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Mozambique’s Industrial Journey and the Challenge of Economic Transformation

- In 49 years of independence, Mozambique has become a supermarket for finished products

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Maputo, June 2024

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Executive Summary

On 25 June, 2024, Mozambique celebrates 49 years of independence. During this period, the country has experienced significant changes, particularly in the industrial sector, which is crucial for economic development. Industry's share of Gross Domestic Product (GDP) has fallen by 7% since independence. This situation resulted in major challenges and transformed Mozambique into a market for imported finished products. The loss of key industries, such as food, footwear and rubber, has exacerbated this situation.

In 2023, Mozambique's exports were dominated by large projects in the extractive sector (coal, gas, rubies and heavy sands), accounting for 57% of exports, and by the manufacturing industry (aluminum bars), with 16%. Imports were led by intermediate goods (33%), including fuels (10%) and construction materials (8%). Consumer goods such as rice, wheat, cars and medicines accounted for 24% of imports. The coverage rate of exports over imports, excluding major projects, was only 26%.

Mozambique ranks 30th out of 52 African countries in the 2022 Africa Industrialisation Index, after ranking 8th in 1970. This indicates the urgent need for changes in industrial development policies. Southern African countries such as South Africa, Eswatini and Namibia have significantly higher industrialisation rates, which highlights the gap that Mozambique needs to fill.

Given the limitations of the available data, this study uses a descriptive analysis to assess the evolution of the manufacturing industry in Mozambique. Data was collected from several sources, including the National Statistics Institute (INE), the World Bank (WB), the Bank of Mozambique (BM) and the International Monetary Fund (IMF). The research included interviews with experts such as Joseph Hanlon and João Mosca, and the data was rigorously processed to ensure accuracy.

The analysis based on graphical visualisation captured trends in the evolution of the manufacturing industry, considering variables such as the GDP growth rate, the weight of industry in GDP and industrial production by area of activity. Using graphical representations, we compared important variables over time and visualised the relationships between the performance of industry and other economic indicators. Industrial production was disaggregated by industry to highlight the most impactful sectors.

During the colonial period, the Portuguese government implemented policies to stimulate industrialisation, which resulted in rapid economic progress. In 1970, Mozambique was the 8th most industrialised country in Africa, with an average industrial contribution of 11% of GDP between 1953 and 1974. However, after independence in 1975, the country faced a serious economic crisis, exacerbated by the massive departure of European settlers and economic sabotage, resulting in a drastic drop in GDP.

During Samora Machel's government (1977-1981), the focus was on heavy industry as the key to economic independence, with bank subsidies to support industries in crisis. By 1982, 73% of companies were state-owned or state-invested. International partnerships were established to boost industry, but challenges such as unskilled labour and economic sabotage limited success.

The civil war with RENAMO worsened the economic situation, destroying productive sectors and supply chains. Between 1975 and 1983, industrial production was dominated by food, beverages and tobacco, chemical and petroleum products and textiles, clothing and leather. The contribution of these sectors varied, but imports of industrial products significantly exceeded exports.

With accession to the Bretton Woods institutions in 1984 and the implementation of the Structural Readjustment Program (PRE) in 1987, Mozambique began the transition to a market economy. The measures included devaluation of the metical, liberalisation of prices and trade and reduction of subsidies. However, privatisation benefited a government-linked elite, so industrial rehabilitation failed to address structural problems.

In the 1990s, with the General Peace Agreement, economic growth was driven by megaprojects such as Mozal, but structural challenges persisted. Under Armando Guebuza (2005-2015), economic diversification and reducing dependence on traditional sectors were priorities, but the lack of intersectoral development and dependence on natural resources continued to be obstacles.

During Filipe Nyusi's government of (2015-2024), industrialisation was seen as crucial, but the implementation of policies did not bring significant innovations. Industry's contribution to GDP remained at around 8% and the challenges of corruption, incompetent management and lack of infrastructure continued to negatively impact the sector.

The disappearance of industries like Mozambique's Mabor, which produced rubber tyres, exemplifies the urgent need for a robust industrial policy. Learning from successful examples from African and Asian countries can help Mozambique to recover its productive capacity and reduce its dependence on imports, thus promoting sustainable economic growth and job creation.

1. Introduction

On 25 June 2024, Mozambique celebrates forty-nine (49) years of national independence. During this period, the country has witnessed dramatic changes, especially in its industrial sector, a vital element for economic development.

Since independence, industry's contribution to Gross Domestic Product (GDP) has fallen from 10% in 1975 to 7% in 2023, an alarming drop that reflects significant challenges[1]. The disappearance of key industries, such as food, footwear and rubber, has turned Mozambique into a "supermarket" of finished, imported products.

While, on the one hand, Mozambique's exports in 2023, for example, were dominated by around 75% of the major projects, especially the extractive sector (coal, gas, rubies and heavy sands), with a contribution of 57%, and the manufacturing industry (aluminum bars), with 16%, on the other hand, the major projects, with a contribution of 14%, dominate imports. On the import side, intermediate goods account for 33% of the total, led by fuels (10%), construction materials, excluding cement (8%), and raw aluminum (4%). Consumer goods represent another highlight, accounting for 24% of total imports in 2023. This category includes rice and wheat (6%), cars (5%) and medicines and reagents (4%). In terms of trade coverage[2], excluding major projects, in 2023 exports covered 26% of imports.

This scenario shows the country's growing dependence on the outside for consumption and production.

This reality is also supported by Mozambique's ranking in 30th place in the 2022 Africa Industrialisation Index, which evaluates 52 African countries[3], ranking them from the most to the least industrialised. Mozambique's position reveals the urgency of a change in direction in order to achieve levels of industrialisation and to be able to position itself in the top 10 where some southern African countries are positioned, some with similar characteristics to Mozambique, as are the cases of South Africa, which is in 1st position, Eswatini in 6th position and Namibia in 10th position.

These figures present a clear picture. It's time to question the industrial development policies and strategies adopted over the last 49 years. What went wrong? And, more importantly, how can we change this scenario and drive truly sustainable economic growth in Mozambique?

To answer these questions, this study is divided into six parts. It begins with the introduction, which addresses the need to understand the evolution of industrialisation in Mozambique. The methodology adopted is also outlined in the first section, detailing the steps followed for the analysis. The evolution of industrialisation in Mozambique is then analysed, from the colonial period to the present day, highlighting the main moments and challenges faced by the industrial sector. These moments include post-independence policies, economic transition, growth and recent trends in industrialisation. In addition, the study investigates the impact of the disappearance of specific industrial sectors, such as the rubber tyre industry, and seeks to draw lessons from other countries in order to understand the Mozambican context.

1.1 Methodology

This study uses a descriptive approach to analyse the trajectory of the manufacturing industry in Mozambique. This approach was chosen due to the unavailability of more detailed data that could help mitigate endogeneity concerns using advanced econometric methods, such as instrumental variables.

In addition, documentary and bibliographical research was carried out covering academic studies and reports on Mozambican industry from 1972 to 2023.Comments from experts, such as Joseph Hanlon and João Mosca, were incorporated through open interviews and by consulting their articles and books on the manufacturing industry in Mozambique.

The data used in the analysis was collected from various sources, including the National Statistics Institute (INE), which provides data on GDP, industrial production, among other indicators; the World Bank (WB), which offers economic development indicators, foreign trade data and foreign direct investments; the Bank of Mozambique (BM), which provides information on foreign trade, monetary and financial policies; and the International Monetary Fund (IMF), which provides economic reports and forecasts.

The data collected went through rigorous processing procedures, including: i) the identification and correction of inconsistencies and outliers - analysis to detect and correct inconsistent data and atypical values; ii) data normalisation and standardisation - procedures to ensure the comparability of data over time and between different sources.

1 INE (several years). *Anuários Estatísticos.* Disponíveis no site: www.ine.gov.mz

2 The Coverage Rate or Trade Coverage Rate is a trade indicator and measures the proportion of a country's exports in relation to its imports. In this way, we can know whether the volume of exports and foreign currency inflows into the country is greater or less than the volume of foreign exchange going abroad as a result of imports. A coverage rate greater than 1 means that the country exports more than it imports, which is generally considered positive.

3 African Development Bank Group (2022). *Africa Industrialization Index 2022.* Available at: https://www.afdb.org/sites/default/files/documents/publications/africa_industrialisation_index_2022_en-web.pdf. Accessed on 28/05/2024

The analysis was based on the graphical visualisation of data in order to capture trends and patterns in the evolution of the manufacturing industry in Mozambique. The main variables considered were: i) the growth rate of real GDP - analysed to understand Mozambique's general economic growth; ii) the weight of industry in GDP - evaluated to understand the participation of industry in economic growth; iii) the contribution of industry to GDP - examined to observe the specific impact of manufacturing on GDP; iv) the weight of industrial production by area of activity - analysed to identify the contribution of different areas of industrial activity to general economic performance.

Throughout the study, line graphs were drawn up for each variable. Graphs help to visualize general trends, economic cycles and annual variations. In order to identify possible relationships between the performance of industry and other economic indicators, a comparison of graphs for the different variables was carried out. Industrial production was disaggregated by area of activity to identify which sectors had the greatest impact on industrial and economic growth over the period.

The results were analysed and discussed, comparing different historical periods and highlighting the main trends and changes observed in the industrial sector. Insights from experts were incorporated to contextualise and enrich the quantitative results, offering a critical analysis of the policies adopted and their implications for the future of industrialisation in Mozambique.

Based on the graphs and descriptive results, we present recommendations for industrial policies that can promote sustainable and inclusive growth. These recommendations include practical suggestions for policy implementation, with examples from other countries that have succeeded in similar initiatives.

1.2 Delimitation of the Study

This study aims to investigate the relationship between GDP growth and the contribution to the industrial sector, with a specific focus on Mozambique since independence. The main analysis revolves around the central hypothesis that the industrial sector has a significant positive impact on economic growth. To support this hypothesis, several studies have been considered which have already empirically tested this relationship in different contexts, namely:

1. Xi Win et al. (2022)[4]. This study concludes that the industrial sector contributes positively to economic growth in developing countries. On the other hand, exports of labour-intensive primary goods can lead to deindustrialisation and have a negative impact on GDP growth;
2. Lugina et al. (2022)[5]. This research shows a positive relationship between the added value of the industrial sector and economic growth in Tanzania.
3. UNU-WIDER (2021). A summary of the importance of manufacturing for economic growth highlights several crucial points, such as: i) the existence of a positive empirical correlation between industrialisation and per capita income in developing countries. More industrialised countries tend to be richer; ii) manufacturing shows higher productivity levels compared to agriculture, providing a structural change bonus when resources are transferred from agriculture to manufacturing; iii) manufacturing benefits from economies of scale, although modern ICT services also explore these economies; iv) manufacturing, by driving both embodied and disembodied technological progress, plays a crucial role in improving productivity, competitiveness and sustainable growth in developing countries. This, in turn, is essential for the economic recovery and long-term development of these countries; and v) manufacturing has strong direct and indirect linkages and multiplier effects, improving overall economic growth[6].

1.3 Limitations of the Study

This study has some limitations that included the availability and quality of certain data, which made it impossible to use advanced econometric models to identify causal relationships. These limitations were taken into account when interpreting the results and formulating recommendations. Some of the conclusions should be seen as correlations rather than causalities, leaving the resolution of endogeneity issues to future research.

