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Mozambique – China trade grows

Trade between Mozambique and China was worth $1.1 billion between January and October, according to Cao Jiachang, the deputy general director of the Africa and West Asian Affairs Department of the Chinese Trade Ministry. Speaking to AIM in Beijing, Cao said this was an increase of 46 per cent compared with the same period in 2011.

For all of 2011, the volume of trade between the two countries reached almost a billion dollars, which was a 37 per cent increase on the 2010 figure. The pattern in recent years has been for a rapid increase in trade between Mozambique and China, at an average of more than 30 per cent a year.

In 2011 Mozambique occupied 23rd position in the list of China's most important trade partners. It occupied the same position in the first ten months of 2012 despite the sharp rise in Sino-Mozambican trade.

He noted that China's exports to Mozambique are very diverse, but the same is not true of Mozambique's exports to China, which consist essentially of timber and minerals. However, Cao said that China is willing to help Mozambique expands its exports.

The Chinese authorities also say they are pleased with the political stability and peace that Mozambique has enjoyed since 1992, when the General Peace Agreement between the government and Renamo rebels brought an end to the war of destabilization. Due to peace and stability, Cao said, Mozambique has been able to maintain noteworthy levels of economic growth and development, enabling the country to attract foreign investment and expand its trade.

The Chinese official believed that Mozambique has enormous potential due to its huge reserves of natural resources, and excellent conditions for agriculture.

As for direct Chinese investment in Mozambique, the accumulated sum is less than $100 million, said Cao. However, this figure only refers to investment registered through official channels at central government level. The amount could be much larger if it included the sums approved by provincial and municipal levels, he added.

The Chinese investments are mostly concentrated in cement factories, mining, agriculture and fisheries. Some Chinese companies have also expressed an interest in cooperating with Mozambique in the generation and distribution of electricity.

As for trade between China and the entire African continent, this reached $166.3 billion in 2011, an increase of 31 per cent compared with the 2010 figure. Exports from China to Africa reached $73.1 billion (an increase of 22 per cent), while China's imports from Africa reached $93.2 billion (an increase of 39 per cent).

From January to October this year, trade between Africa and China was valued at $163.9 billion.

"Our exports to Africa reached $69.4 billion which was an increase of 16 per cent compared with the same period in 2011", said Cao. "Our imports from Africa were $94.5 billion, an increase of 25 per cent".

In 2011, the largest African trading partners of China were South Africa, Angola, Sudan, Nigeria and Egypt. In the period from January to August this year, the list underwent slight changes. It is still headed by South Africa, followed by Angola, Nigeria, Egypt and Libya.

By late September this year, Chinese companies had signed contracts to the value of $193.8 billion in Africa, covering the areas of finance, telecommunications, tourism, manufacturing and mining.

"Last year we invested more than $40 billion in Africa, where more than 2,000 Chinese companies are operating, which created countless job opportunities", said Cao.

Chissano asked to mediate over Lake Niassa

Former President Joaquim Chissano has been approached to mediate in a border dispute between Malawi and Tanzania.

According to Malawian Foreign Minister Ephraim Chiume, Chissano will be invited to head a team of former heads of state of SADC (Southern African Development Community) that will mediate the dispute on how the northern part of Lake Niassa should be divided between Tanzania and Malawi.

Should this mediation fail, said Chiume, the matter will be remitted to the International Court of Justice.

Malawi is claiming all of the northern part of the lake, based on the Heligoland Treaty of 1890 between Britain and Germany – at the time Malawi was under British rule, and Tanganyika was a German colony. Tanzania, however, wants a dividing line drawn through the middle of the lake, which is how boundaries between countries who share lakes are normally dealt with.

Malawi hopes the matter can be resolved by the end of 2013. It has become urgent due to the reserves of oil and natural gas that are believed to lie under the lake. Indeed, it was Malawi's decision to give exploration rights in the whole lake to British company Surestream that led to the current situation.

