst the world exporters of yeast whilst South Africa is ranked 21st.

11.2.5 Baking related (HS 19)

Consistent with the decline in total agricultural exports, the export of *prepared cereal, flour, starch or milk* has also witnessed a marked decline. Annexure 2 (a) reveals that this product nomenclature has contributed 3.4% of total South African exports to Mozambique. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of baking related products to Mozambique has been consistently declining. From 2002 to 2003, exports of these products have declined by over 25%. This trend continued over the period 2003 to 2004 with trade declining by an estimated 8%. Despite displaying a declining trend, there are products within this category which are recognized as having significant trade potential. This includes:

(a) Extract of Malt (HS 190190)

In 2004 South Africa exported almost 175 000 kilogram of *extract of malt* to Mozambique at an average price of R14.66 per kilogram. This generated an income of approximately R2.6 million. This income has, however declined by an average of 11% over a five year period ranging from 2000 to 2004. The United States of America is the leading supplier of this product enjoying a 71% share of the Mozambique market valued at US$ 3.1 million in 2004. South Africa comes second after USA with market share of 10% valued at US$ 435 000. The third largest supplier is Mauritius enjoying a 7% share valued at US$ 292 00.

(b) Sweet Biscuits (HS 190530)

The trade potential of this category of product is evidenced by the growth of Mozambican import demand that averaged 9% for the five year period from 2000 to 2004. During this period South African exports to Mozambique also witnessed growth of 11%. This indicates that South African exporters have taken an advantage of a growing market. South Africa is the leading suppliers of sweet biscuits to Mozambique with a market share of approximately 71%. The second largest suppliers and by implication South Africa's largest competitor is Brazil enjoying a market share of almost 13%.

(c) Communion wafers (HS 190590)

South Africa's export to Mozambique of this product has declined by an average of approximately 16% over a five year period from 2000 to 2004. This might be largely attributed to cheap imports from Portugal. Mozambican's import demand from

Portugal has grown significantly to average almost 119% growth during the same period and makes it the largest supplier in this market. South Africa is the second largest exporter after Portugal. They both enjoys market share of 40% and 39% respectively.

(d) Preparations of cereals (HS 190110)

It is estimated that South Africa exported *preparations of cereals* to Mozambique worth approximately R5.3 million in 2004. This however, has declined by almost 33% relative to the 2003 period. This decrease in value might be attributed to a decline in average price which prompted a significant decline in quantity traded during the same period. Even though South Africa's performance has declined, it still maintains its position as the leading supplier of this product to Mozambique. Its market share was almost 64% in 2004 worth an estimated US$ 826 000. Its competitor is Portugal enjoying a market share of 16% worth US$ 209 00.

11.2.6 Market access barriers

Mozambique's tariffs for products of importance to South African agricultural exporters are high. Annexure 4 displays Mozambican tariffs for products of importance to South Africa. The category of products with highest constraints includes meat, animal/vegetable fats, meat preparation, sugars and beverages. Applied tariffs are almost 25% for all these products.

Mozambique made two different tariff offers in SADC FTA; one for South Africa and one for the rest of SADC countries. The tariff offer for South Africa frees up the market immediately for about 10% of agricultural products, about 40% of the tariff lines are subjected to gradual phase down over the first eight years and last 50% are considered sensitive products for which the substantial phasing down will start in the eighth year to be completed between years 12 and 15. The differentiated offer is applied to the rest of SADC countries where the period for the final phase out of tariffs is 12 years and the proportion of sensitive tariff lines is slightly less than 50%.

12. POTENTIAL FOR SOUTH AFRICAN IMPORTERS[xv]

As has been mentioned previously, the Mozambican government depends largely on agriculture, with its main source of revenue derived mostly from export of copra, cashew nuts, sugar cane, cotton, tea and citrus fruits. This is confirmed by the Trade Potential Index as depicted in Annexure 3 (a). The index reveals numerous products with positive indicative potential; however, the discussion that follows will be limited to products that have a score of 4 or above. These products are:

12.1 Cotton, not carded or combed (HS 240120)[xvi]

This product does not only represent the category of products with greatest trade potential but it also features amongst the current leading agricultural imports products from Mozambique. South African import demand for this product from the rest of the world has grown by an average of 36% over a five year period ranging from 2000 to 2004. Mozambican exports to South Africa grew significantly by an average of 127%

during the same period. This indicates that Mozambican exporters have taken an advantage of the growing market.