4 Xi Win et al. (2022). *Manufacturing, Exports, and Sustainable Growth: Evidence from Developing Countries*. Available at: https://www.mdpi.com/2071-1050/14/3/1646. Accessed on 17/08/2023

5 Lugina, E. J., et al. (2022). *Effects of industrialization on Tanzania's economic growth: a case of manufacturing sector*. Futur Bus J. 8, 62 (2022). Available at: https://fbj.springeropen.com/articles/10.1186/s43093-022-00177-x. Accessed on 17/08/2023

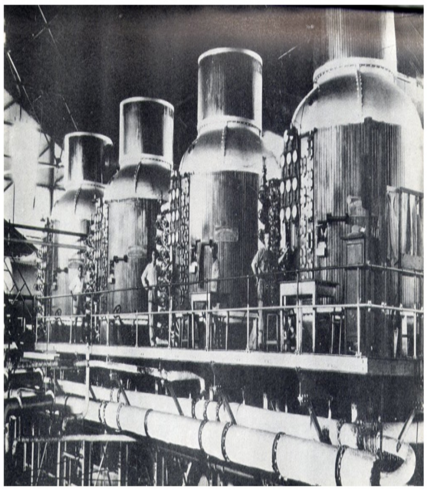
6 UNU-WIDER (2021). *Is Manufacturing Still the Main Engine of Growth in Developing Countries?* Available at: https://www.wider.unu.edu/publication/manufacturing-still-main-engine-growth-developing-countries. Accessed on 17/08/2023

2. Evolution of Industrialisation in Mozambique

2.1 A Brief Overview of the Mozambican Industrial Sector During the Colonial Period

The Portuguese colonial government, seeking to guarantee its own political, economic and social interests, designed a set of incentive policies aimed at stimulating its exports, investment and employment opportunities for Portuguese citizens; stimulating the flow of migrants to its colonies, which could guarantee more income for Portugal, and military availability for the security of its interests. They also wanted to offer a market for the replacement of technologically outdated and physically depreciated equipment and machinery that Portuguese industry would have to replace in the process of its modernisation[7]. As a result, an industrial park sprang up in Mozambique that was essentially aimed at responding to the above interests.

Given this situation, Mozambique soon experienced extremely rapid economic progress. By 1970, Mozambique was the 8th most industrialised country on the continent with a highly diversified industrial production base[8]. This industrialisation was thanks to the emergence of sugar and sisal agro-industrial complexes, vegetable oil extraction industries, cotton ginning and pressing, tea preparation, wood sawing, soap, tobacco, beer, cement, clothing, wheat milling, cotton and jute spinning and weaving; oil refining, iron and steel rolling mills, construction and assembly of railway equipment, cashew nut shelling and others[9].

Matola Oil Refinery	Partial view of Matola's industrial zone	Sugar factory in Luabo
		
Source:Monographic synthesis of Mozambique(1971)		

The industry that emerged in Mozambique during this period contributed, on average, around 11% a year to GDP between 1953 and 1974. Economic growth in the same period averaged 8% per year. During this period, there was a consistency between the increase in the industrial sector's contribution to GDP and economic growth. As Graph 1 below illustrates, both positive and negative variations in GDP were accompanied by variations in the same direction in industry's contribution to GDP. This data indicate that in this period there was some correlation between these two variables[10].

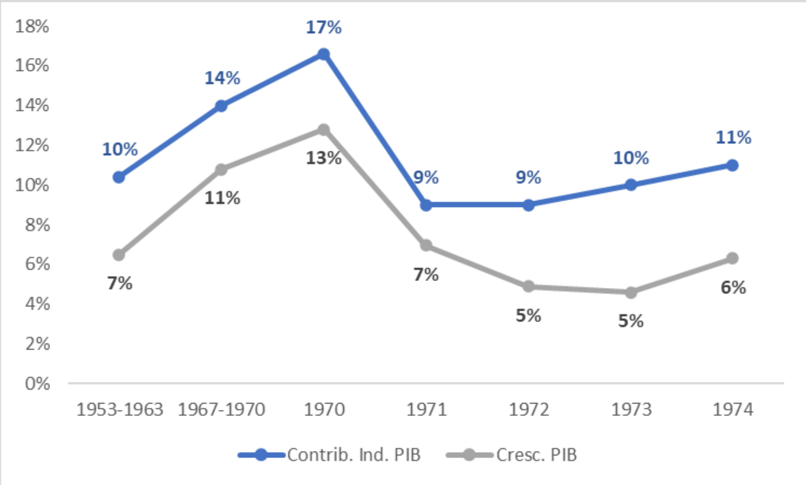
7 Castel-Branco, C.N. (1994), Problemas Estruturais de Industrialização: A Indústria Transformadora. In Castel-Branco, C.N. (ed), Moçambique: Perspectivas Económicas. UEM & Fundação Friedrich Ebert, Maputo

8 Pitcher,M.A.(2002), *Transforming Mozambique: the politics of Privatization, 1975-2000*, Cambridge.

9 Chichava J. (2005), *A Industria Moçambicana: caracterização, estrutura e políticas industriais.*

10 In probability and statistics, correlation, dependence or association is any causal or non-causal statistical relationship between two variables. It is any relationship within a variety of statistical relationships that involves dependence between two variables.

Graph 1: Contribution to da indústria no GDP (%) – 1953-1974

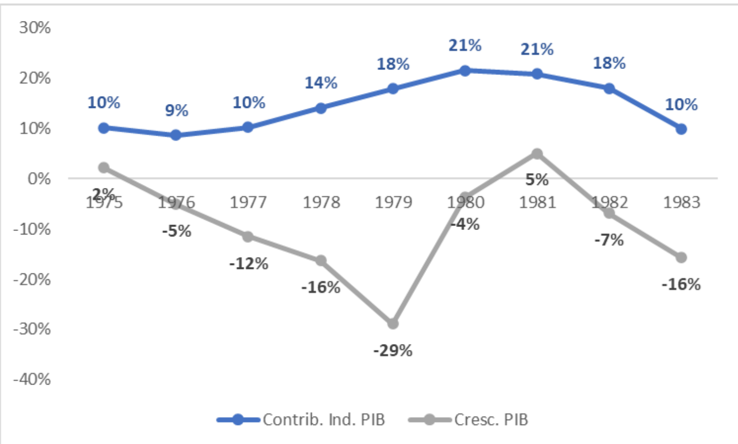


Source: several numbers: National Statistics Institute, World Bank and Finisterra (Portuguese Geography Magazine).[11]

2.2 Impact of Post-Independence Policies on Industrialisation (1975-1983)

Shortly after independence in 1975, the country experienced an economic crisis caused by the disintegration of the colonial economic system, accompanied by the massive departure of European settlers, who adopted a posture of economic sabotage with implications for the main key sectors of the economy[12]. GDP growth, as can be seen from Graph 2 below, averaged -12%, having gone from 2% in 1975 to -29% in 1979. In the same period, the contribution of industrial sector's to GDP averaged 12%, rising from 10% to 18%. During this period, there was a misalignment between GDP growth and the contribution of the industrial sector, i.e., while GDP was decreasing, the contribution of this sector was rising.

Graph 2: Contribution of Industry to GDP (1975-1983)



Source: Castel-Branco and World Bank[13]

Between 1977-1981, the Mozambican government, led by President Samora Machel, seeking to strengthen the relevant role of the state sector in the economy, seen as a key sector, implemented various initiatives, known as offensive economic policy, which defined heavy industry as the decisive factor in achieving economic independence[14].

11 Coelho, C. A. (1973). Moçambique. Finisterra, 8(15). https://doi.org/10.18055/Finis2401

12 Wuyts, M. (1989). *Money and planning for a social transition: the Mozambique experience.* Available at: https://oro.open.ac.uk/89097/1/09.pdf. Accessed on 17/08/2023

13 Castel-Branco, C.N. (1994), Problemas Estruturais de Industrialização: A Indústria Transformadora. In Castel-Branco, C.N. (ed), Moçambique: Perspectivas Económicas. UEM & Fundação Friedrich Ebert, Maputo

14 Wuyts, M. A organização das finanças e o desenvolvimento económico em Moçambique: Do sistema capitalista ao desenvolvimento socialista. UEM, 1983, Texto 105.

In a context of centralised planning, at the end of 1979, the Indicative Prospective Plan defined objectives for industry to be achieved during the period 1980-1990[15]. The initial aim of Machel's government was to maintain jobs at all costs, by granting bank subsidies, and thus keep these industries running and respond to the post-1975 crisis. The main motivation was rooted in the need to stabilize the economy, guarantee social cohesion, consolidate political legitimacy and promote sustainable industrial development in a challenging post-independence context.

It was especially important for this government to keep abandoned companies in operation, such as the steel production plant, Companhia Siderúrgica de Moçambique (CIFEL)[16]. In 1982, around 73% of companies in industry, commerce and agriculture were already state-owned or state-invested companies and only 27% were still privately owned[17].

Private companies that continued to operate in the country suffered major restrictions and faced considerable difficulties. The Mozambican government strictly controlled their activities and they were obliged to submit annual work plans and accounts reports, to receive representatives from the State, sell to and buy from the State[18].

Machel's government argued that the State should control the highest points of industry, which included state farms. To this end, links were established with various countries. These links resulted in the emergence of a huge cotton project with Romania, the Mocuba textile factory, with East Germany and the General Tyre factory, with the USA and Portugal. The colonial companies Madal, João Ferreira dos Santos (JFS), Entreposto, sugar companies and Anglo-American were encouraged to continue operating[19].

These initiatives enabled an economic recovery, with GDP growing by 5% in 1981 after reaching -29% in 1979. Industrial contribution maintained an average of 17% between 1977 and 1981 but, in 1982, both the contribution of the sector and GDP decreased. In 1983, GDP grew again by 43% and the industrial contribution continued to fall, reaching 10%. The failure of this plan was due to the fact that it was rushed to rehabilitate industry before proceeding with the transformation of its productive structure, which was dependent on the outside world for production and trade, in addition to these industries being economically and financially unsustainable[20].

In other words, the plan failed due to an excess of unskilled labour, a massive flight of staff after independence, sabotage, over-centralisation in planning (all investment was public), dependence on external resources for investment, scarcity of foreign currency earnings, a excessively commercial orientation, focused on the internal market, a structurally inadequate relationship with the agrarian sector, the granting of unlimited and undifferentiated credit to some companies considered strategic that were not encouraged to be profitable and centrally determined and controlled pricing mechanisms[21].

The war started by RENAMO a few years after independence was another determining factor in the plan's failure. Politically, for example, General Tyre and Anglo-American were forced to withdraw in the early 1980s. The state-owned farms, the railways and the Mocuba Textile Factory were all attacked and made unviable. A key target for RENAMO was the productive sector, particularly rural canteens and agricultural equipment[22]. This destroyed the entire marketing chain inherited from the colonial period.

As can be seen from Graph 3 below, industrial production in the period 1975-1983 was dominated by three sectors: the food, beverages and tobacco industry; the chemical and petroleum products industry and the textiles, clothing and leather industry, with an overall weight of 85%. It can be seen that during this period there was a downward trend in the production of food, beverages and tobacco, from 43% in 1975 to 33% in 1983. In the same period, there was an increase in the weight of the textiles sector, from 11% to 23%.

In the period 1975-1983, imports of industrial products largely exceeded exports. On average, the trade coverage rate was 26%, compared to 30% in 1975 and 17% in 1983. It should be noted that Mozambique's monetary policy between 1975 and 1983 was characterised by overvaluation of the currency and strict control of the exchange rate, which contributed to the deterioration of the position of national industry in international trade, exacerbating the country's economic and commercial challenges. These figures show the deterioration of the domestic industry's position in international trade (see Graph 4 below). It is important to highlight that during this period, imports were mainly raw materials, spare parts and equipment.

15 Chichava, J. (n.d.). A Indústria Moçambicana: caracterização, estrutura, políticas industriais e outros aspectos relevantes.

16 Joseph Hanlon, journalist, social scientist and senior lecturer in Development Policies and Practices at Open University, Milton Keynes, United Kingdom, commenting the present article.

