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Reflexions on the south-south new sub-imperialism in  
Mozambique: a “24h open business” for natural resources?

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## Reflexions on the south-south new sub-imperialism in Mozambique: a “24h open business” for natural resources?

Natacha Bruna<sup>1</sup>

### Abstract

*The neoclassical/new institutional approach of development from the national government put Mozambique as one of the most pursued destinations for investment in natural resources and other sectors of the economy over the last 20 years. Mineral resources, infrastructures and land have been the main attraction for the Brazilian, Indian, Chinese and South African investment in Mozambique, mobilizing financial and physical resources materialized into strategic integrated sectors of the economy which respond to the “Accumulation by dispossession” denoted by Harvey (2003) as ongoing processes of geographical expansion of capital accumulation in which neoliberalism and privatization are the main driving forces. The reshaping of political and economic relations of resource distribution, value chains, external trade and financialization, in which the BRICS have become a major actor, increased Mozambique’s external dependence and promoted the concentration of capital accumulation in specific groups of economic agents that are engaged in a parasitic exploitation and that attain decisive role in economic life of the country. It wouldn’t be accurate to assume a shift from Global North imperialism in Mozambique to a South-South sub-imperialism as the latter may arise as a variation of the first within a scheme of strategy shift of capital accumulation that integrates both Global North and BRICS’ interests. In other words, there are two sets of capitalist associations that distribute the resources among themselves, both drivers of accumulation by dispossession. The emergence of a geospatial expansion and dominance of the BRICS power is supported by the Global North hegemony characterized by a new mechanism of imperialism hidden in the name of South-South cooperation, which in reality answering to BRICS national interests feeding the Global North demands and deepening the economic dependence of Mozambique.*

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## 1 Introduction

The neoclassical/new institutional approach of development from the national government put Mozambique as one of the most pursued destinations for investment in natural resources and other sectors of the economy over the last 20 years. Due to the over accumulation character of capitalism (Harvey, 2003), Mozambique may constitute a profitable opportunity to overcome it as it offers reduced costs with its geostrategic position towards the emerging Asian markets, fiscal benefits offered by the national government and other factors of economic competitiveness as cheap labour and land.

Mineral resources, infrastructures and land have been the main attraction for the Brazilian, Indian, Chinese and South African investment in Mozambique, mobilizing financial and physical resources materialized into strategic integrated sectors of the economy which respond to the “Accumulation by dispossession” denoted by Harvey (2003) as ongoing processes of geographical expansion of capital accumulation in which neoliberalism and privatization are the main driving forces. Coincidentally, those investments are located in resource potential regions of Mozambique (Northern and Central region) with a strong infrastructural component that allows commodity drains to international trade. These infrastructures include railways, roads, ports and airports with highly interrelations with a development corridor (Nacala Corridor), connecting regions of extraction of natural resources and deep-water ports.

The reshaping political and economic relations of resource distribution, value chains, external trade and financialization, in which the BRICS have become a major actor, increased Mozambique’s external dependence (loans, donations, inflows of foreign direct investment and international trade), that is at the same time supporting high rates of growth and the supply of primary goods for the emerging Asian markets that are influenced by Global North demand of manufactured commodities, which has no relation to Mozambique’s internal needs and demand. The system adopted by the BRICS would be characterized by Lenin’s theory of imperialism as the concentration of capital accumulation in specific groups of economic agents that are engaged in a parasitic exploitation and that attain decisive role in economic life, in this case, of Mozambique.

Although the BRICS are instigating higher and higher levels of economic dependency and the emergence of a geospatial expansion and dominance of BRICS’ power, in a model of extractivism hidden in the name of South to South cooperation, it wouldn’t be accurate to assume a shift from Global North imperialism in Mozambique to a South-South sub-imperialism as the latter may arise as a variation of the first within a scheme of strategy shift of capital accumulation that integrates both Global North and BRICS’ interests. In other words, there are two sets of capitalist associations that distribute the resources among themselves, both drivers of accumulation by dispossession.

Structure wise, the paper aims to analyse the rise of the BRICS in Mozambique regarding their investments, trade relations and financialization and aid, some of the main determinants of Lenin’s and Harvey’s theories regarding imperialism. Secondly, it will approach some of the discourses behind this Africa-BRICS cooperation specifically for the case of Mozambique as a way to contribute to the debate and reflexion about the role of the BRICS in developing countries and what is really behind the discourse of solidarity, complementarity and “alternative development”. As a major ally and a key actor of the rise of the BRICS in Mozambique, the Global North’s role (United States of America, European Union and Japan) is also approached as a way of understanding the dynamics behind the south-to-south sub-imperialism started by the BRICS in the last decades.