12.2 Black tea (HS 090240)

Black tea represents the second largest category of products with trade potential. Over 68 000 kilogram of black tea was imported by South Africa at an average price of R5.7 in 2004. This has cost South African exporters an estimated amount of R388 000. The leading supplying nations to South Africa are SADC member states, which include Malawi and Zimbabwe with each enjoying market shares of 56% and 24% respectively. Mozambique's share is insignificant in this market.

12.3 Edible Nuts (HS 080290)

Even though Mozambique does not currently export this product to South Africa the trade potential index revealed that trade in this product provides great potential. South Africa's import demand from the rest of the world has grown by an average of 13% over a five year period from 2000 to 2004. The leading suppliers are also SADC member countries Zimbabwe and Malawi with market shares of 27% and 23% respectively. The third largest competitor is Singapore which enjoys a share of approximately 11%. South Africa has a liberalized market for edible nuts with zero tariffs.

12.4 Wheat Bran (HS 230230)

A detailed discussion on this product was provided in section 12, since it counted amongst the leading agricultural import from Mozambique. South Africa's import of this product is valued at approximately US$ 2.7 million in 2004 and it has shown significant growth of 33% over a five year period from 2000 to 2004. Mozambique is the leading exporter of this product to the South African market with market share of 76%. The second largest supplier and by implication Mozambique's competitor is Zambia with a market share of 10% worth approximately US$ 346 000.

12.5 Coconut or Copra oil cake (HS 230650)

South Africa is ranked amongst the top 20 importers of this product even though its imports represent less than 1% of world imports for this product. Mozambique and its neighbor Malawi dominate the entire South African market for coconut or copra oil cake. They both enjoy market shares of 95% and 3% respectively. Since both countries are members of SADC, their exports of this product enter South African borders free of import duties.

13. CONCLUSION

The study reveals that current agricultural trade between South Africa and Mozambique is heavily skewed in favor of South Africa. This is confirmed by the existing trade structure which indicates that South Africa's export are 14 times higher

than the imports from Mozambique. The years of war in Mozambique declined the production and economic development. In order to address these disparities, there is a need for skilled commercial farmers to Mozambique and increased investments to promote Mozambican agricultural production.

Another strategic direction is for these countries to trade in goods in which they have comparative advantage. South Africa's present advantage rests on the exports of sugars, fruits, dairy products and beverages. Whilst Mozambique have an advantage on exporting tea, nuts, copra oil and cotton.

The leading competing nations in the Mozambican market for agricultural products are Portugal and Brazil. Both are Portuguese speaking countries and enjoy the advantage of language. The other competing countries are the Netherlands, Malawi, United States of America and United Kingdom. However, South Africa has an advantage in terms of proximity to Mozambique and also as signatory to the SADC trade protocol.

Given the above the public policy to enhance trade between these two countries could focus on improving the existing infrastructure, investment, reducing trade barriers and language constraints. With that in place, the scope for increasing the existing trade and realizing potential opportunities will be greatly enhanced.

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ANNEXES

ANNEXURE 1

Agricultural Product Coverage

The WTO Agreement on Agriculture (Annex 1) provides that the agreement shall cover the following products:

(i)	HS 1 to 24 less fish and fish products, plus		
(ii)	HS Code	2905.43	(mannitol)
	HS Code	2905.44	(sorbitol)
	HS Code	33.01	(essential oils)
	HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
	HS Code	3809.10	(finishing agents)
	HS Code	3823.60	(sorbitol n.e.p.)
	HS Headings	41.01 to 41.03	(hides and skins)
	HS Code	43.01	(raw furskins)
	HS Headings	50.01 to 50.03	(raw silk and silk waste)
	HS Headings	51.01 to 51.03	(wool and animal hair)
	HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
	HS Code	53.01	(raw flex)
	HS Code	53.02	(raw hemp)

**(Product descriptions in brackets are not necessarily exhaustive).*

Annexure 2 (a):