17 Hanlon, J. (1984). Mozambique: The Revolution under fire. Third World Books. London, UK: Zed Books Ltd.

18 Pitcher, A. (2003). Sobreviver à transição: o legado das antigas empresas coloniais em Moçambique. Colgate university, Department of Political. Available at: http://analisesocial.ics.ul.pt/documentos/1218791363I3gSX5sc0Tn03TK0.pdf. Accessed on aos 19/06/2023

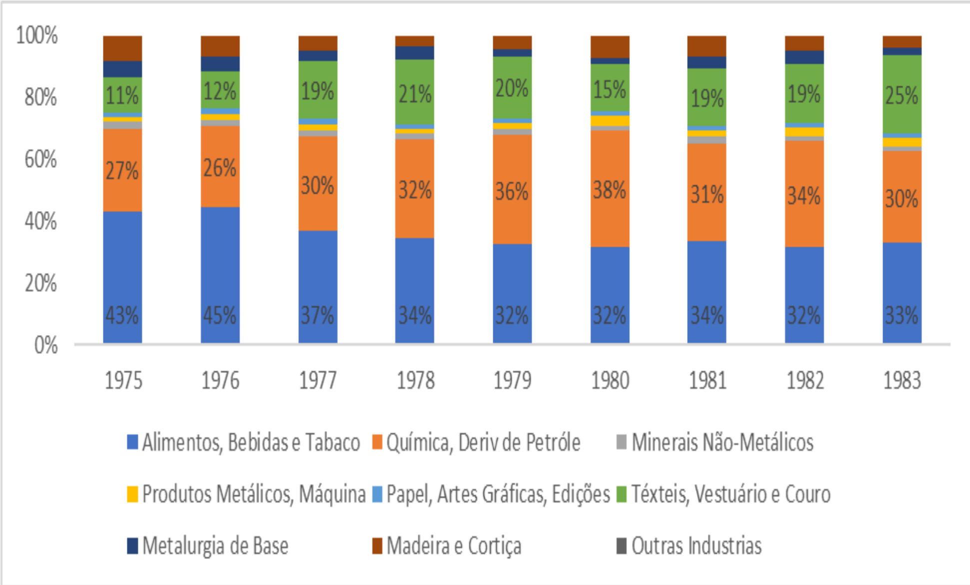
19 Joseph Hanlon, journalist, social scientist and senior lecturer in Development Policies and Practices.

20 Castel-Branco, C.N. (1994), Problemas Estruturais de Industrialização: A Indústria Transformadora. In Castel-Branco, C.N. (ed), Moçambique: Perspectivas Económicas. UEM & Fundação Friedrich Ebert, Maputo

21 Chichava, J. (n.d.). *A Indústria Moçambicana: caracterização, estrutura, políticas industriais e outros aspectos relevantes*.

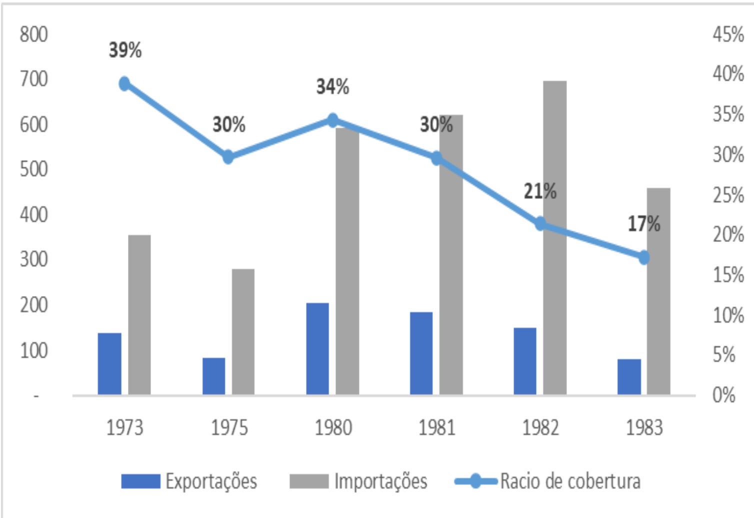
22 Idem.

Graph 3: Industrial production by Area of Activity (1975-1983



Source: Castel-Branco qand World Bank

Graph 4: Trade Coverage Rate (1973-1985) - values in millions of USD



Source: Castel-Branco and World Bank

2.3 Economic Transition and Industrial Challenges in Mozambique: from Socialism to the Structural Readjustment Program (1984-1994)

In 1984, with the advent of economic stagnation, rising foreign debt, war and the destruction of infrastructure, which led to the collapse of the socialist project, following the IV Congress of the FRELIMO Party, Mozambique applied to join the Bretton Woods institutions - the International Monetary Fund (IMF) and the World Bank (WB). This period marked the transition to a market economy.

In return, it was required to implement the Structural Readjustment Program (PRE), launched in 1987, which later added a social component, becoming PRES. In this sense, the country adopted a series of measures, such as the devaluation of the metical, the liberalisation of prices and trade, the reunification of the parallel and official markets, the reduction of public spending on subsidies to consumption and state-owned companies, the reduction of investments and costs in the areas of health and education[23].

The PRE presupposed a rehabilitation of the industrial sector inherited from colonialism based on external funds that could guarantee the import of parts and spare parts, equipment and technical assistance, as well as raw materials, auxiliary

23 Mosca, J. (2002). *Encruzilhadas de África – ênfase para os PALOP*. Lisboa: Instituto Piaget

materials and fuels. It also presupposed the end of the war and the rapid recovery of the rural economy, and that industrial production could find an available market for all its products. In this sense, industrial rehabilitation was oriented towards a group of companies considered strategic and another that benefited from certain facilities for the rehabilitation and maintenance of equipment and the acquisition of raw and auxiliary materials.[24]

The Programme for the Restructuring and Privatisation of State Companies, under the PRE, whose aim was to improve the efficiency and competitiveness of companies, as well as attracting foreign investment, was a real failure. This program led to the privatisation or closure of several state companies. Throughout the 1980s and 1990s, entire industrial sectors - such as pharmaceuticals, plastics, glass, textiles, cashew nuts - went bankrupt, resulting in rising unemployment[25].

In the privatisation process, national capitalists, most of whom were former government officials, FRELIMO supporters or former administrators of state companies who saw their entry into the business world facilitated by their relationship with the State, bought 90% of the privatised state companies and were part of most of the projects that emerged in the context of the privatisations[26].

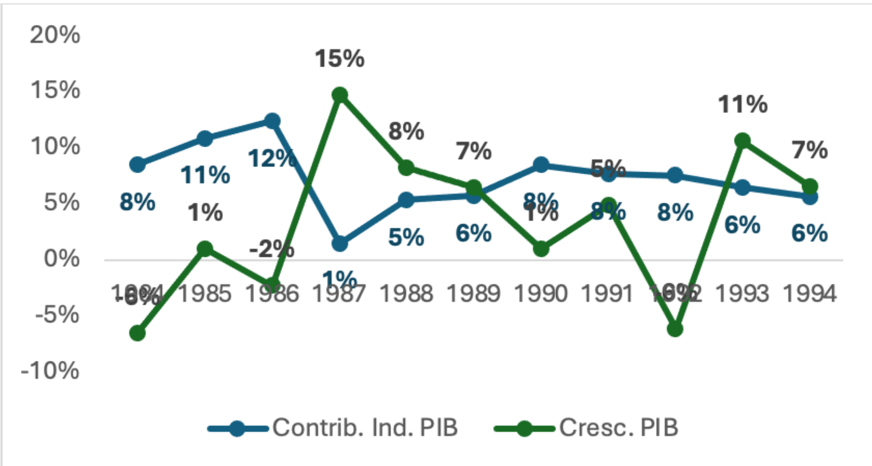
One of the examples of the capture of the sector by powerful people is demonstrated by the fact that, between 1987 and 1997, all the members of Frelimo's Political Committee were directly involved in the creation of business activities or were members of the companies Boards of Directors[27]. As a result of this way of acting, the objective of making the industrial sector efficient and more productive was captured and transformed by powerful actors.

In addition to capture, the industrial rehabilitation strategy ignored the structural problems of the existing industry, namely: i) its structural weakness; ii) its weak inter- and intra-sectoral links; iii) its complete dependence on the outside world; and iv) its inability to compete and win important external markets[28]. In this sense, the strategy failed to reach the industry's contribution to GDP levels of 20%, on average, achieved between 1979 and 1982.

Between 1984 and 1994, as can be seen from Graph 5 below, GDP grew at an average rate of 4%, from -5% in 1984 to 7% in 1994. Industry's contribution to GDP grew at the same time by an average of 7%. Graph 5 shows that after GDP recovered in 1987, it declined in subsequent years and grew again in 1993, but then declined the following year. The growth comes after the signing of the General Peace Accords with RENAMO in 1992, which put an end to 16 years of armed conflict that destroyed the vast majority of the productive base inherited from colonialism.

Industrial contribution, in turn, showed a downward trend, from 12% in 1986 to 6% in 1994. This drop can be explained by the fact that industrial production grew as a direct result of the injection of foreign currency directed in the first years of its implementation towards the import of parts, spare parts, fuel and raw materials. However, this strategy would consolidate the sector's external dependence, with immediate effects on the subsequent decline in production levels.

Graph 5: Industry's Contribution to GDP (1984-1994)



Source: INE, Castel-Branco e Banco Mundial[29]

24 Chichava, J. (n.d.). *A Indústria Moçambicana*: caracterização, estrutura, políticas industriais e outros aspectos relevantes.

25 Coughlin, P. (2005). "Globalização, Imperativos Tecnológicos e Relações de Trabalho em Moçambique". In Peter Coughlin (Org.) Relações Laborais em Moçambique – Lei, Prática e Implicações Económicas incluindo Comparações Internacionais. Maputo: EconPolicy Research Group, Lda., pp. 122-224

26 Pitcher A. (2003). Sobreviver à transição: o legado das antigas empresas coloniais em Moçambique. Colgate university, department of political. Available at: http://analisesocial.ics.ul.pt/documentos/1218791363I3gSX5sc0Tn03TK0.pdf. Accessed on aos 19/06/2023.

27 Feijó, J. (). *Mudam-se os tempos, mudam-se os modos de pensar? (Des)continuidades nas reflexões sobre o trabalho em Moçambique.* Available at: https://www.iese.ac.mz/wp-content/uploads/2017/10/parte-ii-mudam-se-os-tempos-jfeijo.pdf. Accesse on 18/08/2023

28 Idem.

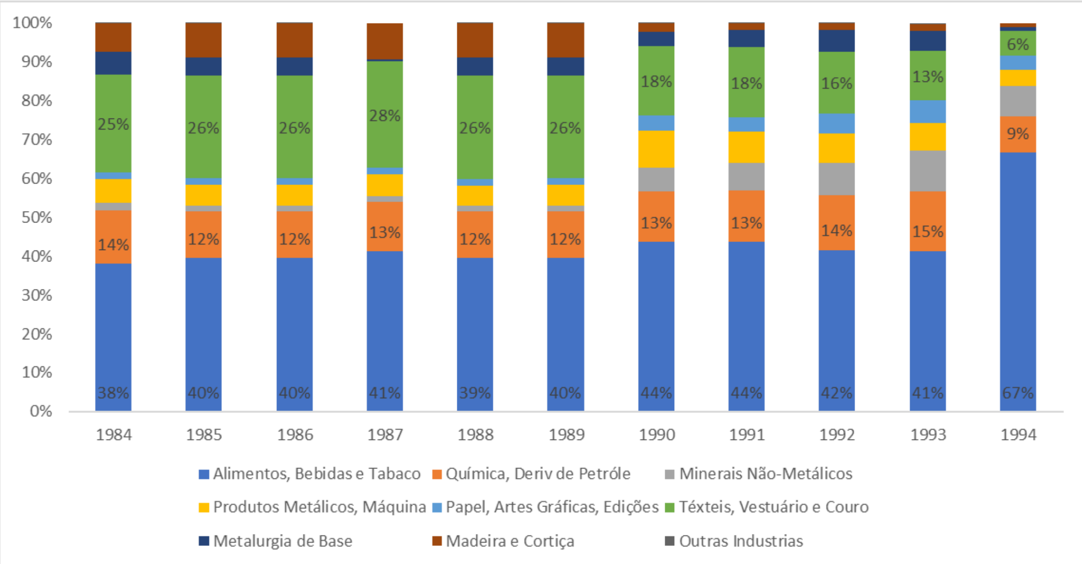
29 Castel-Branco, C.N. (1994), Problemas Estruturais de Industrialização: A Indústria Transformadora. In Castel-Branco, C.N. (ed), Moçambique: Perspectivas Económicas. UEM & Fundação Friedrich Ebert, Maputo.

