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Department of Applied Economics and Management  
Cornell University, Ithaca, New York 14853-7801 USA

## **Political and Economic Prospects for Mozambique and Angola**

**Steven Kyle**

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# **Political and Economic Prospects for Mozambique and Angola**

**July 1, 2003**

**Steven Kyle  
Cornell University**

## **Abstract**

This paper discusses similarities and differences in the political and economic prospects for Angola and Mozambique. Central to the posing of these questions is the meaning and usefulness of putting these two countries in the same category. While both share some elements of a common colonial history, their similarities are in many respects outweighed by their differences. Angola is a country whose economy is dominated by huge oil revenues and whose governing party, the MPLA, recently won a military victory over its long time opposition, UNITA. UNITA, though now much weakened, nevertheless represents the legitimate interests of a large segment of the population, whose home provinces are the most agriculturally favored in the country. Mozambique is a country with many fewer natural resources, but in which the ruling party, FRELIMO, has fully embraced a policy of liberalization and opening of the economy. Its main opposition party, RENAMO, originated as a creature of foreign powers and lost its principal distinguishing feature of anti-Marxism when the governing party itself abandoned Marxism beginning a decade after independence.

# **Political and Economic Prospects for Mozambique and Angola\***

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Several of the questions posed for this conference fall under one overarching theme: What is the content of the term “Lusophone”? It is obvious to all that Mozambique and Angola share a common colonial language and that they have a colonial history and administrative structure that are in various ways similar, but do these facts make it reasonable to treat them as part of a coherent group? One is tempted to compare Lusophone countries with other groups such as former British or French colonies, but even here we do not have a particularly good analogy once we get outside of Sub Saharan Africa. If we take, e.g. the USA, India and New Zealand, we have three countries which were all colonized by the same imperial power, all of which have the same colonial language, and all of which are today democracies. Nevertheless, it is difficult to conceive of many cases where it is useful to group these countries together for analytical purposes or in which such a grouping would help us to understand what is going on in each or what their future prospects are.

Similarly, there are more differences than similarities among the Lusophone African countries (and even more if we include Brazil in the group), though one can find areas where they share some characteristics. A brief enumeration of these will then allow us to proceed to the differences which are in most cases more useful when taking a forward looking view.

1. All are low income Sub Saharan countries with the “usual” problems of poverty, low levels of human and physical capital, arbitrary and artificial borders inherited from colonial times which result in a multiplicity of ethnicities within each.

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\* Paper Presented to the National Intelligence Council.

2. All speak Portuguese as the principal official colonial language. However, there are drastic differences even in this case. It has been estimated that only a quarter to a third of Mozambicans speak Portuguese with any fluency while there are many in Angola who speak only Portuguese, not having learned any African language at all. In fact it is rumored that the President of Angola himself is in this category though, if true, this is a fact that they would rather not see publicized.

3. All share a common colonial heritage. While true in a formal sense, there were big differences here as well. Angola was always more favored, not only with a better natural resource base and closer communications with Portugal and the Atlantic trading system, but also as a destination for the Portuguese themselves. Angola was more “Portuguese” and was closer to actually being a province of Portugal (which Mozambique was also, at least formally) prior to independence.

4. All suffered from destructive civil wars immediately following an independence process which was more the result of events in the colonial power than a result of any military or political victory in the colonies. This is true, but understates the singular destructiveness of the Angolan conflict which not only lasted longer than in Mozambique but which was fundamentally different in nature as well.

What is clear is that there is some feeling of solidarity among Lusophone countries but in reality there is little in the way of geography or economics to really tie them together. Even ties with Portugal are likely to become less important than ties to the EU more generally since Portugal itself is but a small part of this larger much more economically important entity. Accordingly, it is likely that other ties which have more immediate importance will be the ones which dominate in the future. Seen in this light, Angola’s attempts to dominate the Lusophone organizations are really but a sideshow since this organization is not the one which is economically most important to any of the members. Insofar as it is important, the Angolan government does not enjoy any particular image of justice or truth among these countries. Rather, they simply have more money.

Here perhaps it is useful to underline some of the most important differences between the two most important cases. Angola will be discussed first, followed by Mozambique.

### *Angola*

In Angola independence found the new country in the throes of an armed struggle in which the various liberation fronts had never sorted out their differences enough to coalesce into a single united national liberation front. The MPLA, being urban based, ended up on top at least as much because they were in Luanda in the first instance as because of any claim to general legitimacy.

