

Trade relations between Mozambique and EU reinvigorated through Agreement

The Economic Partnership Agreement (EPA) between the European Union and the Southern African Development Community (SADC) has entered into force. The aim of the Agreement is to expand trade, attract investment, open up more opportunities for the private sector and create jobs. Capital magazine sought to know how trade relations between Mozambique and the EU could be reinvigorated by this agreement through an interview with the European Union ambassador Sven Von Burgsdorff.

Helga Nunes (text)



European Union (EU) ambassador Sven Von Burgsdorff

Trade relations between Mozambique and the EU are now being based on the Economic Partnership Agreement (EPA). Previously, the EU offered Mozambique preferential access to the EU market, which could be withdrawn at any time because it was unilateral and incompatible with World Trade Organization (WTO) rules. But with the implementation of the WTO-compatible Economic Partnership Agreement, a stable framework for commodity trade is established in the coming years, with Mozambique benefitting from preferential access to the European market, even when reaching the middle-income country level. This agreement, according to the European Union (EU) ambas-



sador Sven Von Burgsdorff, aims to ensure predictable business rules as well as a business environment in which companies can invest under a stable regime and with the assurance that the commercial advantages preferences of EPA will prevail.

At the same time, all products with origin in Mozambique have, through the EPA, guaranteed exemption from customs duties and free access to the EU market, except for the marketing of arms and armaments.

In addition, the EPA simplifies the requirements for exporting from Mozambique to the European Union through more advantageous rules of origin. "Rules of origin" help to define the "economic nationality" of your product, which is important in order to qualify for the appropriate preferential customs regime. As an example, with the more flexible EPA rules of origin, companies in Mozambique have greater flexibility to use foreign components in their production, and the end product can still benefit from free access by Mozambique to the EU market (without customs duties and without quota limits).

"In the EPA, rules of origin are formulated to support the development of new value chains in the Region. The so-called 'source accumulation' allows, for example, fruit exporters to set up processing plants in Mozambique to add value to the commodity and that part of the inputs to Mozambique and used in the manufacture of the final product, and still be considered by the EU as a final product exported to the EU free of customs duties," explains Sven Von Burgsdorff. Depending on the needs of each sector, such flexible rules of origin

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can provide the necessary flexibility for companies in the agri-food, fisheries and industrial sectors to add value to their products more easily and to export to the EU through the preferential scheme.

» **Mozambique will progressively reduce or eliminate customs duties for many EU exports**

Over a period of 10 years, Mozambique will gradually remove customs duties on a wide range of products, estimated at about 74% of the volume of its EU imports, and the list of covered products is publicly available in the EPA text (Annex III). It should be noted that the elimination of customs duties will be done progressively to allow time for adjustments without drastic changes and to allow monitoring of EPA's implementation.

In concrete terms, there are three basic categories of duty elimination. For Category A products; the import du-

ties will be eliminated after the entry into force of the EPA. The agreement provisionally entered into force on 04/02/2018, in principle the exemption begins at this time. A number of fertilizer products are in Category A, as well as live animals, seeds and pharmaceuticals.

Category B products; import duties will be phased out over a period of five years. Including products from the food and beverage industry, spices, pasta, spirits, tires and construction materials.

And Category C products; import duties will be phased out over a period of 10 years. Including products such as air conditioners, freezers, cisterns, and other food products.

Mozambique has excluded a number of so-called sensitive products from the agreement as a way of protecting infant industries, or for other reasons such as food safety.

"About 26% of the EU's import volume for Mozambique was excluded from the tariff reduction plan. I can mention some products excluded

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from the liberalization of customs duties by Mozambique: industrial products such as vehicles, textiles, cement, furniture, ceramics and agricultural products such as wheat, mineral water, fish products”, says the European Union ambassador.

Improving business opportunities

In practical terms, it will be the EPA Implementation Plan that will guide the Government of Mozambique and the European Union on what measures to support in order to improve trade and business opportunities in Mozambique under the EPA and the recommendations of this Plan were presented to the private sector.

An important part of the identified urgent needs refers to the need for transparency and dissemination of the EPA. Moreover, one of the concerns raised was how to provide information on the agreement concerned and ensure that the information is easily accessible to the public. The Ministry of Industry and Trade (MIC), the Tax Authority and the EU have carried out this mission by organizing various information events for the private sector.