During this period, the industrial sector continued to be dominated by the food, beverages and tobacco industry, with an average weight of 43%, by the chemical and petroleum products industry, with an average weight of 13%, and by the textiles, clothing and leather industry, with an average weight of 21%. These three areas represent an average of 77%, a reduction in their weight by 8pp.

It can be seen that the food industry increased its weight from 38% in 1984 to 67%, while the chemical industry reduced from 14% to 9% and the textile industry from 25% to 6%. In the same period, there was a significant and noteworthy reduction in the weight of the basic metallurgy sector, which fell from 6% to 1%. It should be noted that in the previous period analysed in this text, this sector had a weight of 4%. See Graph 6, below.

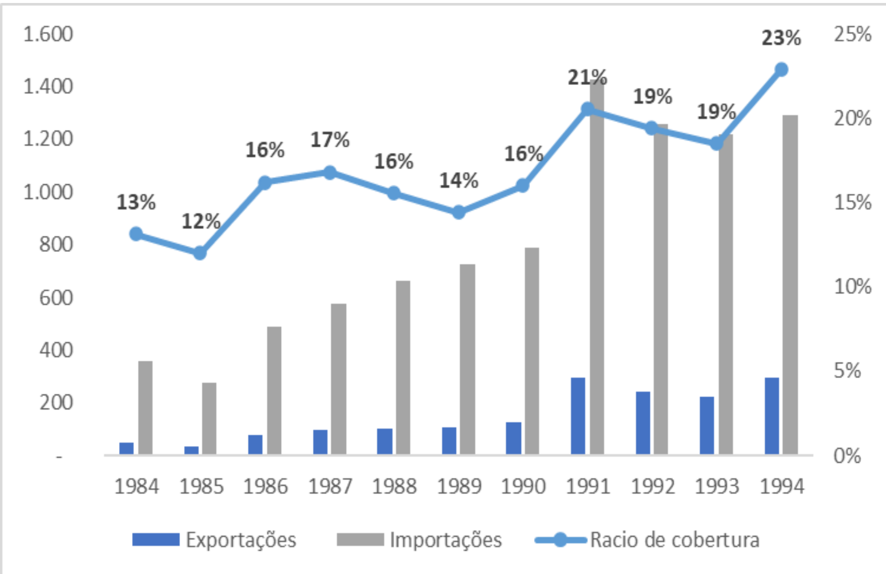
In terms of the Trade Coverage Rate, the average ratio between 1984-1994 was 17%, a reduction of 9pp compared to the previous period analysed in this text. Despite the downward trend in the previous period, between 1984-1994 the trend was upwards, having risen from 13% in 1984 to 23% in 1994 (see Graph 7 below), but still below the average of the previous period (1973-1985), which was 26%.

Graph 6: Industrial Production by Area of Activity (1984-1994)



Source: INE, Statistics Yearbooks (several years)

Graph 7: Trade Coverage Rate (1984-1994) - values in millions of USD



Source: INE

2.4 Growth, Challenges and Opportunities in the Industrial Sector (1995-2004)

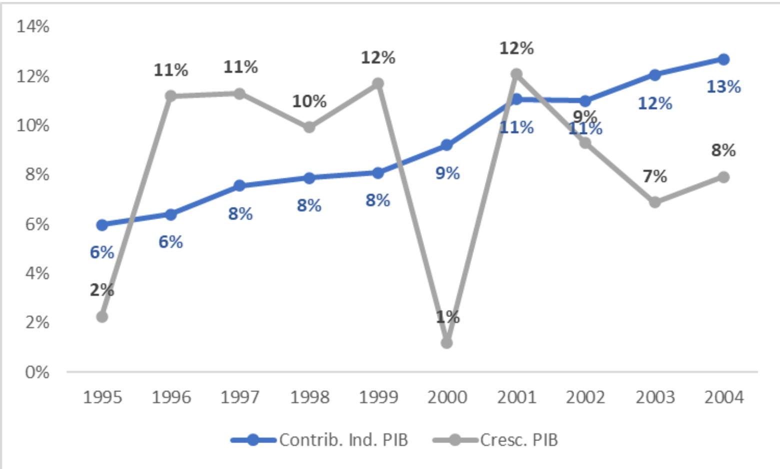
The General Peace Agreement opened up space, at least in theory, for the industrial sector to flourish within a different philosophy from the previous situation. Chissano government made the eradication of poverty its priority. To this end, it established the goal of achieving annual GDP growth of between 6 and 7%, with this growth rising to between 8 and 9% by the end of the century[30].

For the industrial sector it was proposed, in the first stage, which covers the short and medium term (1997-2007), to consolidate the growth that had been recorded in the sector, continue its rehabilitation and modernisation and create the best conditions for its expansion. In the second stage, which covers the long term (1997-2012), the aim was to expand the sector, including changes to its structure, and specifically to focus on developing an export industry based on the potential comparative advantages of natural and geo-economic resources. The aim was to set up new basic industries aimed at transforming the sector and making the existing industry more viable, efficient and competitive[31].

As a result, GDP grew during this period at an average of 8% per year, 1pp higher than forecast (see Graph 8). It should be noted that this period saw two extreme lows, namely 1995, when GDP grew by 2%, and 2000, when GDP grew by 1%. Cyclone Nadia in 1994, the Asian financial crisis in 1997 and Cyclone Eline in 2000 were the exogenous phenomena with the greatest impact that negatively influenced the Mozambican economy during this period[32].

While, on the one hand, GDP grew at an oscillating rate, the industrial sector's contribution to GDP grew consistently at an average of 9%, 2pp more than in the previous period analysed in this text. In general terms, industry's contribution rose from 6% in 1995 to 13% in 2004 (see Graph 8).

Graph 8: Industry's contribution to GDP (1995-2004)



Source: INE, Castel-Branco and World Bank[33]

During this period, the Mozambican industrial sector was concentrated in food, beverages and tobacco production, with an average of 46% of the sector's total production. The non-metallic minerals area, with an average of 14%, was the second largest contributor, and the chemical products area, with 10%, the third. These figures show the decline of the textile industry, which accounted for 57% of the three main areas of production, from an average weight of 21% to 9%.

During this period, the average Trade Coverage Rate was 46%, an increase of 28pp compared to the previous period analysed in this text. The trend in the ratio was upwards, going from 27% in 1995 to 81% in 2004. It is important to note that the growth in the ratio was strongly influenced by the entry into operation of the aluminum casting project by Mozal in 1998, as part of a foreign investment recovery program to help rebuild the country after the civil war. The start-up of Mozal led the basic metallurgy sector to increase its contribution from 1% in 1995 to 43% in 2006. The basis for Mozal's contribution to the growth of Mozambique's Trade Coverage Rate lies mainly in aluminum exports, which have become a significant part of the country's total exports. This, in turn, has had a positive effect on both the Trade Coverage Rate and the country's industrial production.

Because of the considerable impact on the country's economy of the entry of megaprojects, such as Mozal in 1998, the

30 Government of Mozambique (1995 and 2000), *Government Programme for 1995-99*, and *Government Programme for 2000-2005*

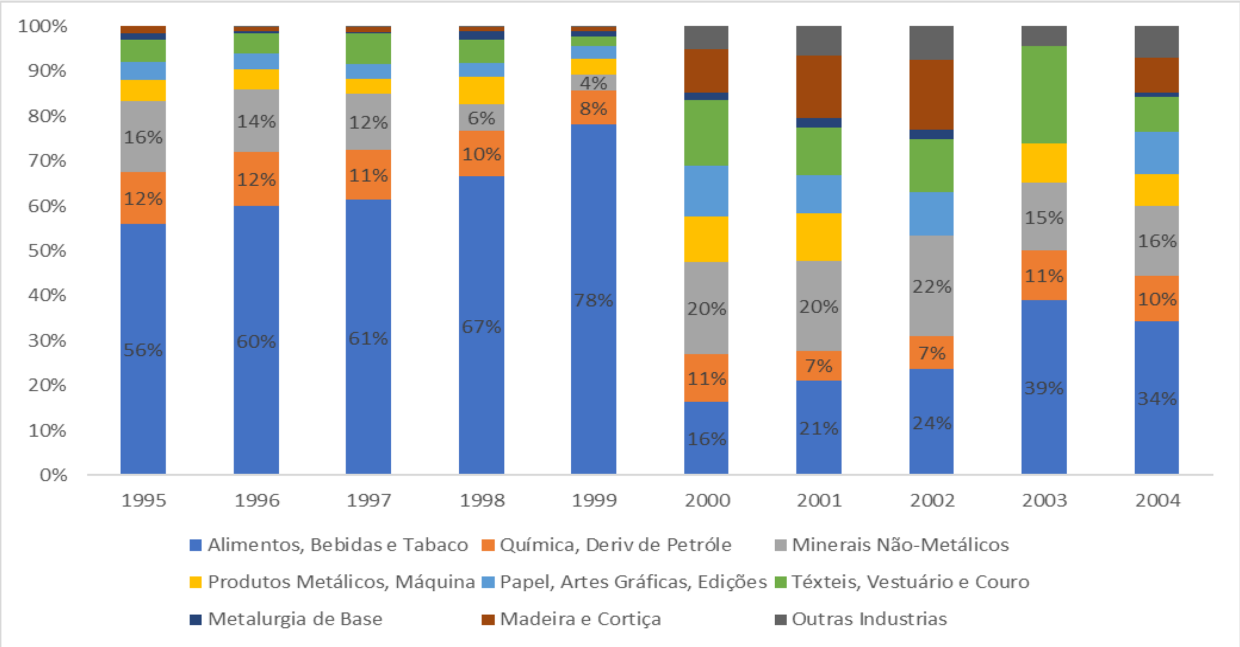
31 Government of Mozambique (1995 and 2000), *Government Programme for 1995-99*, and *Government Programme for 2000-2005*

32 Diário do Grande ABC (21/02/2000). *Ciclone 'Eline' devasta Moçambique*. Available at: https://www.dgabc.com.br/Noticia/106440/ciclone-eline-devasta-mocambique. Accessed on 23/08/2023

33 Castel-Branco, C.N. (1994), Problemas Estruturais de Industrialização: A Indústria Transformadora. In Castel-Branco, C.N. (ed), Moçambique: Perspectivas Económicas. UEM & Fundação Friedrich Ebert, Maputo.

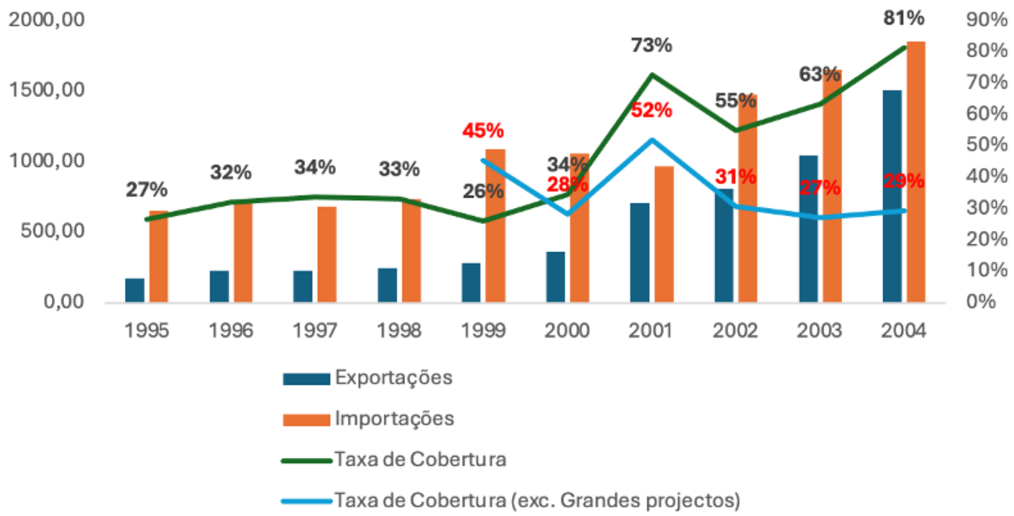
calculation of GDP began to take into account the inclusion and exclusion of megaprojects from the end of the 1990s. Based on this new element, we can see that, excluding megaprojects, the Trade Coverage Rate in this period was 35%, which is 11pp below the average with the inclusion of megaprojects. This shows the importance of analysing the coverage rate with the inclusion and exclusion of this data.