South African Agricultural Exports to Mozambique: 2002-2004

HS	Description	2002	2003	2004	Proportion of Total SA exports to Mozambique (%)			Trade Growth (%)	
					2002	2003	2004	2002/2003	2003/2004
17	SUGARS AND SUGAR CONFECTIONARY	451.930989	409.06777	266.482568	33.07	32.16	27.29	-9.48	-34.86
08	EDIBLE FRUIT & NUTS;	95.323434	125.357333	123.1739	6.97	9.86	12.61	31.51	-1.74
21	MISCELLANEOUS EDIBLE PREPARATIONS	93.454318	119.838051	78.099862	6.84	9.42	8.00	28.23	-34.83
04	DAIRY PRODS	79.145817	69.824757	72.649858	5.79	5.49	7.44	-11.78	4.05
22	BEVERAGES, SPIRITS AND VINEGAR	108.779998	96.654966	69.691263	7.96	7.60	7.14	-12.54	-27.90
10	CEREALS	43.628222	104.221326	48.883029	3.19	8.19	5.01	58.14	-53.10
20	PREP VEGETABLES, FRUIT AND NUTS	53.300447	43.58491	44.222703	3.90	3.43	4.53	-22.29	1.46
15	ANIMAL OR VEGETABLE FATS	50.931057	47.385559	42.592831	3.73	3.73	4.36	-7.48	-10.11
02	MEAT AND EDIBLE MEAT OFFAL	109.469168	64.486611	36.252368	8.01	5.07	3.71	-69.75	-43.78
09	COFFEE, TEA, MATE & SPICES	39.56484	24.218937	34.853466	2.89	1.90	3.57	-63.36	43.91
19	PREP CEREAL	45.656178	36.429387	33.551689	3.34	2.86	3.44	-25.33	-7.90
16	EDIBLE PREPARATIONS	13.750042	12.530626	26.010737	1.01	0.99	2.66	-9.73	107.58
07	EDIBLE VEGETABLES	24.365711	29.688419	24.546111	1.78	2.33	2.51	17.93	-17.32

23	FOOD INDUSTRY RESIDUES	16.079562	14.029112	18.467702	1.18	1.10	1.89	-14.62	31.64
18	COCOA AND COCOA PREPARATIONS	14.96074	15.797643	13.875796	1.09	1.24	1.42	5.30	-12.17
11	MILLING PRODUCTS	29.759909	18.259678	12.864952	2.18	1.44	1.32	-62.98	-29.54
24	TOBACCO	55.828985	9.431606	11.498936	4.08	0.74	1.18	-491.94	21.92
12	OIL SEEDS	16.45342	18.059057	10.552314	1.20	1.42	1.08	8.89	-41.57
01	LIVE ANIMALS	15.385583	5.406009	2.519102	1.13	0.42	0.26	-184.60	-53.40
3301	ESSENT OILS	2.920238	1.525662	1.5216	0.21	0.12	0.16	-91.41	-0.27
06	LIVE TREES	1.748707	2.018419	1.048319	0.13	0.16	0.11	13.36	-48.06
3505	DEXTRINS	1.165179	1.703575	0.985854	0.09	0.13	0.10	31.60	-42.13
13	OTHER VEGETABLE SAP	1.440557	0.859843	0.84664	0.11	0.07	0.09	-67.54	-1.54
3501	OTHER CASEIN DERIVATIVES	0.813607	0.622313	0.577807	0.06	0.05	0.06	-30.74	-7.15
05	PRODUCTS OF ANIMAL ORIGIN	0.196568	0.127151	0.318497	0.01	0.01	0.03	-54.59	150.49
290544	SORBITOL	0.25807	0.255897	0.263886	0.02	0.02	0.03	-0.85	3.12
14	VEGETABLE MATERIALS	0.055213	0.085024	0.229558	0.00	0.01	0.02	35.06	169.99
5102	FINE OR COARSE ANIMAL HAIR	0	0	0.019857	0.00	0.00	0.00	0.00	0.00
5202	COTTON WASTE	0.026597	0.043416	0.016649	0.00	0.00	0.00	38.74	-61.65
5301	RAW FLAX	0	0	0.01639	0.00	0.00	0.00	0.00	0.00
5101	WOOL, NOT CARDED OR COMBED	0.084814	0.019189	0.008393	0.01	0.00	0.00	-341.99	-56.26
5203	COTTON, CARDED OR COMBED	0.183381	0.007564	0.004249	0.01	0.00	0.00	-2324.39	-43.83