The immediate start to the Angolan war thereafter was very much related to the geopolitical concerns connected with oil and with the avowedly Marxist tone of the MPLA. However, the warring factions had very real differences which would themselves generate tension and conflict even in the absence of geopolitical influences from outside. Basically, the two main factions, UNITA and the MPLA, each represent major constituencies which also separate into rival ethnicities as well. UNITA represents the mainly Ovimbundu people of the central highlands where the primary economic activity is agriculture. MPLA represents the largely Mbundu and mixed blood coastal and urban people who, unlike the interior, were under direct Portuguese domination from very early in the colonial period. A third faction, the FNLA, is dominated by northern members of the Kongo ethnic group, but has not presented an independent threat to the MPLA since early in the post-colonial period.

The two main groups are both large and have legitimately opposing economic and political interests. On the one hand, agricultural and urban-industrial interests naturally find themselves in opposition during the process of development since what one buys the other sells and vice versa (recall, for example, the case of the debate over the Corn Laws in Britain, or the presidential campaigns of William Jennings Bryan in the US). On the other hand, groups in control of ports and coastlines or other trading routes to the outside

have always found themselves in conflict with groups in the interior, who must depend on those in charge of the trade routes for their access to foreign markets.

These facts must be taken into account on the basis of any forward looking evaluation of the future of the political parties in Angola. The MPLA, having won a military victory over UNITA and being in possession of huge amounts of revenue from oil and diamonds, will feel no need to change its modus operandi in the near future. Their current policies are working for them (or at least for the political elite) and they will benefit from some breathing room both because of the general relief that the war is over and the fact that oil revenue remains high.

UNITA, on the other hand, is in a very splintered and ineffective state. Having lost the war, it has lost any claim to an ability to deliver politically for its constituencies, but those constituencies remain important (about 40% of the overall population) and will continue to have basic economic interests that are opposed to those of the MPLA's core constituents. Basically, these interests line up with those which are pro-agriculture in general both in terms of pricing and in terms of infrastructure development, exchange rate policy and trade policy. However, in the near term these are unlikely to be addressed as the MPLA will see no real need to reward the popular base of their erstwhile enemies, while that base will get some benefit simply from the cessation of hostilities.

Eventually, however, it is likely that UNITA, or some portion of it, will regain some measure of legitimacy as the representative of the (mainly agricultural) interests of the Ovimbundu people of the central highlands. Those members of the UNITA leadership capable of being coopted will be rewarded with some posts in the government in Luanda, though real political power will remain centralized in the MPLA and the Office of the President. Provincial power will continue to be subordinated to the center as provincial governors and other important officials will be chosen by Luanda. The likely upshot then, is a factionalization of UNITA between those willing to join the power structure in Luanda and those who will want to represent the core populations which have been their historical strength.

In terms of elections, it is still uncertain when or whether these will be held. Eventually, it is likely that they will be, but it is extremely unlikely that votes will be counted in any way that might threaten MPLA domination. That is to say, even if UNITA were in reality a serious competitor (which is unlikely in the short term given their disarray) the MPLA would not allow them to win. Accordingly, it is unlikely that the situation will reach the point where armed conflict will enter the equation. Of course, if it were to occur there is no doubt that the MPLA and the FAA will do whatever is needed to maintain their hold on power.

Economically, Angola is a country with one of the greatest unrealized potentials in all of Africa. Blessed with good ports and good agroclimatic conditions for agriculture, Angola could if properly managed develop into a high income nation much as is happening in Botswana and South Africa. However, there are several important issues that present serious obstacles to this path, particularly given the political divisions discussed above.

Most important is the legacy of the conflicts themselves. To a degree unmatched elsewhere in Africa the twenty five year conflict was incredibly destructive not only of people but also of capital, both public and private. Whole cities were destroyed along with virtually all of their supporting infrastructure, as well as roads, bridges and other facilities. In addition, millions of landmines are scattered across the countryside as well as inside cities themselves. Even getting back to the pre-conflict starting point is a task of major proportions in a country where large numbers of people remain dependent on humanitarian aid. Resettlement and return to sustainable production for rural populations has been, of course, a necessary prerequisite for any further progress.