Graph 9: Industrial Production by Area of Activity (1995-2004)



Source: INE, Statistics Yearbooks

Graph 10: Trade Coverage Rate (1995-2004) – values in million USD



Source: INE

A report produced by the Unidade Técnica de Reorganização de Empresas [Technical Unit for Company Reorganisation] (UTRE), in 1998, shows that of the 840 companies privatised between 1992 and 1997, around 243 were facing financial and labour crises, with the majority producing below their installed capacity. Of these, 40 companies were completely paralysed and many owed wages to their workers. The same report reveals that more than 100,000 workers lost their jobs as a direct result of the privatisation process[34].

Once again, the basic structural problems of the Mozambican economy were not taken into account. During the government of Joaquim Chissano, the government was unable to: i) promote adequate investment in infrastructure, such as quality roads, reliable electricity and efficient transportation systems for industrial operations; ii) eliminate bureaucratic and

34 Unidade Técnica de Reorganização de Empresas (1998). *Privatizações em Moçambique: 1998 – O Ano da Consolidação*. UTRE/MPF, Nº. 5, Março

regulatory barriers that privileged an elite of businessmen linked to the government; iii) create a mass of skilled workers trained in modern technologies that could respond to the needs of companies; and iv) eliminate or reduce the excessive dependence on natural resources, which made the economy vulnerable to fluctuations in the global prices of these resources, and leads to relatively fewer spillover effects than other industries.

Overcoming these challenges required comprehensive strategic approaches, effective policies and a business-friendly environment, which has not been created.

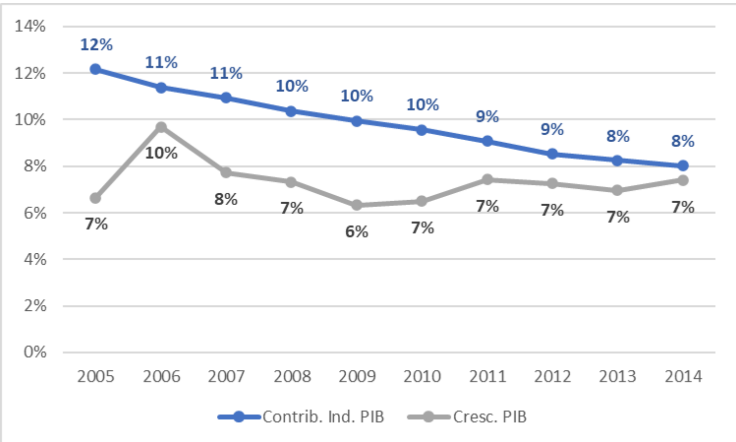
2.5 Foreign Investment, Diversification and Structural Changes in Industry (2005-2014)

During Armando Guebuza's government, between 2005 and 2015, one of the main objectives was to reduce the economy's dependence on traditional sectors, such as agriculture and natural resources, and to diversify the economic base through industrial development. In this sense, the Guebuza government aimed to achieve average GDP growth of 7 to 8% per year. Some of the main objectives related to industry included[35]: i) revitalising the textile and clothing, the metal-mechanical and agro-industrial sectors; ii) promoting the creation and development of industrial parks; iii) promoting the emergence of micro, small and medium-sised enterprises taking advantage of local resources; iv) promoting the development of industries along the three railway-port corridors; and v) ensure the installation of healthy industries, guaranteeing the maintenance of ecological balance and the preservation of the environment.

It is important to note that, while these were the general objectives for industry, during Guebuza's government, their implementation was another story. GDP grew at an annual average of 7%, i.e., within the targets set, but 1pp less than the previous period. A noteworthy aspect of this period is the consistency of GDP growth without major fluctuations despite the occurrence of Cyclone Favio in 2007, Cyclone Jokwe in 2008, Cyclones Funso and Giovanna in 2012, floods in 2013 and drought in 2014.

During this period, while GDP grew consistently, industry's contribution to GDP went in the opposite direction. The sector's average contribution in this period was 10%, corresponding to an increase of 1pp compared to the previous period. The sector's weight fell from 12% in 2005 to 8% in 2014 (see Graph 11). Another noteworthy aspect is the inconsistency between GDP growth and the fall in the industry contribution, which shows that this was not a priority sector in this period.

Graph 11: Industry's Contribution to GDP (1995-2004)



Source: INE and World Bank

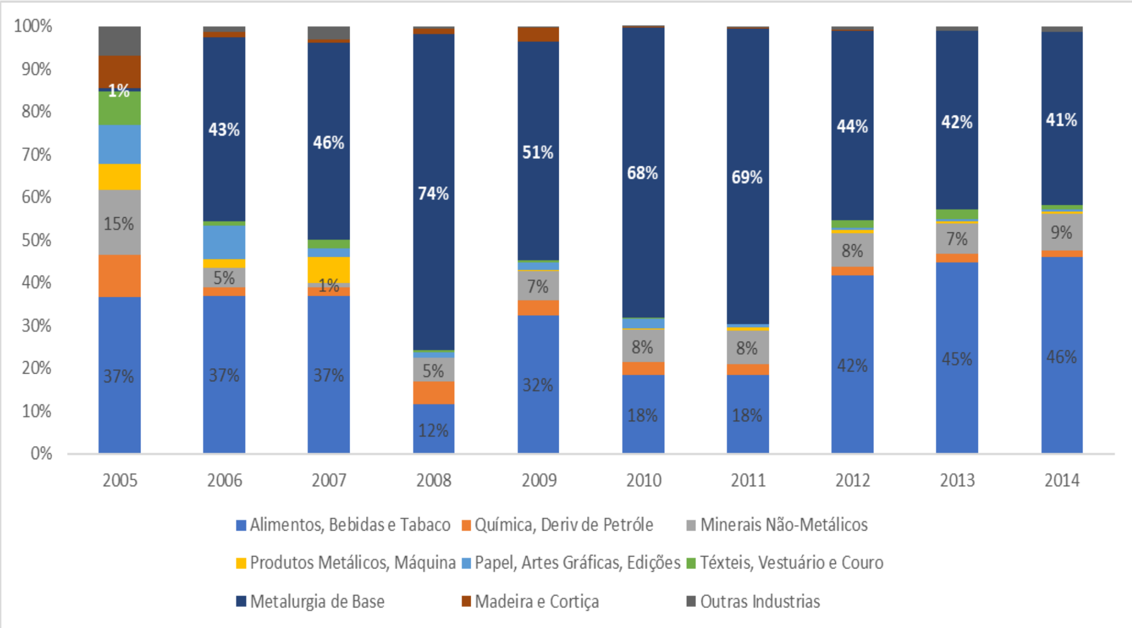
The metallurgy sector, which began to gain ground with the start of aluminium smelting by Mozal, now has the largest position in industrial production, with an average weight of 48%. At the beginning, in 2005, the contribution was 1%, and by the end, in 2014, it had risen to 41%, with a peak of 74% in 2008. In practical terms, it can be thought that the share of industry fell despite the emergence of MOZAL, what means that without MOZAL, the decrease would have been even more significant. Food production industry is now in second place, with an average contribution of 32 per cent, and the non-metallic minerals industry in the third place, with an average of 7 per cent. The textiles industry, despite being one of the government's objectives, consolidated its decline, falling from a contribution of 8% in 2005 to 1% in 2014.

In terms of trade coverage, the ratio showed a downward trend, falling from 78% in 2005 to 49% in 2014. The average coverage in the period was 66%, representing an increase of 20pp compared to the previous period. Removing the influence of major projects, the coverage rate stands at an average of 28%, which is 7pp less than in the previous period. See Graph 13, below.

35 Government of Mozambique (2005 and 2010), Government Programme for 2005-2009, and Government Programme for 2010-2014, Maputo

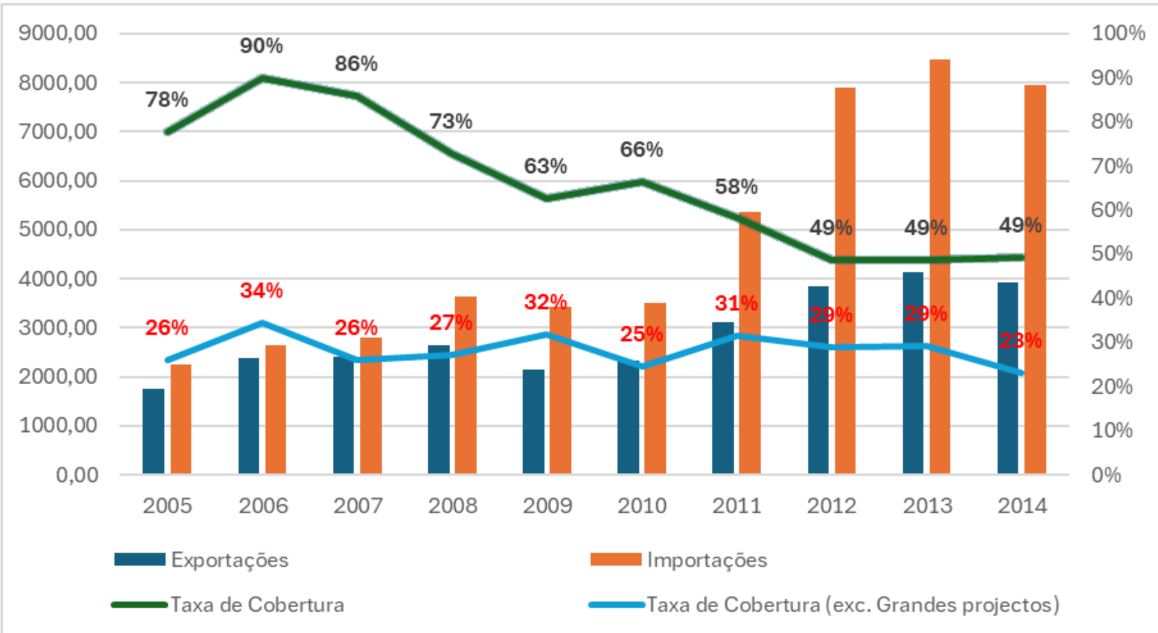
These data indicate that, although Mozambique's trade coverage has shown a downward trend over the period analysed, there has been a relative improvement in the ability of exports to cover imports, especially when major projects are taken into account. However, excluding these projects reveals a less favourable situation in terms of trade coverage.

Graph 12: Industrial Production by Area of Activity (2005-2014)



Source: INE, Statistics Yearbooks

Graph 13: Coverage of Exports by Imports (2005-2014) - values in millions of USD



Source: Calculated based on data from the External Sector of Banco de Moçambique

During President Guebuza's term in office, the Mozambican economy grew, as shown in Graph 11. This growth was mainly the result of large volumes of foreign direct investment, approximately 18.6 billion dollars[36]. Around 50% of the investment approved in this period was concetrated in the agriculture and extractive sectors (mineral resources and energy) and in a reduced number of large projects[37].

36 INE (2014), Statistics Bulletin, 2010-2013. Available at: http://www.ine.gov.mz/. Accessed on 25/08/2023
37 INE (several numbers). Statistics Yearbooks.

