

MOZAMBIQUE: Cavaco and his entrepreneurs ION 400, 7/10/89

Throughout his official visit to Mozambique from September 26 to 28 Portuguese Prime Minister, **Anibal Cavaco Silva**, was emphatic about giving his firm support to Mozambique's President **Joaquim Chissano**. He insisted that he totally agreed with Mr Chissano's peace initiatives. Two important subjects were broached during the talks: military cooperation and cancelling of part of Mozambique's debt.

MILITARY COOPERATION: Cavaco Silva, who arrived accompanied by the Chief-of-Staff of the Mozambican armed forces, **Soares Carneiro**, came to an agreement with the Mozambicans, in spite of problems which arose due to differences between the leaders of *Forças Populares de Libertacao de Moçambique* (FPLM), Mozambique's Armed Forces. According to information received by the *Indian Ocean Newsletter*, Maputo is going to found an Institution for Military Administration whose instructors are to be provided by Portugal which has also agreed to ask for finance for the institute from other countries. In addition, Lisbon will supply the instructors to train anti-guerilla combat units. This final point, in particular, sparked a few disapproving reactions from within the FPLM.

ECONOMIC ACCORDS: the starting point for discussions was the February 1988 agreement on Mozambique's debt, which stipulated that 25% of the 130 million dollars which Mozambique owes to Portugal should be converted to joint capital in companies owned by both countries and the remaining 75% would be rescheduled over a 20-year period, with a 10-year grace period and a four per cent interest rate. A quarter of the State-to-State debt was thus converted to credits for Portuguese industrialists seeking to invest in Mozambique (about a hundred of them, forty of whom reside in South Africa came to Mozambique with the Prime Minister). Moreover, the twenty million dollar debt which Mozambique owed to two Portuguese companies, *Transportes Aereos Portugueses* and *Marconi*, were converted to development credits, in the first case, for projects concerning tourism, and in the second for telecommunications.

Although this system of debt conversion into available credits in Maputo raised a number of technical queries from some entrepreneurs (especially over the lack of precise legislation), some Portuguese firms prefer to negotiate the absorption of debts directly. One such company is *Construcoes Tecnicas* which is taking over Mozambican firms in the civil construction sector.

Portugal finally proposed to grant a loan of fourteen million dollars to Mozambique, and a final agreement was signed for Mozambique's debt to be rescheduled. While Maputo should be generally satisfied with this assistance from Portugal, there is disappointment over the interest rates, about 8%, which Portugal applies to its loans, including debt conversions.