5001	SILKWORM COCOONS	0.000997	0	0.00207	0.00	0.00	0.00	0.00	0.00
5201	COTTON, NOT CARDED OR COMBED	0.000924	0	0.000297	0.00	0.00	0.00	0.00	0.00
4103	RAW HIDES AND SKINS	0	0.322657	0.000261	0.00	0.03	0.00	100.00	-99.92
5302	RAW HEMP	0.019585	0.000601	0.00025	0.00	0.00	0.00	-3158.74	-58.40
4102	RAW SKINS OF SHEEP	0.023054	0.136187	0.000179	0.00	0.01	0.00	83.07	-99.87
290543	MANNITOL	0	0	8.10E-05	0.00	0.00	0.00	0.00	0.00
380910	FINISHING AGENTS & DYE	0	0	0	0.00	0.00	0.00	0.00	0.00
4101	RAW HIDES & SKINS OF BOVINE	0.008845	0.000588	0	0.00	0.00	0.00	-1404.25	-100.00
4301	RAW FURSKINS NESOI	0.007896	0.005392	0	0.00	0.00	0.00	-46.44	-100.00
5002	RAW SILK (NOT THROWN)	0	0	0	0.00	0.00	0.00	0.00	0.00
5003	SILK WASTE.	0.000909	0	0	0.00	0.00	0.00	0.00	0.00
5103	WASTE OF WOOL	0	0.001185	0	0.00	0.00	0.00	100.00	-100.00
Total		1366.723561	1272.00642	976.650024				-7.45	-23.22

Data Source: South African Revenue Services

Annexure 2 (b):

South African Agricultural Imports from Mozambique: 2002-2004

HS	Description	2002	2003	2004	Proportion of Total SA Agricultural Imports from Mozambique (%)			Trade Growth (%)	
					2002	2003	2004	2002/2003	2003/2004
23	FOOD INDUSTRY RESIDUES	27.326722	21.925515	23.992538	40.97	29.24	34.28	-19.77	9.43
5201	COTTON, NOT CARDED OR COMBED	4.376154	24.964103	16.252527	6.56	33.29	23.22	470.46	-34.90
08	EDIBLE FRUIT & NUTS;	2.33338	4.379377	10.672224	3.50	5.84	15.25	87.68	143.69
12	OIL SEEDS	5.629164	10.994613	6.65079	8.44	14.66	9.50	95.32	-39.51
15	ANIMAL OR VEGETABLE FATS OR OILS	19.081743	8.079071	2.352846	28.61	10.77	3.36	-57.66	-70.88
10	CEREALS	1.531412	0.799122	2.162204	2.30	1.07	3.09	-47.82	170.57
01	LIVE ANIMALS	0.705	0	2.123254	1.06	0.00	3.03	-100.00	0
07	EDIBLE VEGETABLES	1.566107	1.241345	2.077077	2.35	1.66	2.97	-20.74	67.32
11	MILLING PRODUCTS	0.086131	0.008221	1.569149	0.13	0.01	2.24	-90.46	18987.08
17	SUGARS AND SUGAR CONFECTIONARY	0.353486	0.000305	0.539438	0.53	0.00	0.77	-99.91	176764.92
4103	RAW HIDES AND SKINS	0.0059	0.896023	0.429359	0.01	1.19	0.61	15086.83	-52.08
22	BEVERAGES, SPIRITS AND VINEGAR	0.001611	0.361062	0.408299	0.00	0.48	0.58	22312.29	13.08
09	COFFEE, TEA, MATE & SPICES	2.569779	0.574882	0.406272	3.85	0.77	0.58	-77.63	-29.33
06	LIVE TREES	0	0.003142	0.093348	0.00	0.00	0.13	0	2870.97

21	MISCELLANEOUS EDIBLE PREPARATIONS	0	0.003687	0.081136	0.00	0.00	0.12	0	2100.60
14	VEGETABLE MATERIALS	0.036976	0.060975	0.069275	0.06	0.08	0.10	64.90	13.61
05	PRODUCTS OF ANIMAL ORIGIN	0.029935	0.001426	0.051045	0.04	0.00	0.07	-95.24	3479.59
5202	COTTON WASTE	0	0	0.018991	0.00	0.00	0.03	0	0
4101	RAW HIDES & SKINS ANIMALS	0	0	0.016502	0.00	0.00	0.02	0	0
20	PREP VEGETABLES, FRUIT AND NUTS	0.30496	0.402756	0.010089	0.46	0.54	0.01	32.07	-97.50
19	PREP CEREAL	0.17383	0.038136	0.004145	0.26	0.05	0.01	-78.06	-89.13
3301	ESSENT OILS	0	0	0.000491	0.00	0.00	0.00	0	0
16	EDIBLE PREPARATIONS	0	0	6.20E-05	0.00	0.00	0.00	0	0
18	COCOA AND COCOA PREPARATIONS	0	0.001187	0	0.00	0.00	0.00	0	-100.00
3501	CASEIN	0.487462	0	0	0.73	0.00	0.00	-100.00	0
02	EDIBLE MEAT OFFAL	0.097031	0	0	0.15	0.00	0.00	-100.00	0
04	DAIRY PRODUCTS	0	0.006269	0	0.00	0.01	0.00	0	-100.00
24	TOBACCO	0	0.244018	0	0.00	0.33	0.00	0	-100.00
5203	COTTON, CARDED OR COMBED	0	0	0	0.00	0.00	0.00	0	0
Total		**66.696783**	**74.985235**	**69.981061**				12.43	-6.67