In practical terms, these projects apply mainly to export-oriented production, with less development of the domestic market and low intersectoral links. In this way, the capitalist base of the Mozambican economy has been strengthened, dominated by foreign investment and multinational companies whose macroeconomic impacts are considerable, but not so at the micro level[38]. This development is also the consolidation of the colonial policy of outward-looking production, both in terms of production and marketing.

The large flows of foreign investment during this period helped to maintain and multiply the power and economic interests of individuals or groups always associated with FRELIMO[39]. These economic interests favoured the financial, communications, construction, transport and railway-port sectors, benefiting from the privatisation of public companies or the outsourcing of some of their services[40].

Despite the five-year plans indicating the manufacturing industry as a key sector for Mozambique's development, the interests of individuals and groups linked to FRELIMO have taken precedence over the interests of the State.

2.6 Recent Trends in Industrialisation in Mozambique (2015-2024)

The government of President Filipe Nyusi has defined, in general terms through the Government's Five-Year Program (PQG) for 2015-2019 and 2020-2024, that industry continues to be the engine for the structural transformation of the national economy, with the potential to contribute to qualitative change and improve its competitiveness with a view to its insertion into the regional and global markets. In order to achieve this goal, this government set out to promote industrialisation aimed at modernizing the economy and increasing exports.

This government did not present any major innovations compared to the previous two. They all placed the modernisation of the sector as strategic, but always failed to solve the basic problems of the sector, such as the insufficiency and instability of electricity supply, which represents a fundamental problem that governments, including that of Filipe Nyusi, have failed to solve adequately. This problem has direct implications for the country's ability to modernize its industry, increase its contribution to GDP and improve the competitiveness of exports, which are central objectives of the PQGs. Nyusi's government defined, in its 2015-2019 PQG, an increase in the sector's contribution to GDP, from 11% in 2014 to 21% in 2019. However, in the PQG 2020-2024, it revised these forecasts downwards, from 8.5% in 2019 to 9.5% in 2024.

Until 2023, GDP grew under Nyusi's government at an average rate of 3%, 5pp below the average of the previous period. The growth rate reduced from 7% in 2015 to 5.1% in 2023, with a trough[41] in 2020, when GDP decreased by 1% (see Graph 14). It is important to note that in this government, in addition to phenomena such as hidden debts, which reduced external financing, the spread of terrorism in Cabo Delgado, the Covid-19 pandemic, extreme weather events, such as cyclones Idai and Kenneth in 2019, Chalane in 2020, Eloise and Guambe in 2021, Ana and Gombe in 2022, and Freddy in 2023, have contributed significantly to GDP performance.

Overall, during this period, the economy contracted. In periods like these, GDP reduces, employment contracts and investments decrease. During a contraction, companies may start to reduce production, cut jobs and face financial challenges. However, the data shows that the industrial sector's average contribution to GDP was 8%, with a constant trend showing the insensitivity of the industrial contribution to GDP changes, which were decreasing. Note that, in 2022, when GDP grew, the contribution to industry fell by 1pp, and in 2023, it maintained the same weight. Compared to the previous period, the sector contribution reduced by 2pp below the PQG target of 1pp.

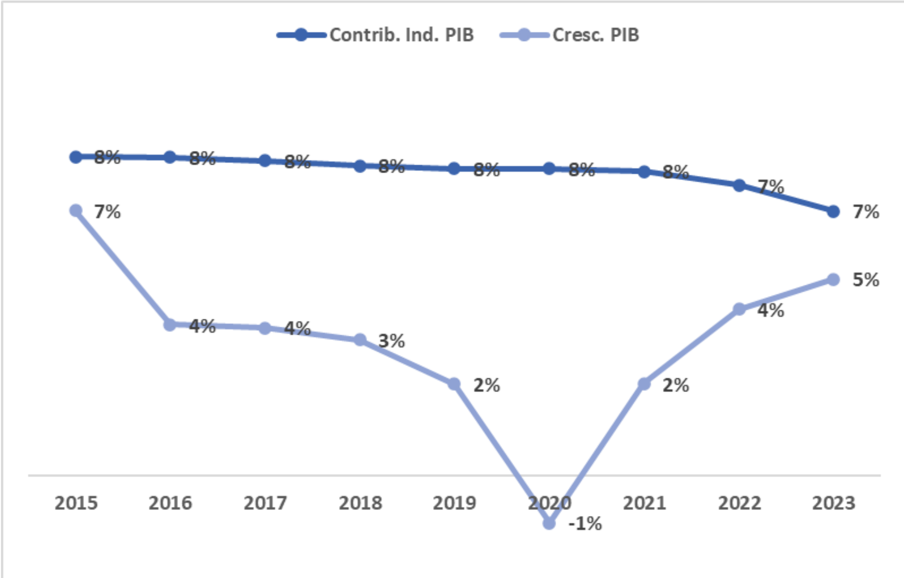
38 Bruna, N. (2016). *Economia política da governação: Política económica de controle, manutenção e reprodução de poder.* Revista Nera – Ano 20, Nº. 38 - Dossiê 2017 - ISSN: 1806-6755. Available at: https://revista.fct.unesp.br/index.php/nera/article/download/5294/4055/19345. Accessed on 25/08/2023

39 Idem

40 idem

41 Lowest point in the economic cycle when the economy reaches its lowest level of activity before starting to recover again.

Graph 14: Industry's Contribution to GDP (2015-2023)



Source: Data from INE (several years)

The areas of industry with the greatest weight are food, beverages and tobacco, with an average weight of 44%, followed by metallurgy, with an average weight of 42%, and non-metallic ores, with an average weight of 10%. These three sectors account for 96% of total industrial production, what indicates the degree of concentration of small industry in the country.

As can be seen from Graph 15, under Nyusi's government, a large part of the industry that still contributed to the sector became insignificant. These are the cases of the textile sector, metal products and machinery industry, paper, graphic arts and publishing sectors, and the wood and cork industry, which contributed almost 0% in 2022, after having contributed 26% in 1987, 9% in 1999, 6% in 1996 and 16% in 2002. These data show the disappearance of the manufacturing sector in Mozambique, whose peak was during the current government.

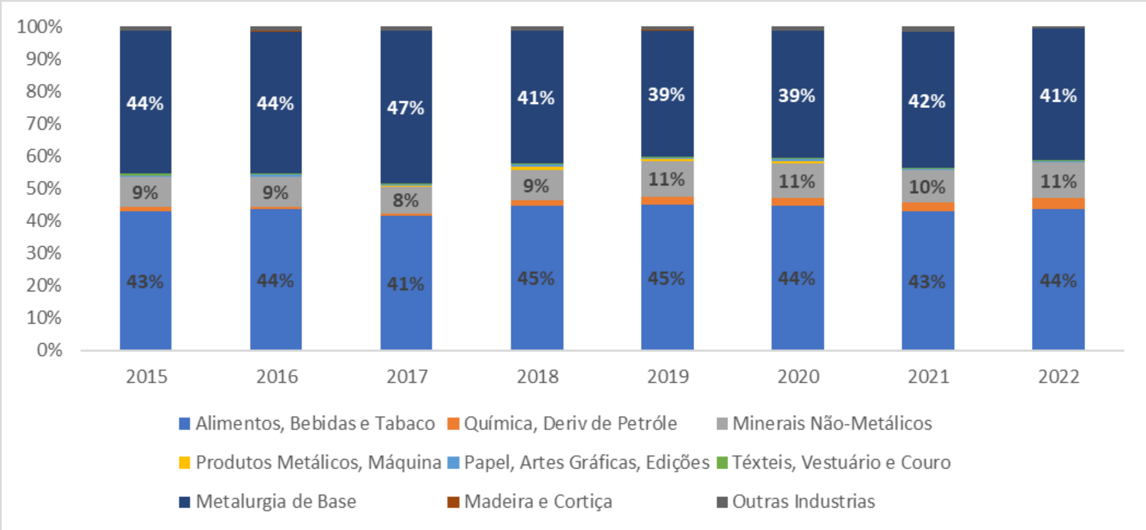
Among the various reasons behind the collapse of many state-owned or state-invested companies is corruption, namely the embezzlement of funds from these companies by their managers. The economist Gabriel Muthisse stated that the explanation for the closure of several structural companies in Mozambique throughout its history is that the companies were managed incompetently by the people who had been entrusted with their management[42].

Data from the 2014/2015 Household Budget Survey (IOF) indicated that the sector employed 3% of the total workforce. This percentage has increased to 4.5%, according to the IOF 2019/2020. However, the IOF 2022 reveals the absorption of 2.5% of the workforce, showing that the level of employment absorption by this sector has reduced, what may be a reflection of its transformation. Looking, for example, at the trade and finance sector, it absorbed 8.9% in 2014/2015, decreased to 8.5% in 2019/2020 and grew again to 10% in 2022. The trade sector is the one that makes the imports that replace the production that is not done internally. In other words, the fall in the industrial sector is an opportunity for growth in the commercial sector.

In terms of coverage of imports by exports, the average is 74% (2015-March 2024), a value above the previous government average, which was 66%. As for evolution, it grew from 45% in 2015 to 91% in March 2022. If we exclude major projects, the coverage rate drops to an average of 25% in this period, 3pp less compared to the previous period. See Graph 16.

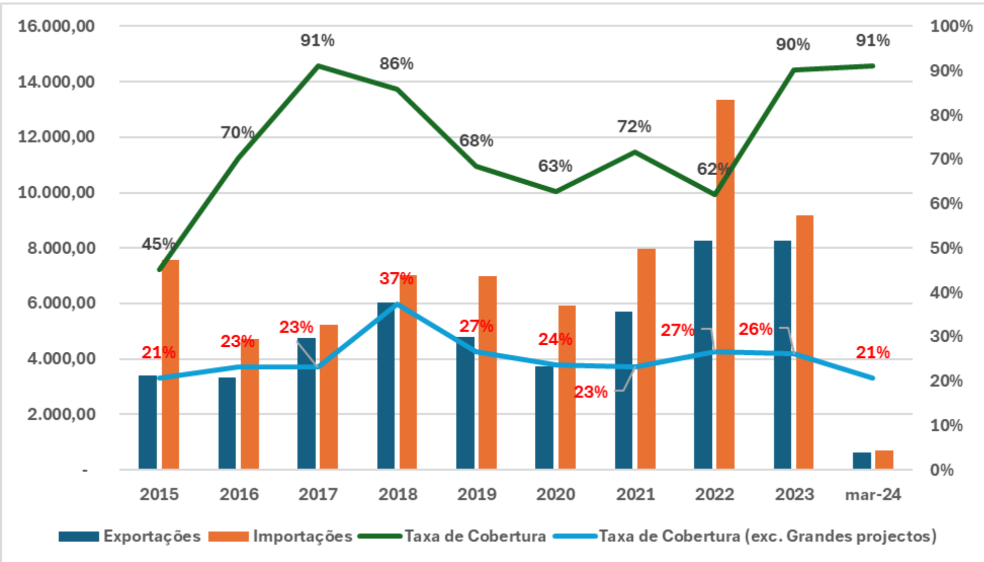
42 Muthisse, G. (25 November 2019). Second text of the series Por que Fecharam as Empresas Moçambicanas? - A Voz do Povo (2). Available at: https://ambicanos.blogspot.com/2019/11/porque-fecharam-as-empresas.html. Accessed on. 22/06/2023

Graph 15: Industrial Production by Area of Activity (2015-2022)



Source: INE, Statistics Yearbooks

Graph 16: Trade Coverage Rate (2015-March 2024) - values in millions of USD



Source: Estimated based on data from the External Sector of Banco de Moçambique

The data above indicates a general improvement in the capacity of Mozambique's exports to cover its imports over the period analysed, with a significant increase in the coverage rate. However, when major projects are excluded from the analysis, the situation shows less favourable coverage, once again highlighting the importance of these projects, such as LNG, which now only contributes to exports and was already negotiated by the previous government, in the country's commercial dynamics.