Prior to independence Angola was a major agricultural exporter, particularly of maize and coffee but also of other products. The main area of agricultural comparative advantage is the central highlands which are also the home of the Ovimbundu people, primary supporters of UNITA. This in and of itself presents a problem given the fact that



heavy investments in the income generating potential of their erstwhile enemies are not at the top of the victorious MPLA's priority list.

However, the huge oil discoveries (and to a lesser extent diamonds) have led to further problems which inhibit economic development:

1. Pronounced "oil syndrome" effects such as an overvalued exchange rate distort the economy in a way that puts agriculture at a disadvantage and impedes its growth
2. The government's own focus is primarily on oil and not on the more time consuming and difficult progress of agricultural development. This, and the resulting anti-agricultural bias of investments makes progress outside of the oil sector slower.
3. The general and extreme corruption associated with oil revenues retard the ability of the private sector to function.

In economic terms this means that the Angolan economy will remain dependent on oil to support the government and political elite, who are largely divorced from the realities of the domestic economy, relying instead on oil-derived foreign exchange. Economic policy will likely remain as it has been - an ad hoc series of initiatives designed to keep things from collapsing into chaos but without any real drive to use the oil resources to develop the economy. Indeed, the latest "IMF-friendly" economic team at the historically weak Ministries of Finance and Planning and the Central Bank do not have any greater degree of independence from the Office of the President than have past teams. This means that they can implement policies up to the point where the interests of the elite are threatened, at which point they will be arbitrarily reversed.

This points to an observation which is important in understanding the Angolan government. Unlike most countries, the economic ministries and the Central Bank have no real power or independence. In reality, economic control and power reside in the Office of the President and in the oil company, Sonangol, which is the source of the

money which supports the whole structure. Accordingly, any outreach effort by Sonangol must be understood as being part and parcel of the government's own political aims since control of oil wealth is the first and most important goal of the political elite. Using their expertise to assist other countries (e.g. Sao Tome) is not only an economic venture, it is a political one as well.

A final comment on Angolan outreach is in order but must be labeled clearly as belonging to the realm of speculation. The Angolan Army or FAA (Forças Armadas de Angola) is not nearly so much of an independent political entity as is the case of armies in other countries. Clearly, they had a major real military task to perform for many years and were therefore preoccupied with that. However, one way to interpret the current incipient adventurism of the Angolan government (and it is more than incipient in the case of, e.g. Congo) is as a way to keep the army occupied without having to decommission it. The experience of 1992 burned into the minds of the political leadership the need to maintain a large military force at the ready but at the same time it is quite dangerous to run the risk of large heavily armed formations permanently stationed in or near large cities. Accordingly, finding an occupation for the soldiers which at the same time increases the overall power and influence of Angola could be an attractive option.

### *Mozambique*

The political characteristics of the Mozambican resistance group RENAMO are fundamentally different from those of UNITA in Angola. Unlike UNITA, RENAMO is not based on representation of an important ethnic group with distinct economic interests. Rather, it was originally created by the then-Rhodesian secret police to influence a country which controlled transport routes to the interior of the continent. When Rhodesia became Zimbabwe, the South African security apparatus took over direction of RENAMO and its military activities.

RENAMO's political platform was from the beginning an anti-Marxist one. FRELIMO had taken control of the country when the Portuguese departed in the mid-1970's and shortly thereafter became an avowedly Marxist party. The anti-Marxist platform of the opposition served it well in terms of garnering external support which it needed in the absence of a real power base (at least initially) among the population. However, FRELIMO's reversal and adoption of free-market policies in the 1980's led to a major problem for RENAMO from which it has never recovered since its principal *raison d'être* of anti-Marxism was no longer relevant.

Today, it is quite difficult to see the difference in political or economic programs that would result from a RENAMO government. There is no real distinguishing factor to which one can point as the driving rationale for the party. Rather, it is now much more of a regional phenomenon in which RENAMO claims that they will deliver (the same programs) more to the provinces which FRELIMO has allegedly not favored. Hence, the most populous province of Zambezia is an area of support for RENAMO and while the party does not seem to offer any programs or policies that differ materially from those of the current government, they do claim that they will "bring home more bacon" than has happened so far.

