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Turning Mozambique into a mafia, resource curse state

By Joseph Hanlon

Gas, rubies and other minerals have proved a curse for most Mozambicans. Poverty and inequality have increased. Despite its resource wealth, Mozambique remains one of the poorest countries in the world, falling ever lower on the Human Development Index. But an elite has become wealthy. There is now a civil war in Cabo Delgado province, which has the gas and rubies - and also the worst poverty.

Of course the greed and corruption of the leaders of the ruling party, Frelimo, plays a central role in the resource curse. But they could not have done it without encouragement and support of the international community. And that is the real story of the resource curse.

Mozambique came to independence in 1975 after a war against the colonial power, Portugal. The victorious liberation movement gained support from the then USSR. Then the Cold War intensified and one of the West's proxy wars was in Mozambique - killing a million people and causing massive damage. With the end of the cold war, the victorious west and the IMF and World Bank came to help.

Mozambique was the only African county on which the west imposed the "shock therapy" that was forced on the countries of the former USSR. The idea was to rapidly transform socialist nations into neo-liberal, free market, capitalist countries. As in eastern Europe and central Asia this created oligarchs and substantial corruption.

The World Bank enforced a massive privatisation programme - big businesses went to foreign companies, but other companies went to generals and the Frelimo elite. It was a conscious policy, as a way of winning the top people over to capitalism. So an elite was taught that capitalism meant you were given a business and money, and survived on government contracts. And the motto was "greed is good".

There was slow growth and the nation accepted that everything had to be paid for; the oligarchs became established. Armando Guebuza had become, reputedly, the richest man in Mozambique, in part by using his role as transport minister to gain key contracts. He was elected President in 2004. He used his tenure to restructure the Frelimo party into a much more tightly organised patronage system. Government contracts and civil service jobs depended not just on membership but working for the party - and the oligarchs. Government by mobile telephone became common, with calls from ministers to district administrators say give land to person X.

With this came licensed laxness. A teacher who worked hard for Frelimo on the election could skip classes, take bribes, and even impregnate girls. A hard-working teacher who stood for the opposition in local elections was transferred to a remote rural school.

Rubies and other minerals were discovered in Cabo Delgado in 2005-10. The oligarchs grabbed the land and pushed off peasant farmers and artisanal miners. The ruby mine is part owned by a member of Frelimo's ruling Political Commission.

By this time Frelimo, government and business were the same thing. And the Frelimo-government-business structure had become mafia-like, run by the godfathers and oligarchs. Poverty and obvious corruption continued to increase. But the Frelimo government continued to win applause from the IMF, World Bank and donors for its adherence to the neo-liberal line and encouraging foreign investment. And because the oligarchs were people that foreign governments and investors could work with. With the right Frelimo person as part of the project, it ran smoothly.

The second largest natural gas field in Africa was discovered just offshore of Cabo Delgado in 2010. Credit Suisse (CS), one of the largest bank in the world, moved quickly to push Mozambique to take a \$2 bn loan, which it said would be easily repaid by the gas money and profitable projects.

This violated all IMF rules, so CS said it had to be kept secret from the IMF and donors. It has been revealed in subsequent court cases that \$200 mn in bribes was paid.

When the loans became public, the IMF and donors were shocked and suddenly stopped all aid directly to government. But the change in mood did not last.

New ambassadors were briefed by their governments that gaining support for their investors was the priority. The re-election of Frelimo in 2019 was blatantly fraudulent, in Gaza province tens of thousands more people voted for Frelimo than there were voting age adults. But not one donor publicly protested. And the reason was clear. When \$6 bn in export credits for the gas were agreed in July 2020, it was announced they would create 19,000 jobs in the US and UK, but fewer than 2000 in Mozambique.

Growing poverty in the face of growing wealth finally angered enough people that there was an uprising in Cabo Delgado 2017. Although still a small war, a corrupt army could not defeat it. On 24 March this year, the insurgents took the oil town of Palma. French oil and gas giant Total, which is developing a \$20 bn gas liquification plant in Palma, pulled out. Now various countries are scrambling to send troops and military trainers.

No one looks at the roots of the civil war, nor do they question the mafia, resource-curse state they helped to create. The oligarchs and godfathers are people the investors and ambassadors can work with. So they want to send in foreign troops to defend their friends and investments. And in the new Mozambique, who cares about hungry peasants?

Joseph Hanlon is a visiting senior fellow in international development at London School Of Economics. He has written about Mozambique for 40 years and is editor of the newsletter Mozambique News Reports and Clippings.

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