Nyusi's government has done nothing different from the previous ones in terms of the goal of industrialisation, other than putting it in its governance plans. This government has perpetuated dependence on natural resources, which limits concrete initiatives to diversify the economy, and dependence on foreign aid and international loans to finance projects and initiatives. Poor investment in vocational education and infrastructure: roads, electricity, ports and other essential systems to support industrial operations, is one of the major challenges neglected by these governments. Take the state of the country's main highway, the N1. With these challenges, it will be difficult for a competitive industry to flourish in Mozambique.

3. The Impact of the Disappearance of Mozambican Industry - The Case of the Rubber Tyre Industry

Over the last 49 years, industrial units have disappeared, which in the past, in addition to being a source of employment and wealth for many Mozambicans, represented key export sectors. Through the company Mabor de Moçambique - Manufactura, S.A.R.L, Mozambique produced for the domestic market and exported rubber tyres to countries such as South Africa, Zimbabwe, Malawi, Zambia, Tanzania, Mauritius and some European countries[43]. When the Portuguese owners abandoned the company, the State took it over, as it had done with hundreds of industries.

As was the case with many factories taken over by the State, the planned economy model and without access to its main export market, the factory went bankrupt[44]. Without a tyre production industry, Mozambique had to go from being an exporter to an importer of tyres. Internally, in addition to supplying tyres to the car fleet, Mabor supplied raw materials to the retreading industry, which, with Mabor's bankruptcy, was forced to import its main raw material in order to survive and make room for the foreign market.

In 2021 alone, Mozambique spent 439,000 dollars importing retreaded tyres from China (49%), Thailand (20%), South Africa (15%), the United Arab Emirates (9%), the United States (4%) and other countries (3%)[45].

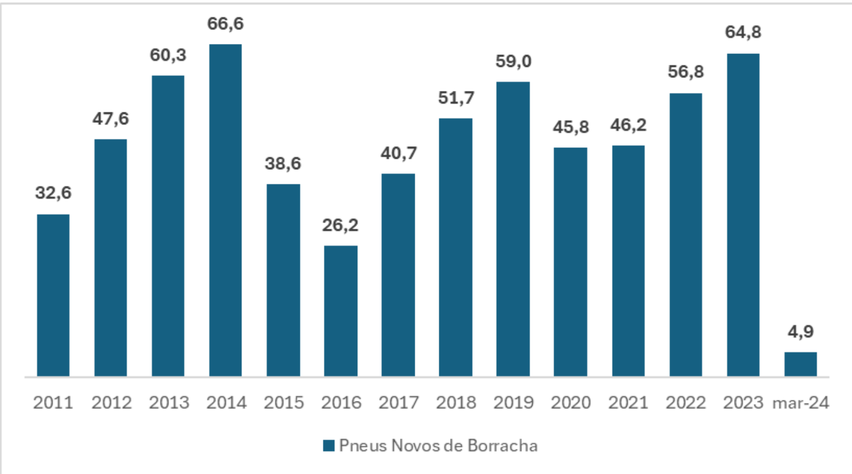
The disappearance of Mabor and the increased demand for rubber tyres on the domestic and foreign markets, as a result of the accelerated growth of the car fleet, represent one of the great missed opportunities for the rubber tyre production sector to flourish. Domestically alone, data from the National Statistics Institute (INE) indicate that the country's car fleet grew exponentially between 2015 and 2020, from 661,355 in 2015 to 1,169,285 in 2021, corresponding to a variation of 76.8%.

The growing increase of automobile fleet without a domestic industry to supply basic maintenance consumables, such as tyres, only serves to fuel the import of these consumables, through the supermarkets that the destruction of the domestic industry has created, and contributes to the rise in prices of these vital components for road safety.

Data from the Bank of Mozambique shows that from 2011 to March 2024, Mozambique spent around 641.8 million USD on rubber tyre imports. The main import markets are China, with 30% of the total, Spain with 18%, South Africa with 11%, Japan with 10%, India with 8%, and the remaining countries with 23%.

As Graph 17 illustrates, rubber tyre imports grew by 74% between 2011 and 2022[46], showing the same trend as the increase in the car fleet. Therefore, the data show that dependence on tyre imports has increased substantially in recent years, and without a domestic industry to meet this demand, the country will continue to be a supermarket for foreign-made tyres.

Graph 17: Evolution of Rubber Tyre Imports into Mozambique (2011-March 2024) - millions of USD



Source: Banco de Moçambique (2024)

43 A Verdade. (18 de Setembro de 2019). Estado Livra-se da Mabor de Moçambique, antiga fábrica de pneus será usada na produção de artigos de papelaria. [State gets rid of Mabor de Moçambique, former tyre factory will be used to produce stationery]. Available at: https://verdade.co.mz/estado-livra-se-da-mabor-de-mocambique-antiga-fabrica-de-pneus-sera-usada-na-producao-de-artigos-de-papelaria/. Accessed on 22/06/2023.

44 Idem.

45 OEC Word (2023). Available at: https://oec.world/en/profile/bilateral-product/retreaded-tyres/reporter/moz. Accessed on 25/08/2023.

46 Due to difficulties in accessing the data, it was only possible to analyse data from 2011 to 2022.

Memories of a destroyed sector[47]

Below are some examples of industries that have disappeared in these 49 years of independence, whose importance to the domestic and international market was extremely important:

1. **TUDOR MOÇAMBIQUE** – a company that produced batteries, automobile and industrial rechargeable batteries;
2. **INCOL**– a company that made chorizo, sausages and other meat sausages
3. **FAPEL E FAPACAR** – paper and paper packaging industry;
4. **ENAFRIO** – a company that manufactured cooling and refrigeration systems;
5. **PROTAL** – a company for the producition of condensed milk, cheese, etc;
6. **A FORJADORA** – a company that manufactured bridge structures, lorry and bus body structures, among others;
7. **AGRO ALFA** – agricultural equipment manufacturing industry;
8. **CORSIL** – industry of electric lamps and the like;
9. **UFA** – footwear factory;
10. **CIFEL** – iron casting industry;
11. **COMETAL MOMETAL** – industry of carriages and wagons, among other heavy equipment for metal-mechanical industry
12. **MAQUINAG** – lifts and lifting systems manufacturing industry, among others;
13. **METAL BOX** – metal packaging (cans) industry;
14. **ZUID** – coolers, freezers and refrigeration equipment industry;
15. **VIDREIRA** – glass industry;
16. **MABOR DE MOÇAMBIQUE** – tyre industry;
17. **LOUMAR** - natural fruit juice and sweets industry;
18. **CAJU DE MOÇAMBIQUE** - cashew nut kernel exporter;
19. **LATICÍNIOS** - citrus fruit production and export industry; and
20. **Textáfrica, EMMA, Progresso, Texmoque, Texmanta, Riopele, Texlom, Têxtil de Mocuba** – textile and clothing industries..

These industries were fundamental to Mozambique's economy, both during the colonial period and after independence. However, the combination of civil war, unstable economic policies, lack of funding and modernisation, and international competition led to their decline and eventual closure.

4. Lessons from Other Countries

Mozambique, like many countries with a colonial legacy, faces significant challenges in its journey towards industrialisation and economic diversification. However, we can always learn from the examples of nations that have overcome similar obstacles, such as some African and Asian countries. Among these examples are South Africa, Eswatini and Namibia, the three ranked in the top 10 of the Africa Industrialisation Index[48].

Several international institutions and regional organisations, such as the World Bank (WB), the African Development Bank (AfDB) and the United Nations Economic Commission for Africa (UNECA), produce reports and indices that assess industrial development in different African countries. These reports look at a variety of indicators, such as industrial production, economic diversification and the industrial sector's contribution to GDP.

Countries such as South Africa, Nigeria, Egypt, Algeria and Morocco are generally identified as some of the continent's industrial leaders. These nations started from similar colonial bases to Mozambique. For example, South Africa, a former British and Dutch colony, is considered one of Africa's most industrialised economies, leading several industrial sectors, including mining, manufacturing, technology and financial services. In the AfDB's African Industrialisation Index for 2022, it ranks 1st [49].

Other examples are countries like Eswatini which, despite being a small landlocked country, managed to achieve a significant position in the African industrialisation index in 2022, ranking 6th. And Namibia, with a colonial base similar to that of Mozambique, has managed to stand out through a series of well-planned and implemented strategies[50], occupying 10th position in the index that evaluates 52 African countries. In comparison, Mozambique ranks 30th.

47 Gil, F. (06/02/2022). *Memórias da Nossa Indústria.* Available at: https://macua.blogs.com/moambique_para_todos/2022/02/mem%C3%B3rias-da-nossa-ind%C3%BAstria.html. Accessed on 25/08/2023

48 The Africa Industrialisation Index is a metric used by the African Development Bank to assess the industrial progress of the continent's countries. The results referred to in this study refer to the evaluation report in 2022.

49 African Development Bank Group (2022). *Africa Industrialization Index 2022*. Available at: https://www.afdb.org/sites/default/files/documents/publications/africa_industrialisation_index_2022_en-web.pdf. Accessed on 28/05/2024

50 Namibia Economist (17/08/2023). *The 4th Industrial Revolution in Namibia: – Prospects and Challenges*. Available at: The 4th Industrial Revolution in Namibia: – Prospects and Challenges | Namibia Economist. Accessed on 06/06/2024.

The secret behind the industrial success of these countries, as can be concluded from the AfDB's assessment, involves a combination of factors, such as investments in infrastructure, education and technological innovation, government policies favourable to industrial development, strategic partnerships with the private sector and a skilled workforce. In addition, access to natural resources, such as oil, minerals and fertile land, plays an important role in the industrial growth of these countries.

In addition to African examples, Mozambique can look to countries like India, Vietnam and Singapore for inspiration. India, after its independence in 1947, invested in sectors such as manufacturing, technology and services, developing a strong textile industry and excelling in information technology and pharmaceuticals. Its GDP per capita in 2022 was USD 2,464, significantly higher than Mozambique's USD 597[51]. After the war, Vietnam adopted economic reforms (Doi Moi) which encouraged foreign investment, making it an important manufacturing center. Its GDP per capita in 2022 was USD 4,126, over 591% more than Mozambique[52]. Singapore, after its independence in 1965, focused on economic reforms and attracted foreign investment, becoming a global financial and innovation center. Its GDP per capita in 2022 was USD 82,808, more than 13,770% higher than Mozambique[53].

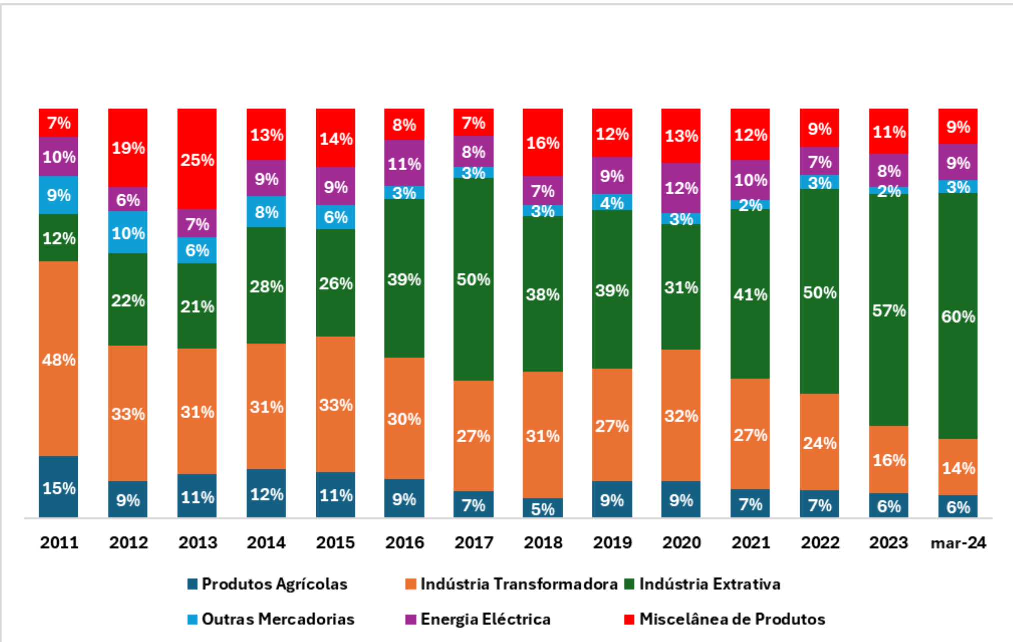
With coordinated efforts and well-defined strategies, Mozambique can follow the example of these countries and achieve significant progress in its journey towards industrialisation and economic diversification.