Source of data: South African Revenue Service

Annexure 3

Trade Potential Index

The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is the aggregated to give a total score, which is measured against a final score of 5. A score of 1 would therefore represent the lowest end of the scale and the least trade potential whilst a score of 5 would indicate the greatest trade potential.

The criterion for scoring is as follows:

- The value of imports from a country: If current trade in the form of imports does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0. The existence of a trade relationship is deemed a significant factor in furthering trade.

- Growth in import demand: If imports from the partner country have registered positive growth measured over the five year period from 1999 to 2003, a score of 1 is allocated. No growth or negative growth rates are awarded a score of 0. In the absence of trade or import data between countries import growth from the rest of the world is used as an indication of general import demand with positive growth allocated a score of 1 and no or negative growth a score of 0. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific country products relative to demand for the same product from global sources.

- Export growth: Growth of exports from the exporting countries to the rest of the world is indicative of supply capacity, and increased demand for locally produced goods. A positive growth rate in the value of exports over a five year period from 1999 to 2003 is awarded a score of 1, whilst no or negative growth is awarded a score of 0.

- Indicative Trade potential: Indicative trade potential isolates total demand and total export capacity thereby providing a rough estimate of how much countries could ‘theoretically’ trade between them. A positive ‘indicative trade potential’ suggests that a trade opportunity exists. A threshold value of 100 000 is set for the allocation of a score of 1. Trade potential with a lower value or with no or negative trade potential values are allocated a score of 0.

- Unit Value: Unit value is determined on the basis of value and quantity of exports. Products with a high unit value (>=1$) are allocated a score of 1. Products with a low unit value (<1$) are allocated a score of 0.

Annexure 3 (a)

Trade Potential Index-

South Africa Export Potential to Mozambique

Product code	Product label	South Africa's exports to Mozambique		Growth in Mozambique's Imports from the World 2000-2004	Growth in South Africa's exports to the World (2000-2004) %	Indicative potential trade in US$ thousand	Unit Value (P/Q)	Trade Potential Index Final Scoring
		Value 2004 in US$ thousand	Annual growth 2000-2004, %					
020230	Bovine cuts boneless, frozen	176	33	58	12	622	1.34	5
020712	Fowls	2,592	32	63	24	350	2.61	5
040700	Eggs	608	0	6	9	371	1.36	5
071339	Dried shelled Beans	115	-6	12	2	425	1.21	5
151790	Vegetable fats & oils	895	112	12	30	310	1.14	5
151190	Palm oil	35	-22	57	11	700	1.14	5
160100	Sausage& sim prod of meat,meat offal	448	56	23	1	491	2.57	5
160250	Bovine meat	100	-7	41	27	419	2.69	5
190530	Sweet biscuits	1,804	11	9	9	736	2.15	5

190190	Malt extract &food	434	-11	43	23	2,846	2.07	5
210690	Food preparations	5,987	54	48	8	458	2.51	5
210210	Yeasts, active	1,292	49	46	22	839	1.72	5
220421	Grape wines	1,622	9	6	22	2,873	2.60	5
220429	Grape wines	1,222	56	28	38	346	1.02	5
230990	Animal feed preparations	388	1	43	1	1,262	1.04	5
110313	Maize (corn)	274	23	133	23	2,988	0.26	4
110710	Malt	98	37	13	20	467	0.55	4
100590	Maize (corn) nes	6,753	15	33	8	2,149	0.20	4
151219	Sunflower-seed	2,337	5	14	-1	1,502	1.05	4
151620	Vegetable fats & oils	369	13	-11	13	373	1.75	4
180690	Chocolate and other food preparations	322	4	0	35	692	4.55	4
190590	Communion wafers	289	-16	-1	23	458	1.26	4
220290	Non-alcoholic beverages	82	-29	-8	9	282	0.04	4
240310	tobacco	11	-49		145	433	1.09	4
100190	Wheat nes and meslin	0		59	111	12,843	0.24	3
190110	Prep of cereals	826	-19	-13	-7	455	3.15	3