Assembly passes 2013 plan and budget

The Mozambican parliament, the Assembly of the Republic, on 14 December approved the government's Economic and Social Plan and the State Budget for 2013, with opposition deputies claiming that it priorities expenditure on "unproductive" and "repressive" bodies, rather than on poverty reduction.

On 13 December Finance Minister Manuel Chang explained to deputies of the two opposition parties, Renamo and the Mozambique Democratic Movement (MDM), that in fact most of the budget – 71.5 per cent – is earmarked for priority sectors in the fight against poverty, and only 6.7 per cent for institutions which the opposition is so hostile - the President's Office, the Presidential Guard, the Defence and Interior Ministries and the State Security and Intelligence Service (SISE).

Renamo's Antonio Timba claimed the budget provided "enormous resources" to repressive agencies "as if the country were at war", while Alcinda da Conceicao of MDM said that insufficient funds were devoted to agriculture while the budget "prioritises unproductive sectors such as SISE".

Ivone Soares, giving the final Renamo statement, claimed that in the budget there was "no sign of any commitment to the fight against poverty", and that in fact the plan and budget constituted "an assault against democracy". Areas such as agricultural development were being neglected "in favour of repressive bodies. This is a fact", she declared.

The main beneficiaries of the 2013 budget are education (18.6 per cent); agriculture and rural development (12.6 per cent); health (10.3 per cent); roads (10.7 per cent); and water supply and public works (5.9 per cent). Only 0.8 per cent of the budget is allocated to the President's Office and 0.9 per cent to SISE.

The plan and budget were both passed by 172 votes of deputies from the ruling Frelimo Party to 50 votes from Renamo and the MDM.

The budget envisages total public expenditure in 2013 of 175 billion meticais ($5.87 billion). The state's domestic revenue is forecast at 114 billion meticais, leaving a deficit of 61 billion meticais, which will largely be covered by foreign grants and loans.

Electricity coverage to increase in 2013

Mozambique now has the third highest electricity coverage in the SADC (Southern African Development Community) region and the second highest rate of home electricity connections, declared Energy Minister Salvador Namburete on 13 December.

Speaking in the Assembly of the Republic on the government's plan and budget for 2013, Namburete said the 38 per cent of the population now have electricity in their homes – 26 per cent from the national grid based on the Cahora Bassa dam, and 12 per cent from solar panels.

In SADC, only South Africa and Mauritius have greater electricity coverage, and only South Africa makes more electricity connections a year.

To date, the national grid has reached 109 of the 128 district capitals. Namburete pledged that 17 more district capitals will be electrified in 2013, leaving just two to be put on the grid in 2014. By the end of 2013, 41 per cent of the population should have access to electricity.

Opposition deputies queried whether this growth was worth anything if the quality of the power supplied is poor. "Every day the population of my province, Maputo province, complains of the poor quality electricity and the constant power cuts that cause great damage to their electrical appliances, and nobody is compensated", said Jose Samo Gudo of Renamo.

Namburete replied that the government was concerned both with expanding access to electricity and ensuring good quality. For that reason, the government has programmes budgeted at 80 billion meticais ($2.7 billion) to improve the quality of electricity, including the training of staff of the public electricity company, EDM, in preventive maintenance.

He stressed that over the last seven years more than 57,000 kilometres of transmission lines had been built. EDM was also providing back-up power lines – building second lines to ensure that if one line is knocked out for any reason, the other can continue supplying power.

Twelve new sub-stations had been built, and split meters are being introduced – these are electricity meters that cannot be hacked into for clandestine connections. EDM says that illegal connections are one of the main reasons for power cuts and poor quality energy in the cities.

Namburete stressed that the government's electricity policy was to use multiple sources of generating power – hydro-electricity, coal and gas fired power stations, and solar and wind energy.

Not true that poverty is worsening - PM

"It is not true that poverty is worse today that it was yesterday", declared Prime Minister Alberto Vaquina on 13 December. Winding up the two day debate in the Assembly of the Republic on the government's plan and budget for 2013, Vaquina dismissed opposition claims of ever-deepening immiseration, but said the government is well aware that there are many Mozambicans "for whom daily life is a battle for survival with no certainty".