Considering the weight and importance of Russia’s investment, trade and financialization and aid in Mozambique, the author decided to not draw conclusions about Russia’s role as sub-imperialist in Mozambique, as there are not enough evidence to do so. So, when referring to the BRICS the reader should be aware that it does not include Russia, except in the cases of presenting secondary data from the Graphs along the document.

## **2 South-South new sub-imperialism in Mozambique ?**

### **2.1 Imperialism and the rise of the BRICS**

Lenin's theory of imperialism suggests that it is a result of the development of capitalism to its highest stage referred as "monopoly stage of capitalism" with five basic features (Lenin, 1916): (1) the concentration of production and capital into monopolies with decisive role in economic life; (2) the merging of bank capital with industrial capital; (3) the export of capital gains higher importance comparing with export of commodities; (4) capitalist associations which distribute world resources among themselves; and, (5) complete territorial division of the world among the biggest capitalist powers is completed.

Lenin's analysis indicates that a concentrated accumulation of capital in a specific group of economic agents and/or countries is built up on a parasitic exploitation of powerless countries. In this context, Bernstein (2010: 42) refers that Lenin suggestion was that the colonial expansion by the late nineteenth century was driven by the capitalists' need to find new outlets for the export of capital as they needed new sources of raw materials and larger markets, as well as investment opportunities that offered higher capital's rate of profit.

In a more recent approach, Harvey's new imperialism, focusing mainly in the global north powers as the drivers of accumulation by dispossession due to the overaccumulation character of capitalism. Harvey's new imperialism approach concerns "the molecular processes of capital accumulation in space and time" in which he refers to "imperialism as a diffuse political-economic process in space and time in which command over and use of capital takes primacy" focusing "on the ways in which economic power flows across and through continuous space, towards or away from territorial entities through the daily practices of production, trade, commerce, capital flows, money transfers, labour migration, technology transfer, currency speculation, flows of information, cultural impulses, and the like", (Harvey, 2003: 26).

As the development of capitalism is verified, new economic powers, particularly in the case of the BRICS (Brazil, Russia, India, China and South Africa), are emerging and the overaccumulation can be perceived as being a continuous cycle of capitalistic way of production, in this sense, the new emerging powers, although not at a fully developed stage as the global north "imperialists" are bound to engage in seeking higher profit rates through the exploitation of asymmetric political and economic relations in which as Harvey (2003:32) notes "the wealth and well-being of particular territories are augmented at the expense of others".

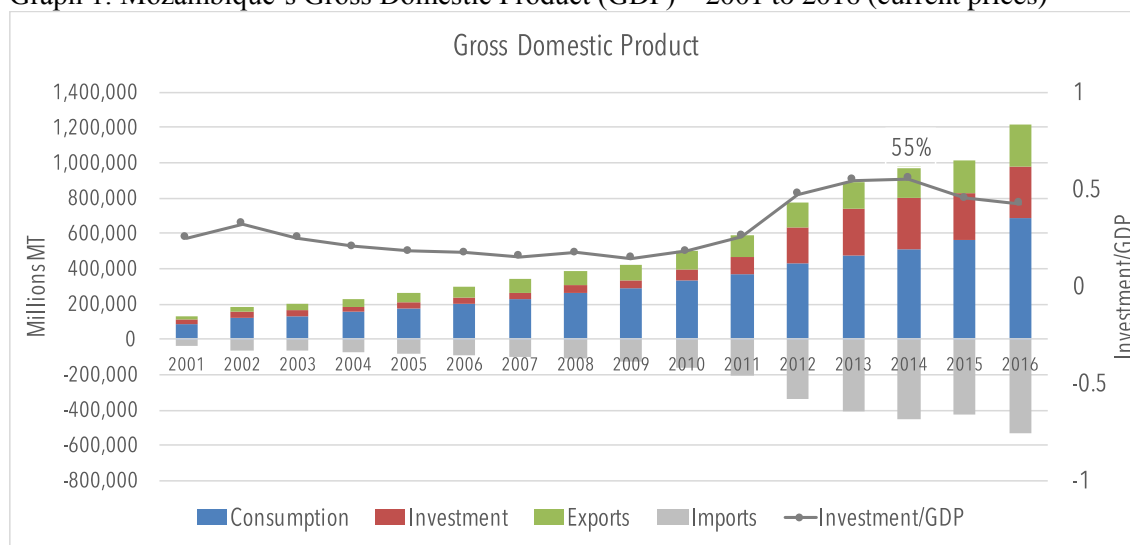
These set of countries are considered to be key sites of production, circulation and consumption of agricultural commodities (McKay, Hall and Liu, 2017), in labour-intensive manufactures goods regarding China and India (Nayyar, 2016) and through export of capital, increasing their influence in international markets and trade. As a whole, the BRICS have been changing global geopolitics through stimulus in demand in agro commodities and natural resources access, consequently, shaping international agendas of partnership and development strategies (McKay, AF, Brent, Sauer and Xu, 2017; McKay, Hall and Liu, 2017). Nayyan (2016) explores the economic importance and growth of this set of countries and indicates that, in 2010 the BRICS accounted for 43% of world population and 18% of world income and their economic performance has been increasing since then: their share in world exports and imports rose from 3% to 15%, their share in world manufacturing value added went from 6% in 1990 to 27% in 2012, while their share in world manufactured exports rose from 6% in 2000 to 20% in 2013, implying a huge development on industrialization.