4.1 Mozambique has the Potential to Follow the Example of Successful Countries

As can be seen from Graphs 18 and 19, Mozambique's exports are dominated by large projects with an average weight of 67%. In a disaggregated way, on average, 36.7% of exports come from the natural resources sector (coal, natural gas, rubies, sapphires, emeralds and heavy sands), 28.8% from the manufacturing sector (aluminum bars, aluminum cables, sugar, cashew nuts, sunflower oil, safflower or cottonseed oil and wigs and the like), 12.5% from miscellaneous products, 8.8% from agricultural products (tobacco, vegetables, cotton, peanuts, cashew nuts and various fruits), 8.7% from electricity and 4.7% from other goods (raw and sawn timber, shrimps, capital goods, re-exports and bunkers).

Until 2015, the manufacturing industry represented the country's largest export sector, with an average weight of 35%. In 2016, with the advent of natural resource exploitation, the sector was overtaken by the extractive industry. The graphs show that, basically, Mozambique exports primary products and needs to import everything else. This scenario is no different from what happened in colonial times, with the difference that, in the colonial era, there was a growing manufacturing industry for the settlers' internal consumption.

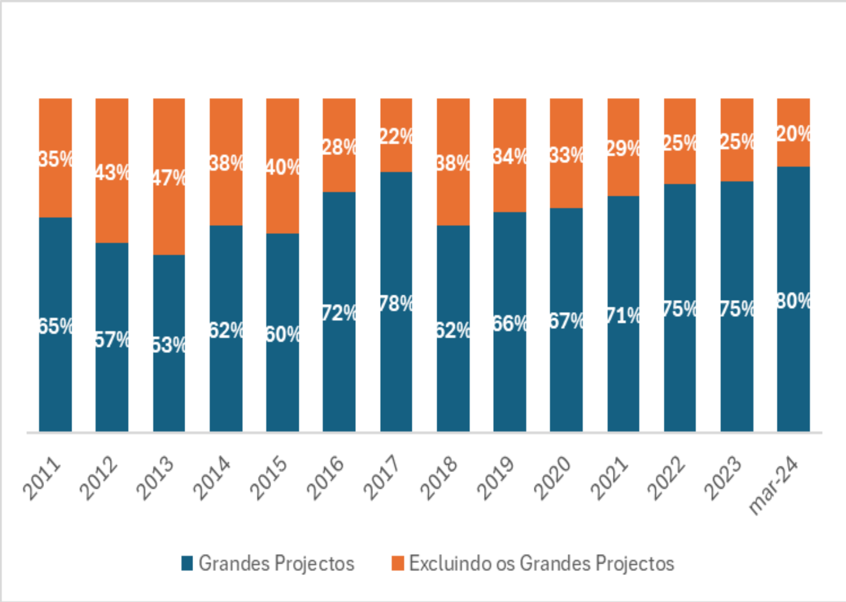
Graph 18: Mozambique's main export products (2011-March 2024)



Source: Banco de Moçambique, 2023

51 Country Economy (2024). *Dados do PIB por país*. Available at: https://pt.countryeconomy.com/. Accessed on 04/06/2024.
52 Idem.
53 Idem.

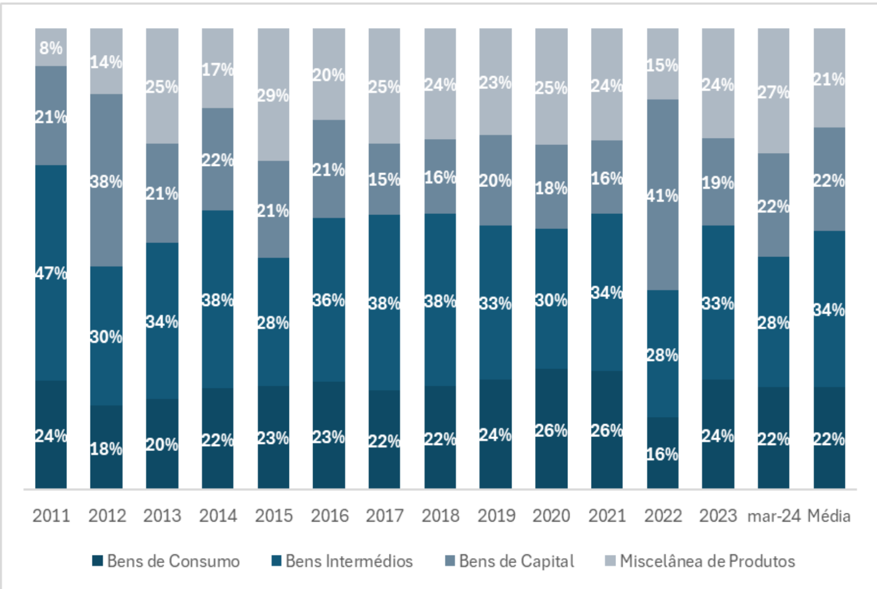
Graph 19: Composition % of exports in Mozambique (2011-March 2024)



Source: Banco de Moçambique, 2023

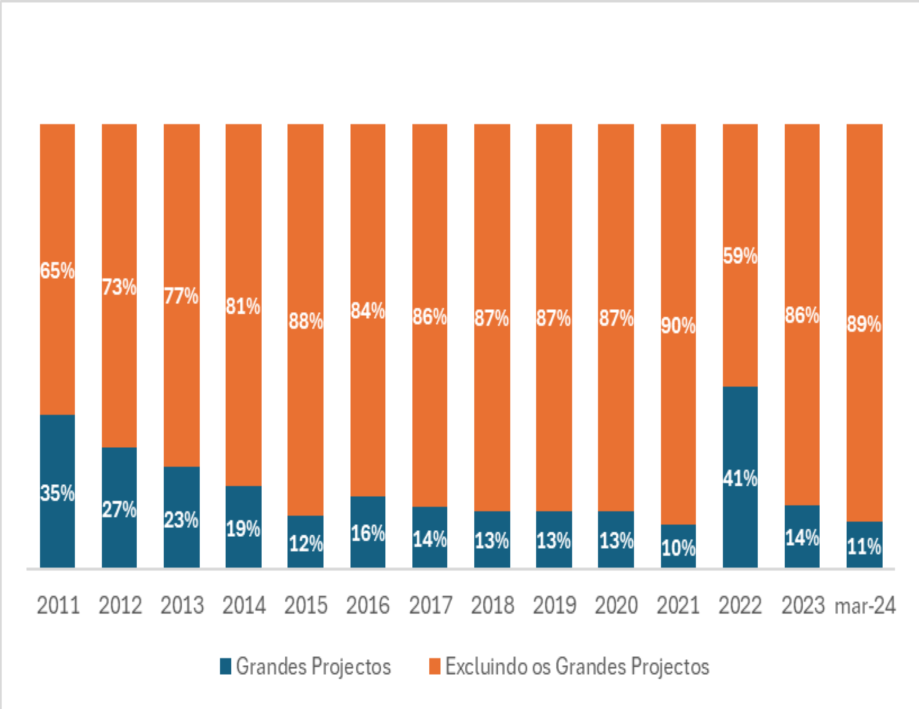
In terms of imports, large projects account for an average of 19% of the total. Mozambique's largest imports come from intermediate goods (fuel, oil and lubricants, electricity, raw aluminium, construction materials, fertilizers, tar and bitumen), with an average of 34%, capital goods (machinery, tractors and semi-trailers), with an average of 22%, consumer goods (rice, wheat, sugar, edible oil, meat and poultry offal, agricultural products and vegetables, fruit juices, milk and dairy products, eggs, natural honey, beer and other alcoholic beverages, footwear, books, newspapers and other graphic industry products, paper and cardboard, cars and car accessories), with an average figure of 22%, and mixed products, with 21%. See Graph 20 and 21.

AGraph 20: Mozambique's Main Import Products (% of total) (2011-2022)



Source: Banco de Moçambique, 2023

Graph 21: Composition % of Mozambique's Imports (2011-March 2024)



Source: Banco de Moçambique, 2023

It is possible to observe from the graphs that Mozambique's import matrix aggregates products that were once manufactured domestically, whose industry was destroyed due to the failed policies of successive governments. Mozambique now largely imports fuel, whereas it once had an oil refinery; it imports books, newspapers and other printing industry products, whereas it once had an industry and contributed significantly to the sector's production; it imports rubber tyres, whereas it was once a leader in the production of these goods.

This scenario leads to the conclusion that, in the 49 years of government, successive governments have taken the country from a situation of being on the road to industrialisation to a supermarket of finished products. To reverse this scenario, we need to look at this import matrix and introduce small industries that will gradually replace these imports.

By doing this exercise, and with political will, it will be easy to develop mechanisms to protect industries for producing locally and approve the best incentive packages to attract national and foreign industrial investment.

5. Conclusion

A detailed analysis of the evolution of industrialisation in Mozambique reveals a history marked by significant challenges and missed opportunities. Since independence in 1975, the country has faced economic crises, civil wars and challenging policies that have shaped the course of industrial development. Despite some periods of growth and investment, industry's contribution to GDP has remained below the targets set, reflecting a lack of cohesive strategy and effective implementation.

The disappearance of key industries, such as Mozambique's Mabor, highlights the urgent need for a robust and sustainable industrial policy. Excessive dependence on imports and a lack of diversification of the production base expose the country to economic vulnerabilities, especially in the face of fluctuations in international markets and global crisis.

However, despite the challenges that Mozambique faces in the pursuit of sustainable industrial development, it has considerable potential to achieve this goal. The implementation of well-designed policies and strategies, in collaboration with all the relevant players, is essential to overcome the obstacles and seize the opportunities that arise. With a collective commitment and concrete measures, Mozambique can build a more resilient, diversified and prosperous economy for the benefit of its entire population.

5.1 Recommendations

a) For the Government of Mozambique

- The government should review and update its industrial policies, prioritising economic diversification, the development of local value chains and the promotion of innovation and competitiveness. A local content law could help in this regard;
- It is crucial to invest in basic infrastructure, such as energy, transportation and telecommunications, to support industrial growth and facilitate access to domestic and foreign markets;
- The implementation of tax incentives and subsidies in a more concrete and less general approach, such as for technological start-ups, which can attract investment, both domestic and foreign, to strategic and promising sectors; and
- Investing in education, vocational training and technical skills is fundamental to developing a skilled workforce that is adaptable to the needs of modern industry.

b) For the Private Sector

- The private sector should seek collaborations with the government and other entities to boost industrial development, sharing resources, expertise and best practices;
- Companies should prioritize innovation and the adoption of advanced technologies to increase efficiency, improve product quality and expand their participation in global markets; and
- Companies have an important role to play in promoting sustainable and inclusive development, through corporate social responsibility initiatives that benefit local communities and the environment.

c) For International Organisations and Donnors

- International organisations and donors should provide financial and technical support for programmes and projects aimed at strengthening Mozambique's industrial sector, in line with the country's priorities and needs;
- Facilitating the transfer of technology and specialised knowledge to Mozambique can help boost the productive capacity and competitiveness of local industries; and
- Investing in strengthening institutional capacities, such as investment promotion and regulatory agencies, is key to ensuring a favourable environment for business and industrial development.

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