That, he said, was why the government was allocating the greater part of the 2013 budget to the priority sectors for poverty reduction. The percentage of the budget allocated to the priority sectors rises from 66.9 per cent in the 2012 budget to 71.5 per cent in 2013.

"The government has been increasing, year after year, the money available for agriculture, energy and other priority sectors", he declared

Through implementation of the government's Economic and Social Plan for the year, "we are addressing the main problems faced by our people", added Vaquina. "But we cannot deal with all the problems at once. We have to start from somewhere – and we have to explain that the fight against poverty will take many years of hard work".

He warned deputies not to confuse private investment with the money available for the state budget. While there was plenty of talk of the investment of billions of dollars in mining and hydrocarbon projects, this was money from private companies and it was not in the hands of the state.

Mining projects "will bring benefits tomorrow, when they have been developed, and this will generate more funds for the state budget. We sow today to reap tomorrow".

Vaquina pointed out that, despite improvements in tax collection, "our budget is still in deficit. We don't generate enough money from our own economy to cover all our public expenditure".

Responding to opposition complaints that only Frelimo supporters are given jobs in the state apparatus, Vaquina replied that recruitment to state bodies is done through public advertising, in accordance with legal norms, and candidates are only expected to produce documents proving their identity, nationality, age, criminal record and relevant academic qualifications.

Economy "surpassed expectations"

The performance of the Mozambican economy this year has exceeded expectations, with several of the country's macro-economic indicators surpassing their targets, the Minister of Planning and Development, Aiuba Cuereneia, told the Assembly of the Republic on 12 December.

Although the final figures for 2012 will not be available until February, Cuereneia thought it likely that, despite the international financial crisis, the target for annual economic growth of 7.5 per cent would be met.

Inflation has been almost squeezed out of the Mozambican economy. Cuereneia said that between January and October, the average 12 monthly inflation rate was just 2.7 per cent. This makes it likely that the government's target for an average 12 monthly inflation rate of 7.5 per cent in 2013 will be easily met.

The Mozambican currency, the metical, had remained stable against the US dollar and the South African rand, Cuereneia said, "which has resulted in a continual reduction in the general level of prices of basic consumer goods throughout the country".

Mozambican exports this year should easily reach the planned target of $3 billion. Between January and June, the country's exports were valued at $1.854 billion, or 61 per cent of the annual target.

Cuereneia added that between January and September the government approved 264 investment projects, with a total value of $2.7 billion, and the potential to create 21,000 jobs.

2012 was the first full year of production and export of coal from the Moatize coal basin, mostly by the Brazilian mining giant Vale, and by the Anglo-Australian company Rio Tinto. Currently coal exports all pass through Beira port.

"We have expanded the operational capacity of the port, and it can now receive ships 24 hours a day", said Cuereneia. "Its cargo handling capacity has risen from 6.8 to 9.6 million tonnes a year".

In the Mozambican education system, the number of pupils studying at all levels reached 4.5 million in 2012. Cuereneia said that the net school attendance rate among children aged six increased to 72 per cent, "which means that in 2012 more children entered school at the right age".

Agricultural production to rise by 4.6 per cent

Agricultural, livestock and forestry production should increase by 4.6 per cent next year, according to the social and economic plan for 2013.

The projections are for a grain harvest of 2.29 million tonnes, up from 2.24 million tonnes this year. Most of this will be maize (1.64 million tonnes), followed by rice (350,000 tonnes) and sorghum (243,000 tonnes).

The country is only expected to produce 19,000 tonnes of wheat in 2013 (this year's figure was 18,000 tonnes). Rises in production of around two per cent are expected for cassava (10.25 million tonnes), and beans (279,000 tonnes).