240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	0		-45	19	10,294	2.87	3
240220	Cigarettes	1,690	-35		-18	4,942	2.76	3
100630	Rice	190	5		-4	2,025	0.30	3
170490	Sugar confectionery	477	-32	-14	-18	1,535	2.29	3
020714	Fowls	586	-29	-16	-8	838	2.17	3
170410	Chewing gum	1,365	-12	-7	-16	709	1.27	3
150790	Soya-bean oil	99	54	15	-8	691	0.61	3
220210	Waters	413	-44	-35	18	414	0.63	3
220830	Whiskies	115	-52	-2	-8	1,864	0.88	2
240110	Tobacco, unmanufactured, not stemmed or stripped	0		-9	-25	5,083	2.34	2
151211	Sunflower-seed	220	48	-21	-35	576	0.93	2
220110	Mineral & aerated waters	244	-18	-11	-10	368	0.28	2

Source of data: ITC calculations based on COMTRADE statistics

Annexure 3 (b)

Trade Potential Index-

Mozambique's Export Potential to South Africa

Product code	Product label	South Africa's imports from Mozambique		Growth in Mozambique exports to the world (2000-2004) %	Growth in SA Imports from the world 2000-2004	Unit Value (P/Q)	Indicative Potential trade in US$ thousand	Trade Potential Index final Scoring
		Value 2004 (US$ Thousand	Growth in SA imports from Mozambique (2000-2004)%					
080290	Edible Nuts	0	n/a	71	13	11.5	92	4
090240	Black tea	61	n/a	54	3	1.03	701	4
100630	Rice	121	52	-35	13	0.55	52	4
121190	Plants Parts	0	n/a	59	2	2.91	32	4
120720	Cotton seeds	924	201	151	3	0.11	19	4
230230	Wheat bran	2,651	33	33	33	0.08	15	4
230650	Coconut	363	34	35	36	0.05	14	4
520100	Cotton, not carded or combed	2,537	127	1	36	0	22,607	4

080450	Guavas, mangoes and mangos teens	55	201	189	51	0.46	0	3
090111	Coffee	0	n/a	n/a	3	1.95	74	3
110100	Wheat or meslin flour	245	n/a	51	142	0.11	537	3
100640	Rice	54	n/a	94	-15	0.26	439	3
120220	Ground-nuts	65	108	108	23	0.48	0	3
140190	Vegetable materials	11	96	48	1	0.06	0	3
170310	Cane molasses	84	n/a	-1	99	0.07	620	3
200819	Nuts & Seeds	0	n/a	-24	28	4.32	281	3
200570	Vinegar	0	n/a	n/a	13	1.14	25	3
240120	Tobacco (stemmed)	0	n/a	33	48	1.54	30,275	3
100590	Maize (corn) nes	140	n/a	24	53	0.22	2,415	3
010600	Animals	331	219	32	-3	0	24	3
210690	Food preparations nes	12	n/a		10	1.33	0	3
170111	Raw sugar cane	0	n/a	22	211	0.47	8,955	2
120740	Sesamum seeds	0	n/a	77	19	0.80	1,466	2

170199	Refined sugar	0	n/a	65	148	0.39	1,423	2
100510	Maize (corn) seed	0	n/a	n/a	-18	1.40	995	2
150710	Soya-bean oil	0	n/a	n/a	43	0.79	722	2
240130	Tobacco refuse	0	n/a	61	56	0.96	718	2
080540	Grapefruit	0	n/a	-21	16	0.68	396	2
071333	Kidney beans	0	n/a	n/a	33	0.36	355	2
060310	Cut flowers	11	n/a	n/a	0	0	312	2
071331	Green gram beans	0	n/a	n/a	8	0.10	255	2
410121	Bovine hides	0	n/a	n/a	13	0.73	221	2
090420	Fruits of the genus Capsicum	0	n/a	n/a	52	0.77	173	2
120810	Soya bean flour and meals	0	n/a	n/a	8	0.04	146	2
120929	Seeds of forage plants	0	n/a	n/a	13	0	97	2
020890	Edible meat offal	0	n/a	n/a	-6	9.20	92	2
410429	Bovine and equine leather	0	n/a	n/a	-48	1.71	77	2
230630	Sunflower seed oil-cake	10	n/a	n/a	-54	0.13	52	2
410110	Bovine skins	0	n/a	n/a	129	0.74	43	2