## 2.2 The predominance of the BRICS in Mozambique

### 2.2.1 Investment and trade: win-win partnership?

The growing international demand for natural resources (land, minerals and others) at competitive costs to supply the international market demand for agro commodities and manufactured goods, motivated transnational companies to direct large inflows of investment to the bonanza epicentre, African countries. As most of Sub-Saharan African countries, the neoliberal approach of development from the national government put Mozambique as one of the most pursued hosts for land-based investments in agriculture and extraction of natural resources over the last 20 years.

Graph 1: Mozambique's Gross Domestic Product (GDP) – 2001 to 2016 (current prices)

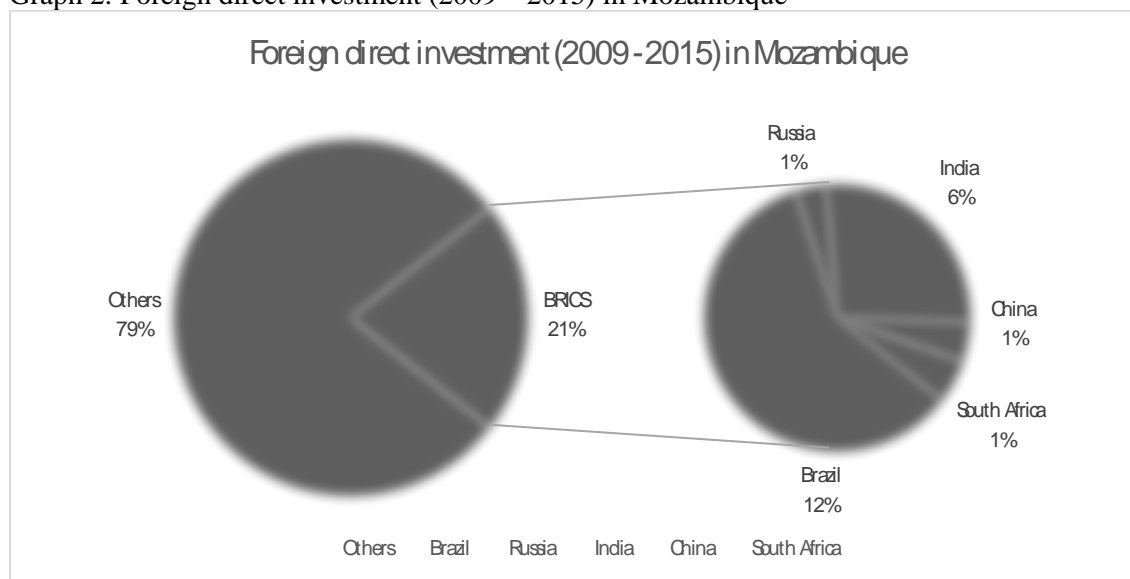


Source: National Statistics Institute database (Instituto Nacional de Estatística, INE).