Much larger increases – 9.7 per cent overall – are expected in the production of cash crops. The production of tomatoes should rise by 34.5 per cent to 269,000 tonnes. The increase in cashew nut production is estimated at 32.9 per cent - but this follows a decline of 42.6 per cent this year. Similarly, it is hoped that copra production, badly hit by the lethal yellowing disease that has been killing palm trees in Zambezia province, will begin to recover. Copra production was more than halved this year, falling by 57.6 per cent – the forecast is that in 2013, production will grow by 13 per cent.

For tea the predicted rise in production is 27.2 per cent, for soya 25.9 per cent, for sugar cane 5.4 per cent, for onions 10.4 per cent, for tobacco 2.7 per cent, for cotton 1.2 per cent and for sesame 1.5 per cent.

The country's livestock herd should grow by 10.3 per cent. The number of cattle is expected to rise by five per cent to 1.48 million, and the number of pigs by eight per cent to 1.69 million. The number of "small ruminants" (goats and sheep) should reach 5.9 million, an increase of 14 per cent. As for chickens, there should be 28.9 million of them in 2013, which is a rise of six per cent.

The increase in the livestock herd is expected to lead to increases of 9.5 per cent in beef production, 10.4 per cent in milk, 12 per cent in pork and 13 per cent in chicken meat.

Commercial fisheries production fell by 29.1 per cent this year, but the government's plan is for it to bounce back with an increase of 25.6 per cent. In particular, the government hopes for a recovery in the prawn catch. Prawns were once one of Mozambique's main exports – but the catch fell from 4,620 tonnes in 2011 to an expected 2,543 tonnes this year. The government believes that the catch can return to the level of 4,000 tonnes this year.

Aquaculture still plays a relatively minor role in the fisheries sector. Although the plan envisages an increase of 78.5 per cent in the production of farmed fish and prawns, that would still only amount to 1,400 tonnes.

Strong expansion in mining

The government envisages an 18.6 per cent increase in production from the country's mining and hydrocarbon industries in 2013.

Coal production in the western province of Tete should reach 7.5 million tonnes.

At the dredge mine operated by the Irish company Kenmare Resources, in the northern district of Moma, the plan expects production of 905,000 tonnes of ilmenite, which is a 44.1 per cent increase. However there will be a decline in production of the two other minerals exploited at Moma – Zircon (minus 10.9 per cent) and rutile (minus 29.9 per cent).

After many years of paralysis, tantalite mining at Ile, in Zambezia province, resumed in 2011. The plan envisages that production will remain steady at 982 tonnes a year.

At the natural gas treatment plant in Temane, in the southern province of Inhambane, operated by the South African petro-chemical giant Sasol, the plan forecasts production of 141 million gigajoules of gas, and 420,000 barrels of condensate (increases of 6.3 and 11.1 per cent).

Gold production is expected to fall by 70.6 per cent, from 408 to 120 kilos. But a spectacular increase in the mining of certain precious stones is forecast. The discovery of new deposits, mostly in the central province of Manica, will lead to a boom in the production of tourmalines and garnets.

The target for manufacturing industry is growth of 5.8 per cent. The major contributions to this will come from the food and drink industry (an increase of 11.1 per cent), cement (22.4 per cent) and tobacco (8.9 per cent).

Electricity production should rise by 5.7 per cent, largely due to replacing and restoring critical equipment at the Cahora Bassa dam and its converter station. The amount of power sold by the Cahora Bassa operating company, HCB, to the dam's main client, the South African electricity company Eskom will rise from 10,318 to 10,774 gigawatt-hours (GWh). The Mozambican electricity company EDM is scheduled to buy 3,459 GWh, a five per cent increase.

The largest growth is in the sale to the Zimbabwean utility, ZESA. It has paid off its debt to HCB and is expected to purchase 1,328 GWh in 2013, a 51.2 per cent increase.

Amendments to tax codes

The Assembly of the Republic on 11 December passed the second and final reading of bills altering the codes on personal income tax, corporation tax, and the taxes on alcohol and tobacco.