040221	Milk and cream powder	0	n/a	-19	-15	2.80	42	2
150790	Soya-bean oil and its fractions	0	n/a	n/a	402	0.10	40	2
110220	Maize (corn) flour	0	n/a	n/a	2	0.05	37	2
071332	Beans	0	n/a	77	-24	0.71	29	2
230400	Soya-bean oil-cake	0	n/a	n/a	20	0.48	29	2
020442	Sheep cuts, bone in, frozen	0	n/a	92	-10	1.57	22	2
220890	Liqueur & Spirit beverages	0	n/a	n/a	0	6	18	2
220290	Non-alcoholic beverages	0	n/a	n/a	36	0.41	16	2
210610	Protein concentrates	0	n/a	n/a	19	0.27	14	2
070200	Tomatoes	0	n/a	n/a	89	0.65	11	2
410320	Reptile skins	0	n/a	-6	29	0	11	2
070960	Peppers of the genus Capsicum	91	n/a	n/a	105	0.37	0	2
071320	Chickpeas	18	n/a	n/a	8	0.43	0	2
080300	Bananas	340	n/a	n/a	4	0.19	0	2
100820	Millet	22	n/a	n/a	79	0.21	0	2

120600	Sunflower seeds	27			77	0.17	0	2
151311	Coconut (copra) oil crude	367	-12	5	-24	0	0	2
220210	Mineral waters	21	n/a	n/a	4	0.91	0	2
220300	Beer made from malt	42	n/a	n/a	47	0.82	0	2
230610	Cotton seed oil-cake	564	-1	-1	16	0.15	0	2
410390	Raw hides and skins of animals	67	n/a	n/a	-8	16.75	0	2
230210	Maize (corn) bran	151	-10	-10	-10	0.10	0	1
080719	Melons	46	n/a	n/a		0.55	0	1
080510	Oranges	0	n/a	-66	0	0.73	47	1
240110	Tobacco not stemmed	0	n/a	-8	-16	0.36	7,745	1
090411	Pepper	0	n/a	n/a	-8	0.58	58	1

Source of data: ITC calculations based on COMTRADE statistics

Annexure 4

Mozambique Tariff Structure for Products of Importance to South African Agricultural Exporters

Product codes	Product description	Trade regime description	MFN Minimum	MFN Maximum	Applied Tariff	Total ad valorem equivalent tariff (estimated)	NTB
020230		MFN duties (Applied)	100%	100%	25%	25%	N.A
020712		MFN duties (Applied)	100%	100%	25%	25%	N.A
020714		MFN duties (Applied)	100%	100%	25%	25%	N.A
02	**Meat**	**MFN duties (Applied)**	**100%**	**100%**	**25%**	**25%**	**N.A**
040700		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
04	**Dairy**	**MFN duties (Applied)**	**100%**	**100%**	**2.5%**	**2.5%**	**N.A**
071339		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
07	**Vegetables**	**MFN duties (Applied)**	**100%**	**100%**	**2.5%**	**2.5%**	**N.A**
100190		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
100590		MFN duties	100%	100%	2.5%	2.5%	N.A

		(Applied)					
100630		MFN duties (Applied)	100%	100%	7.5%	7.5%	N.A
10	**Cereals**	**MFN duties (Applied)**	**100%**	**100%**	**4.1%**	**4.1%**	**N.A**
110313		MFN duties (Applied)	100%	100%	7.5%	7.5%	N.A
110710		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
11	**Milling Products**	**MFN duties (Applied)**	**100%**	**100%**	**5%**	**5%**	**N.A**
150790		MFN duties (Applied)	100%	100%	25%	25%	N.A
151190		MFN duties (Applied)	100%	100%	25%	25%	N.A
151211		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
151620		MFN duties (Applied)	100%	100%	2.5%	2.5%	N.A
151790		MFN duties (Applied)	100%	100%	25%	25%	N.A
15	**Animal, vegetable fats & oils**	**MFN duties (Applied)**	**100%**	**100%**	**16%**	**16%**	**N.A**
160100		MFN duties (Applied)	100%	100%	25%	25%	N.A
160250		MFN duties	100%	100%	25%	25%	N.A