By analysing the share of investment in percentage of GDP (the line depicted in Graph 1), which reached its maximum in 2014 (55% of GDP) one can conclude that the large volumes of investment are clearly one of the most important contributions of the high rates of economic growth registered by Mozambique in the last decade (approximately 7-8% per annum in average), despite the last events related to hidden external debt by the Government in the period of 2016-2017) that intensified the economic crisis and decelerated the growth to approximately 4% according to INE's website.

A deeper analysis of the structure of total investment in Mozambique shows that, according to the official Centre of Promotion of Investment, only 11% of total approved investments from 2001 to 2014 represents national investment, indicating large inflows of Foreign Direct Investment (FDI) especially directed to the sector "Natural resources and energy" (31% of total approved investment from 2001 to 2014). Therefore, the production sector that grew the most in the analysed period was extractive industry reaching growth rates of up until 70% in 2004 and 2012.

Graph 2: Foreign direct investment (2009 – 2015) in Mozambique



Source: Mozambique Central Bank (Banco de Moçambique).

The large inflows of FDI is materialized through the implantation of transnational companies which are called Mega-Projects with investment volume of more than 500 million USD. Approximately 21% of total FDI of the last seven years belongs to the BRICS, with Brazil and India as the biggest investors. Before 2009, there were two major Mega-Projects operating in Mozambique with South Africa capital, as one of the main shareholders, which were MOZAL, an aluminium smelter<sup>2</sup> located at the South region of Mozambique with Japanese company Mitsubishi as one of the main shareholders<sup>3</sup> and SASOL focusing in the extraction of natural gas (including the International Finance Corporation, member of the World Bank as a minor shareholder<sup>4</sup>).

After 2009 the main investor among the BRICS became Brazil and India, with both directing large inflows to mining industry in Tete region specifically to the extraction of mineral coal. The biggest investment in Tete mine coal, the Brazilian company Vale Moçambique which recently sold 15% of the shares to the Japanese company Mitsui & Co. The company also has participation on the strategic development corridor (Nacala Corridor) which entails a railway from Moatize (Tete), through Malawi, ending in a coal terminal in Nacala port. Similarly, to the shares in Tete, Vale Moçambique sold 50% of its participation in the development corridor to Mitsui & Co.<sup>5</sup> After Vale Moçambique settled in Moatize, the Indian Company Jindal Steel and Power Limited acquired the Chirodzi (Tete) mine reserve of 700 million tonnes (MT) predicting extraction operations of about 10 million tonnes per annum according to the company's website. Medium to small scale businesses were licensed by Chinese and Indian capital and were established in order to feed the development of the mining industry in Tete (wholesale, retail, services and transport)<sup>6</sup>.

<sup>2</sup> The manufacture industry regarding the transformation of aluminum in Mozambique is an atypical case of commodity trade in which it is imported as raw material and imported back to The Netherlands as Aluminum bars. This multinational is believed to have settled in Mozambique because of the ease on environmental policies on the country and the fiscal benefits acquired.

<sup>3</sup> <http://opais.sapo.mz/index.php/economia/38-economia/41897-samo-gudo-e-o-novo-presidente-da-mozal.html>

<sup>4</sup> <http://www.enh.co.mz/Projectos/Projectos-em-Curso/Projecto-de-de-Pande-e-Temane>

<sup>5</sup> <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/61689-nao-foram-apuradas-mais-valias-na-venda-de-activos-da-vale-em-Moçambique-ao-grupo-mitsui>