At the same time, there are other initiatives funded by the European Union that may facilitate trade and investment. Two financing agreements worth 2.6 million euros were signed in July 2017, which are supporting the Government of Mozambique through MIC, to work on the facilitation of border trade, on technical barriers to trade, and to finance a study on value chains in textile-cotton and wood. A support component

for the development of value chains in Nampula and Zambézia is envisaged in support of rural development under the 11th European Development Fund. The products are yet to be identified, but the project should start next year, which will be complemented by support for the road sector and renewable energy.

Another gain from the Agreement is that it will boost exports, helping to improve the trade balance, at a time when Mozambique imports more than exports to the European market. In this context, the question arises as to which European countries export more to Mozambique.

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And although Mozambique’s trade balance has been largely negative in recent years, its trade balance with the European Union has remained positive, mainly due to the preponderance of aluminum exports to the European Union,” said the ambassador. Adding that in 2017 the European Union imported goods worth 1.6 billion euros from Mozambique and exported goods worth 530 million euros to Mozambique. The European countries that export most to Mozambique are Portugal, Germany, the Netherlands, Italy and Belgium.

According to Brussels data, trade between the European Union and Mozambique is currently around € 2 billion a year, with aluminum and sugar cane among the main Mozambican exports to the EU. and fish / shrimps are also on the list.

Entrepreneurs should position themselves to gain with the APE

At present, not all products of Mozambican origin are eligible for acceptance on the European market. At the same time, the EPA opens up a number of opportunities for the private sector, but concrete steps are needed to facilitate trade and to promote EPA opportunities so that the EPA objective of using trade as a development tool is achieved.

In this context, it is necessary to know which sectors of activity will most profit or take advantage of the EPA in Mozambique.

The EPA has taken several years to be discussed and is now in place, it opens opportunities for companies in the agrifood, fishing and industrial sectors. The EU and MIC will work towards facilitating trade and creating additional opportunities for the private sector. Which sectors will benefit? It depends, according to Sven von Burgsdorff, on the sectors where “the necessary investment is made, investing in the EPA, cost-benefit analyzes and investing to export with the clear knowledge of the requirements. It also depends on which sectors have benefited from a more favorable business environment. It’s about promoting the potential, promoting investment and facilitating trade.”

It’s also up to the chambers of commerce to enter into the details of the agreement in question and to promote opportunities. And it’s up to entrepreneurs to deepen their knowledge of the EPA in the light of their own interests. Meaning, entrepreneurs should position themselves as a way to take advantage of trade preferences. ●



SVEN VON BURGSDORFF on cross-border trade

In 10 indicators evaluated by the 'Doing Business' 2018 in Mozambique, two were underlined as having completed reforms that made it easier to do business in the country. One of the two indicators relates to "cross-border trade". In fact, the Doing Business cites that it has become easier to export through Mozambique due to the improvement of infrastructures in the port complex of Maputo and Matola. What comment does this improvement suggest?

Since there has been a continuous business and investment plan by Port of Maputo partners in recent years for construction, expansion and rehabilitation, we would like to commend this investment and the positive impact on the country. These improvements were intentional, calculated, foreseen and previously discussed between the investors and the Government. These results demonstrate a solid investment where results are already seen and one can expect to see more results in the future. Other measures can also help increasing trade and take

advantage of the port capacity, such as improving transport systems to ports, such as roads or railways, or others. Ports are a key point for commerce, but it doesn't end there. Roads or railways of major commercial corridors are essential for getting goods to ports and ports to markets. Of course related to cross-border trade, I have to mention the important ongoing and necessary work to provide customs procedures optimized for more predictability. Even so, the infrastructures in the port complex of Maputo and Matola are just one of the parameters of the business environment. I would like to stress the need for a more integrated approach to progress in all Doing Business indicators. The need to carry out reforms in several areas and to maintain a consistent position in the 'ranking'. I am referring to the need to make progress in the other indicators as well, as a way to create an attractive business environment to expand long-term investments. Also as a way to attract partners with technologies, know-how, and investors that add value in Mozambique. ●