

Wait-and-see approach to Mozambique

LIKE the east-European countries from which it took its lead at independence in 1975, Mozambique is undergoing the difficult transition from an economy driven by official whim to one based on the free market.

As a group of SA businessmen who visited Mozambique as part of an SA Institute of International Affairs fact-finding mission last week discovered, the country is rapidly shedding its Marxist pretensions.

The prospects of peace in the 12-year-old civil war against Renamo have never been better. President Joaquim Chissano and Renamo leader Alfonso Dhlakama have signed a protocol providing for a ceasefire on October 1. If the peace holds and a multiparty system replaces the one-party Frelimo state, Mozambique could at last set course for prosperity. The obstacles, however, are formidable.

Mozambique was plundered after the Second World War as Portugal, a poor European power, sought to benefit from dirt-cheap imports from its colony. Entrepreneurship among the indigenous population

was strictly discouraged.

After 1975, and under the supervision of eastern Europe, Mozambique became the classic example of an economy directed from above. SA destabilisation and war with Renamo devastated the countryside.

The key to the new economic policy is a recognition that foreign investment alone has the potential to alleviate Mozambique's misery. Consequently, the emphasis is now on creating an enabling environment to protect that investment and ensure that returns compare with those offered by other countries in the region.

There was almost unanimous agreement among the visiting SA businessmen that the absence of a free market in property is the biggest single brake on economic growth. Without security of tenure, what security can investments enjoy? Land, however, is one of the Mozambique government's non-negotiables.

Frelimo fought a war of liberation around the land issue and is not about to allow land purchase in a country where most nationals cannot

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afford it. Instead, the government offers a 50-year lease on land at a rate of about R5/ha, and a promise of security for your investment.

There is one state letting agency for all properties in Mozambique. Since independence, only one major building has been completed.

Government is now devising a new investment code which will feature generous tax holidays and guarantees for property. But few businessmen accept this undertaking at face value. They point to the unavailability of foreign currency, the cumbersome bureaucratic process that accompanies investment proposals, an almost non-existent financial sector and corruption as reasons to stay out of Mozambique.

Businessmen want to see investment codes in black and white. They want watertight guarantees, efficiency, a reliable transport sector and little or no government interference. At present, the terms and con-

ditions of each foreign investment have to be negotiated with government.

Those on the fact-finding mission almost all agreed on a wait-and-see approach. The investment code may allay some investor fears. Office for Foreign Investment Promotion director Augusto Sumburane says there is now consensus in Mozambique about the need for investment.

"Everybody recognises that peace is necessary and democracy essential. A climate of democracy and understanding may help economic development. With political stability there is a good framework for investors. Everybody is fed up with slogans — they want concrete plans for economic development."

Mozambique's economic recovery plan has followed World Bank and IMF directives since 1987. This has involved currency devaluation, privatising state-owned companies, reforming the tariff structure and creating a more favourable climate for foreign investors.

However, just getting approval for a foreign investment project can take several months, even years.

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Having a local investment partner speeds things up.

Private business activity, frowned upon by both the Portuguese and Frelimo, is now on the increase and there is hope that this will assist the nurturing of a free market environment. There are about 100 mainline entrepreneurs in Mozambique, and the Mozambique Chamber of Commerce boasts about 450 members.

Trade between SA and Mozambique is increasing, says SA trade representative David Laubscher. There has been a dramatic rise in the past two years, and trade has been boosted by improvements to Maputo harbour, which SA has helped rehabilitate. But road traffic is still threatened by bandit activity.

In a southern African region dogged by uncertainty and drought, and facing marginalisation by the world community, Mozambique presents opportunities in agriculture, tourism, manufacturing and mineral exploration. But removing the dead weight of central planning is proving an awesome task, not least because it has created a bureaucracy chiefly concerned with its own survival.