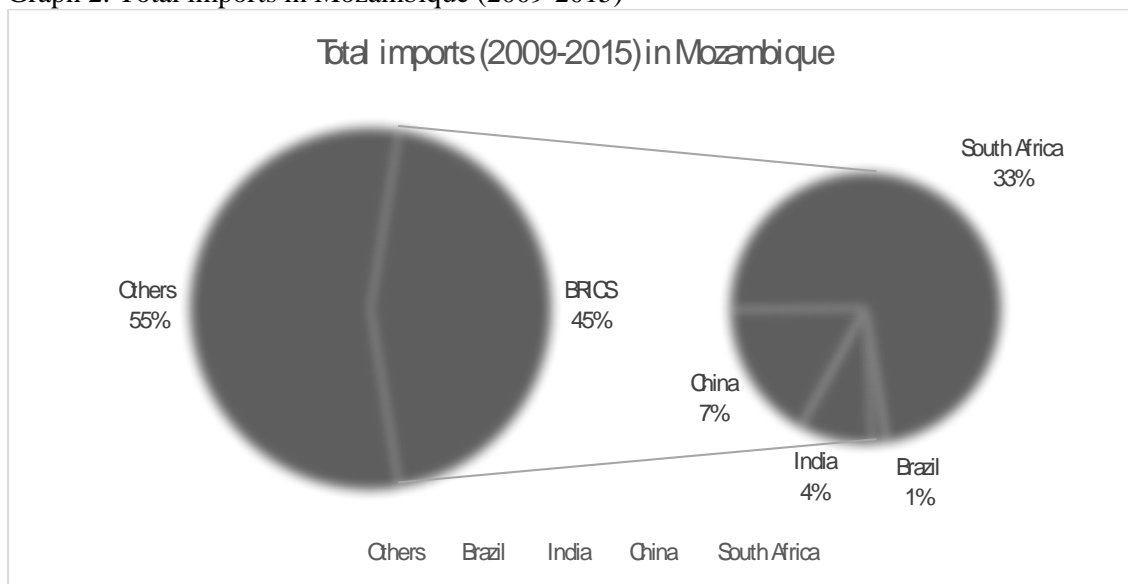
<sup>6</sup> <https://macauhub.com.mo/pt/2016/08/18/companies-in-india-and-china-lead-investment-in-tete-province-mozambique/>

The most recent investments, still in extractive industry, took place after the discovery of great potential gas reserves in Cabo Delgado province. The business-oriented Mozambican Government signed contract with two major consortiums Anadarko Petroleum Corporation and Eni East Africa. Anadarko is a Mega-Project constituted mainly by USA capital among its co-venture is the Japanese company Mitsui & Co and two Indian companies. On the other hand, the Mega-Project ENI East Africa, a consortium between the Italian company ENI and the Chinese company CNPC, sold 50% of their shares in Rovuma Basin to the US company ExxonMobil.

Most of the BRICS' investments in Mozambique are directly or indirectly connected with Global North capital, whether it is in shareholdings or even in cooperation programs, or simply building synergies among their interests. This point will be discussed further in the paper.

As country with low levels of industrialization, national companies are not able to supply capital and manufactured goods in order to materialize these set of Mega-Projects investments, nevertheless, when they do, the price is not as competitive as the supply from the emerging international suppliers of manufactured goods as China, India or South Africa. Consequently, the volume of imports of capital and manufactured good increase at similar rates as the FDI inflows especially after the natural gas boom in the North of Mozambique.

Graph 2: Total imports in Mozambique (2009-2015)



Source: Mozambique Central Bank (Banco de Moçambique).

Almost half of the total imports from 2009 and 2015 were supplied by the BRICS, with increasing importance of China and India. As it is strategically located, with specific advantageous SADC (Southern Africa Development Communities) agreements of liberalization of trade among the member states, and directly or indirectly related to some of the Mega-Projects, South Africa is the main “trade partner” of Mozambique. The protocol from SADC agreement<sup>7</sup> focus on the elimination of barriers to trade, customs cooperation, harmonisation of trade documentation, transit facilities and trade development.

The effect of the agreements we resulted in unbalanced increase in imports and exports (exports should be analysed on Graph 3), in which keeps clear advantage to the South African trade balance if we consider only flows from and to Mozambique as it registered a surplus of 12%, considering the period of 2009, to 2015 in favour to South Africa (difference between imports of 33% and exports of