Under the amended income tax code, the vast majority of waged workers will pay no tax at all. The level of wage exempted from income tax is raised from 100,000 meticais ($3,330) to 225,000 meticais a year.

The bill also treats wages separately from other forms of income. They can no longer be added together for purposes of calculating income tax, and the government claims this means that the rich will pay more tax.

The main change in company tax rules is that the bill formalizes capital gains tax on transactions outside Mozambique which involve Mozambican assets (such as the deal earlier this year, when Cove Energy, one of the companies involved in exploring for natural gas, off the northern Mozambican coast, was acquired by Thailand's PTT for $1.9 billion). Rather than being dealt with on a case by case basis, these acquisitions are now covered by the corporation tax code.

As for alcoholic drinks, the bill raises the taxes on wine and spirits, while leaving the tax on beer untouched.

The main target is locally manufactured spirits, consisting of ethyl alcohol, diluted with water, to which various essences, aromas, and concentrates are added. They are then sold very cheaply, under misleading labels as if they really were gin, rum or whisky.

They are made by legally registered companies, but the tax on them had been derisory until now, at just 18 meticais per litre. The bill more than doubles this tax to 40 meticais per litre.

The tax on genuine whiskies and other imported spirits rises from 120 meticais a litre to 150 meticais in 2013, 160 meticais in 2014 and 175 meticais in 2015.

All three tax bills passed by 168 votes to 34, with deputies from the ruling Frelimo Party and the Mozambique Democratic Movement (MDM) voting in favour, and those from Renamo voting against.

Agreement on development of agri-business

An agreement on the development of agri-business in Mozambique has been signed between the Ministry of Agriculture, the Danish embassy, and the small scale investment company, GAPI.

According to GAPI under the agreement a programme known as Agro-Investe will lend 201.7 million Danish crowns ($35 million) to small and medium companies.

Agro-Investe is part of the Private Sector Development Programme (PDSP) agreed between the Mozambican and Danish governments in 2010, under which 490 million Danish crowns will be spent on agri-business, district roads, business advocacy and research.

GAPI is to manage the credit component of Agro-Investe, providing small scale agricultural businesses with technical assistance and institutional capacity building.

A loan guarantee fund, known as "Agri-Garante", will be set up, also managed by GAPI. To launch this fund, the Danish government is making $12 million available.

A third component of Agro-Investe concerns supporting the government's capacity to manage policies and interventions in agri-business. This part of the programme will be implemented by the Agriculture Promotion Centre (CEPAGRI) and by the Economics Directorate of the Ministry of Agriculture.

Agro-Investe will be run by a steering committee chaired by the Ministry of Agriculture and by the Danish Embassy. Representatives of private business, peasants' associations and the banks will sit on the committee.

Interest rates stable

The Bank of Mozambique has decided to keep its key interest rates at their current levels.

The Bank's Monetary Policy Committee announced on 12 December that the Standing Lending Facility (which is the interest rate paid by the commercial banks on money borrowed from the central bank on the Interbank Money Market) will remain at 9.5 per cent.

This follows five cuts in the rate earlier this year, most recently in November. At the beginning of 2012, the Standing Lending Facility rate was 15 per cent.

The interest rate paid by the central bank to the commercial banks on money they deposit with it (the Standing Deposit Facility) remains at 2.25 per cent, while the Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique - remains at eight per cent.

The statement from the Monetary Policy Committee noted with concern continuing falls in the world market prices of some of Mozambique's main exports. Should this trend continue, it warned, Mozambique's current account deficit will worsen.

Over the past month, the price of Mozambique's main export, aluminium, has fallen by 4.4 per cent. The price of thermal coal, now being produced on a large scale at the open cast coal mines in Tete province, fell by 8.4 per cent, while the price of cotton fell by 2.6 per cent. On the other hand, the prices of coking coal rose by 2.9 per cent and of natural gas by 1.7 per cent.

The price of some key imports, notably liquid fuels, is also dropping.

This is a condensed version of the AIM daily news service – for details contact aim@aim.org.mz

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