		(Applied)					
16	**Meat preparations**	**MFN duties (Applied)**	**100%**	**100%**	**25%**	**25%**	**N.A**
170410		MFN duties (Applied)	100%	100%	25%	25%	N.A
170490		MFN duties (Applied)	100%	100%	25%	25%	N.A
17	**Sugars**	**MFN duties (Applied)**	**100%**	**100%**	**25%**	**25%**	**N.A**
180690		MFN duties (Applied)	100%	100%	25%	25%	N.A
18	**Cocoa**	**MFN duties (Applied)**	**100%**	**100%**	**25%**	**25%**	**N.A**
190110		MFN duties (Applied)	100%	100%	0.%	0%	N.A
190190		MFN duties (Applied)	100%	100%	7.5%	7.5%	N.A
19	**Prepared cereal**	**MFN duties (Applied)**	**100%**	**100%**	**3.75%**	**3.75%**	**N.A**
210210		MFN duties (Applied)	100%	100%	7.5%	7.5%	N.A
210690		MFN duties (Applied)	100%	100%	7.5%	7.5%	N.A
210690		MFN duties (Applied)	100%	100%	25%	25%	N.A
21	**Miscellaneous food**	**MFN duties (Applied)**	**100%**	**100%**	**13.3%**	**13.3%**	**N.A**

220110	**Beverages**	MFN duties (Applied)	100%	100%	25%	25%	N.A

Source: www.macmap.org/southafrica

15. USEFUL SITES

1. http://www.eia.doe.gov/emeu/cabs/archives/africa/chapter6.html
2. http://www.acpsec.org/en/acp_states.htm
3. http://www.mbendi.co.za/cyexch.htm
4. http://www.embamoc-usa.org/events.htm
5. http://europa.eu.int/comm/development/body/country/country_home
6. http://hdr.undp.org/docs/reports/national/MOZ_Mozambique
7. http://www.govmoz.gov.mz/parpa/source/cap1.doc
8. http://www.law.georgetown.edu/iiel/research/countrylinks/mozambique.html
9. http://earthtrends.wri.org/text/agriculture-food/country-profile-127.html
10. http://www.worldbank.org
11. http://www.state.gov/r/pa/ei/bgn/7035.htm
12. http://www.mozambiquenews.com/
13. http://www.mozambiquenews.com/
14. http://www.ine.gov.mz/Ingles/Ingles/o_pais/painel_o_pais
15. http://www.sadcreview.com/country_profiles/mozambique/mozambique.htm
16. http://www.oxfam.org.au/world/africa/mozambique/#profile
17. http://www.sadcreview.com/directorate_reports/frreports.htm
18. http://www.irinnews.org/frontpage.asp
19. http://www.amad.org/pages/0,2987,en_35049325_35049378_1_1_1_1_1,00.html
20. http://www.gmfus.org/trade/research/agriculture.cfm
21. http://www.sadcstan.co.za/Secure/downloads/protocol.pdf
22. http://www.sadcreview.com/country_profiles/mozambique/moz_agriculture.htm
23. http://www.bdexporter.co.za

16. END NOTES

[i] The document was endorsed by African Ministers of Agriculture during special NEPAD focused session held in Rome on 9 June 2002.
[ii] Information available from http://en.wikipedia.org/wiki/Mozambique
[iii] Detailed information can obtained from http://www.ine.gov.mz/Ingles
[iv] http://devdata.worldbank.org/data-query
[v] Information obtained from Stats SA and Mozambique National Institute of Statistics

[vi] Information obtained from http://www.cia.gov/cia/publications/factbook/geos/mz.html#Trans
vii Wesgro, Country Briefs, African Market Series

viii Agricultural trade for the purposes of this study will be focus on trade in agricultural products as covered by the WTO Agreement on Agriculture.
ix Refer to Annexure 1
x Please note that Mozambique has not reported trade data in the COMTRADE database. Therefore figures are based on data from supplying countries
xi The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is the aggregated to give a total score with 1 representing the lowest end of the scale and therefore the least trade potential and 5 the highest end of the scale representing the greatest trade potential.
xii Please refer to data as depicted in annexure 3 (a)
xiii Detail performances of this product is depicted in annexure 2(a)
xiv Please refer to section 10.1.3 for detailed discussion
xv Refer to annexure 3(b) for product with trade potential
xvi Please refer to section 11 above for detailed analysis of this product.