

Frelimo woos the West and rallies anti-MNR support

A young Mozambican, an enthusiastic supporter of his country's Marxist Frelimo government, twisted his hands in anxiety as he described the rural areas currently affected by sabotage conducted by the anti-government South African-backed Mozambique National Resistance. "I asked a peasant why he didn't report the activities of the MNR in his area before the road was blown up. The peasant told me, 'The road doesn't bring anything. When it brings something I will worry if it is blown up.'" The Frelimo activist paused and added: "That shows we have to redesign our strategy. The battle against the MNR is more an economic one than a military one. We must regain the peasant allegiance by improving his life. The road must bring him something."

In a nutshell, that summarises Mozambique's plan for countering the MNR, which now conducts sabotage operations over a full two-thirds of the country.

Frelimo clearly understands that the MNR, with or without South African support, could not be successful if the peasantry vigorously reported its movements to the authorities. The peasants fail to do so because they are disillusioned with Frelimo policies, which have recently emphasised urban rather than rural needs. Frelimo's inability to help peasants with the recent drought, which has pushed 15% of the population to the brink of starvation, has done nothing to relieve this apathy. The peasants don't necessarily support the MNR, but they are not so enthusiastic about Frelimo that they will report the saboteurs and risk MNR retribution.

To rejuvenate rural support, Mozambique is launching programmes to immediately send consumer goods, agricultural inputs and food to the countryside. The distribution network in the rural areas collapsed after independence, with the departure of the Portuguese small traders who previously sold manufactured goods and agricultural supplies for the peasants' agricultural commodities. No state mechanism replaced these shops, and the countryside became increasingly isolated, a development which the MNR took advantage of. Incidentally, the lack of trading outposts also contributed to the fall in agricultural output. With no goods to trade their crops for, peasants naturally returned to subsistence-level plantings. The new programme should therefore stimulate production levels by offering better incentives.

The anti-MNR campaign will also include programmes to rehabilitate transport in the rural areas, to link again the farm to the town both economically and politically. Agricultural projects will also

receive priority, but will now be slanted more towards smallholders, and less towards the state farm sector than was previously the case.

The implications of this ambitious programme for Mozambique's relations with the West are clear. All these initiatives will cost money. Mozambique's traditional Eastern Bloc friends have arms but no cash. Only the West has the money to fund rural development. Therefore the Mozambicans are energetically mending diplomatic fences with the West in search of aid funds, and relations with the US in particular have improved. Links with Washington have solidified through Mozambique being particularly helpful with the Namibia negotiations. And the vacant US ambassador post in Maputo will probably be filled before the end of the year. US food aid is also on the increase, and there are movements afoot to have the White House ban on US development aid to Mozambique lifted.

Mozambique has also expressed interest in joining the World Bank and the IMF as part of its drive for Western aid. On his recent trip to the US, the Governor of the Bank of Mozambique, Prakash Ratilal, did not meet with the IMF, but this was more because of a scheduling mix-up than because of substantial objections to U.S. meeting.

Foreign business

Obviously these diplomatic initiatives have important implications for foreign business. The increased flow of aid is already easing the long-standing problem of financing projects and trade in Mozambique. For example, once the Berlin clause objection was dropped, Mozambique immediately became eligible for EEC aid allocated to "non-associated" countries. ECU8.55m has already been released, and in March Mozambique and the EEC agreed to spend these funds on a small-scale fisheries project and a seed potato scheme. Another ECU5m is available for 1983, which Mozambique would like to spend on the rehabilitation of fruit canning and an agricultural scheme associated with the Corumana dam, currently being built with Italian aid. In all these projects European consultants and contractors will be required and will be paid in hard currency directly by the EEC.

Perhaps more important, in late March the EEC also signed a deal with the Maputo-based Southern Africa Transport and Communications Commission, an arm of the Southern Africa Development Co-ordination Conference, under which the SATCC is to receive ECU32m for the rehabilitation of Southern Africa's transport network. Companies' opportunities for participating in EEC-funded projects may increase even more dramatically in the near future. Mozambique has agreed to take part in the 1983 Lomé Convention negotiations this autumn, where it will have the opportunity to become a full member and receive its full quota of EEC aid.

New investment code

Mozambique also wants to secure private Western capital to assist in rural development, and is willing to relax some of its existing regulations in order to attract investment. Companies have long complained that the existing investment code leaves too many important issues for "case by case" resolution and offers no firm guidelines. Maputo now hints that a new code that responds to these complaints could soon be released. The government is already negotiating a more precise bilateral code with the Dutch government, and Frelimo

sources say that the authorities will probably also sign the Overseas Private Investment Corporation agreement with the US. The OPIC agreement lays out nationalisation compensation procedures, and Maputo's signature would let OPIC offer insurance to US companies investing in Mozambique.

MNR activity is, in a sense, directly helping foreign business by encouraging Frelimo to seek Western aid and improve its business climate. Nevertheless, the risk of MNR attacks continues unabated. Executives of a UK consultancy company employed to rehabilitate a major railroad link in Mozambique recently found themselves stranded at the end of the line when the MNR blew up the track. The expatriates had to be flown back to Maputo by private plane. Expatriates have also been nervous following accusations that some foreigners were plotting with the MNR and the arrests of (probably not guiltless) foreign businessmen in Beira (see AB Apr 1983 p7).

In addition the MNR activities, combined with the drought and the inefficiency of past Frelimo policies, have created economic problems that themselves adversely affect business. Agricultural exports in 1983 will

probably be down to half the 1981 levels. The resulting foreign exchange shortage has forced the government to impose new regulations requiring all foreign firms, as well as embassies, to pay all their local expenses in hard currency. As many contracts with the Mozambican government require foreign firms to accept part payment in local currency, this is leaving many companies with useless metecais which they cannot remit or even use for local expenses.

Nonetheless, companies active in Mozambique generally intend to stay there for the medium term, and see excellent aid-funded opportunities in transport and communications, factory rehabilitation, food production and processing (where 100% equity may be permitted), and general rural development.

And a sentiment current among Frelimo officials in Maputo may well apply to foreign businessmen as well. "The MNR is the best thing that could happen to us," say the officials. "It woke us up to our errors before those mistakes undermined the revolution." Similarly, the MNR woke up Mozambique to the need for Western aid and investment capital before companies lost interest. Indirectly, the MNR may have done both foreign business and the Frelimo government a good turn.