What of FRELIMO? Here, the situation is somewhat less than transparent but there are several different strands within the party that can be distinguished. First, it must be said that there remain a healthy core of committed party members who cannot imagine giving up control of the government or operating in an opposition mode. It is still highly likely that in spite of the relatively well run elections in the past, the party would not permit itself to be thrown out of power if in fact this seemed possible in the near future. However, it is possible to discern the beginnings of what is an opposing faction within the party which could perhaps even someday transform into an independent party in its own right.

This, for lack of a better term, can be labeled the "bourgeois" wing of FRELIMO and is a direct result of the privatization process which has been proceeding for the past

several years at the behest of the World Bank and the IMF. The party has made sure that major privatizations as well as new private sector activities have the active participation of Mozambicans, giving rise to a still small but growing class of domestic capitalist entrepreneurs. These are, of course, closely aligned with the FRELIMO leadership and indeed are in many cases members of it. If the market oriented transformation continues and succeeds, then this class will naturally grow and accumulate more power both in the party and in the country at large. The day will inevitably come when this faction's interests come to rival those of the old-style FRELIMO party members for whom party control is paramount.

However, it is unlikely that this scenario will play itself out in the next elections. If FRELIMO's expected candidate, Armando Guebuza, is in fact elected, it is not easy to see exactly which way the government will go. On the one hand, Guebuza is usually identified as one of the more "old-style" party leaders in that he is in the camp that cannot imagine the party ever giving up power. On the other hand, he himself is owner of several large capitalist enterprises and so is also a member of the embryonic group of domestic capitalists. What still has not happened is any division of interests between the party and the nascent industrialists and Guebuza's selection is in one sense a way to avoid confronting this issue for at least another several years.

Overall however, FRELIMO must be lauded as an extremely rare creature in African politics - a party that has transformed itself from Marxist to market without major upheavals, and which is about to have one of the most rarely seen creatures of all - a voluntarily retired African president.

In economic terms Mozambique is a much less well endowed country than is Angola. In colonial times it was never as favored as was Angola in terms of investment or in terms of integration into the economy of Portugal and the Atlantic in general. In terms of physical endowments, it has less abundant rainfall though it does have substantial agricultural potential, particularly in the northern regions of the country.

Historically, these northern areas were not well integrated with the south, where the capital of Maputo is economically closer to neighboring South Africa than to the north of Mozambique itself. Both before and after independence, the southern region was dependent upon food imports from abroad, paying for these with the earnings from workers sent overseas, principally to South African mines. With the decline of these remittances over the post-colonial period the country has been forced to look for other means of support. Among these are earnings from transit to interior countries, various mineral developments, though none of these approach the scale of Angolan oil or diamonds, and agricultural exports.

Without oil or other “easy” sources of income, the FRELIMO government of Mozambique came to the decision to abandon its Marxist command-economy strategy much sooner than has been the case in Angola (which has still not truly abandoned its centralized mode in many ways). After early moves in this direction in the mid-1980’s FRELIMO is now firmly committed to its policy of liberalization and engagement with the world economy.

The results have been striking. Growth rates of 10% and higher have been posted in recent years, though a series of natural disasters has caused several periods of negative growth. Currently, the government shows no signs of returning to the previous command economy mode, though there remain problems of promoting growth in a more widespread manner than has occurred to date.

It is this that is the central problem of Mozambican development today. Capitalist development is always rather uneven. Investment flows to favored areas and sectors while those less well endowed are left behind. This inevitably means a degree of inequality that is anathema to many who were educated in Marxist notions of equality of outcomes rather than equality of opportunity. Continuing to channel investments into those areas with the highest returns will be the main route to growth over the long term. This means that urban areas will continue to outpace rural ones in terms of income levels, but does not mean that agricultural development and the investments needed to promote

it can be relegated to secondary importance. Indeed, without agricultural development, national advances in economic development will not be sustainable and will remain fragile.

### *Conclusion*

The discussion above demonstrates that in many ways, discussing Angola and Mozambique at the same time can lead to overgeneralization of what are in reality two very different countries. While sharing many aspects of colonial history, the two countries today find themselves in very different circumstances and with very different outlooks for the future. One is tempted to point to Angola as having the most potential for future growth, but at the same time it also has the most serious obstacles to progress. Mozambique is still one of the poorest countries in the world but has made great strides over the past decade. Perhaps one of the most telling comparative observations that can be made, however, is the following: Given a choice between being a poor peasant smallholder in Angola or in Mozambique, it is very likely that the latter would prove more attractive.

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