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Maputo must beat rebels to win economic war

AN INDIAN Ocean breeze plays over the verandah at the beachside Costa do Sol restaurant, where affluent Mozambicans and foreign aid workers wash down plates of prawns with local beer. In the street below, scrawny children beg for change.

The scene symbolises the dilemma of President Joaquim Chissano's ambitious Western-backed experiment with free market policies, which is intended to revive the moribund economy despite a spreading 12-year-old war against the Mozambique National Resistance (MNR) rebellion.

While international aid and new price incentives for companies have pumped supplies of food, drink and clothing into Maputo's once empty shops, very few Mozambicans can afford the soaring prices. Minimum wage earners can spend a whole month's salary on a shirt, while officially-controlled foods, such as rice and oil, are more than 200 per cent up on last year.

For the few with money, however, the changes of the past six months have been remarkable. "For the first time in two years, I have eaten meat at my home," said

Mozambique's capitalist experiment relies on the army protecting road and rail links from guerrilla attacks. Karl Maier reports from Maputo.

one civil servant. "The prices are extremely high, but at least there is the possibility of buying things."

Under the guidance of the IMF, the Frelimo government has taken tough financial measures. The local currency, the metical, has been devalued by 400 per cent, government spending has been cut and there has been a sharp increase in the prices paid to farmers for their produce. The goal is to eliminate the huge black market, ease the government's tight grip on

the economy and transfer wealth from the cities to the countryside, where 80 per cent of the population live.

As a result, the state, under the watchful eyes of IMF representatives, has ordered public companies to balance their books or stop work. Western nations and banks are helping by providing new credits and rescheduling payments on Mozambique's \$3.6bn (£2bn) foreign debt. International aid agencies are pouring into the capital and planning development projects all over

LISBON — Mozambican rebels killed seven people, including three children, in an attack on the village of Save in the centre of the country last Tuesday, the Portuguese news agency LUSA said yesterday, AFP reports. Quoting the military commander of Manica province, the agency said the MNR guerrillas had looted the village and set fire to several homes. Three children were stabbed to death with bayonets. Last week, government forces said that they had destroyed two MNR bases in Manica province.

the country, though the fate of their schemes remains hostage to the war. It is the countryside, not cities like Maputo, that will render final judgement on the avowedly socialist government's new-found fascination with capitalist economics. And there, progress has come slowly, if at all.

The higher produce prices are supposed to encourage farmers to grow more, but the war against the South African-backed MNR guerrillas has forced many of them to abandon their farms. Almost two million people have been displaced and, according to government relief co-ordinator Prakash Ratilal, most of them are living as refugees on foreign food relief in government-controlled zones along the coast and around district capitals.

The army is failing to protect the important road and rail routes that must carry rural-to-urban trade if the economic policies are to have a chance of succeeding and key export crops are to be brought to ports. As a confidential IMF report puts it: "External viability with economic growth is not likely if current security problems remain".