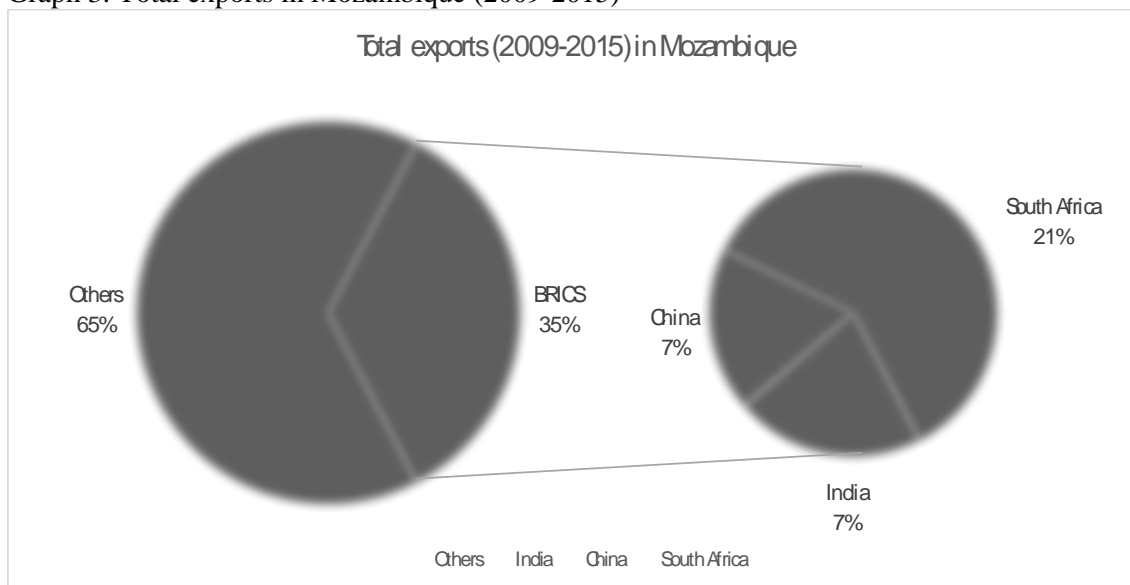
<sup>7</sup>[http://www.sadc.int/documents-publications/show/Protocol%20on%20Trade%20\(1996\)](http://www.sadc.int/documents-publications/show/Protocol%20on%20Trade%20(1996))



21%). This increase is justified by the supply of competitive manufactured goods and diminished competitiveness of Mozambican economy. Additionally, the ease of crossing borders for national consumers seeking more competitive prices brands and products have transferred a significant part of the consumption income from the national market to South African market, creating stimulus on a foreign country rather than generating wealth within national borders.

Besides having external market domination upstream, all of the mentioned investments, characterized by joint ventures of multinational companies, operationalize their activities through massive export of commodities, which resulted in an increase in total exports of Mozambique of more than 200 billion USD from 2001 to 2016. Among the most exported commodities are aluminium (imported as raw material from the Netherlands and exported as final product to the Netherlands), electric energy (mainly to South Africa), natural gas (mainly to South Africa) and mineral resources and a considerable amount of timber among the agro-commodities (mainly to Asian emerging markets).

Graph 3: Total exports in Mozambique (2009-2015)



Source: Mozambique Central Bank (Banco de Moçambique).

Even though the BRICS account for 21% of the investment, in the same period 35% of total exports are directed to them. This is a significant amount of exports specially having into account that more than 30% of total exports from Mozambique is constituted by aluminium which is a transit commodity for Mozambique, implying that more than half of the exports from Mozambique feeds the BRICS' demands and industrialization as the main commodities exported are energy sources and minerals. The clear example of this case would be the South African case in which is present low inflows of investment (in %), however it is the receptor of 21% of the exports mainly composed by natural gas and electric energy.

On the other hand, is the case of Brazil, which among the BRICS is the major investor (as depicted in Graph 1 – Vale Moçambique as the major investor), however, almost insignificant receptor of commodities, implying that it does not feed its national demand in terms of mineral resources and other commodities, but it clearly attends the demands of an Asian emerging (specially China and India) markets due to high rates of industrialization. In 2017, the exports from Mozambique to China grew by approximately 29% just over the first seven months<sup>8</sup>. Besides the export of mineral resources to China, there were assumptions of high levels of illegal exports of timber (wood logs) from the North and Centre of Mozambique to China. A study by Mackenzie (2006) shows how this commodity

<sup>8</sup> <http://clubofmozambique.com/news/exports-from-mozambique-to-china-increase-by-almost-a-third/>

chain was built based on corruption by the respective government institutions and other determinants only focusing in the province of Zambézia.

### **2.2.2 Financialization and cooperation “in the name of solidarity”**

The last decade of economic growth in Mozambique is sustained mainly through financialization of infrastructures that are specifically to support Mega-Projects’ extraction of natural resources by connecting them to main distribution channels as development corridors, railways, ports and airports.

A clear example of this statement is portrayed by the Brazilian Mega-Project Vale’s financialization of the Nacala Development Corridor (which now entails the participation of Japanese company Mitsui), located in a strategic region involving the Centre and Northern Mozambique, connecting Tete’s coal mine and Nacala Port by a railway projected to export 18 million tons of coal per year. Sinergically, the Nacala Corridor is an area of Government-led agricultural cooperation program between Mozambique, Brazil and Japan, ProSAVANA, that aims to increase agricultural productivity with maize and soy as priority crops.

The ProSAVANA program, initially believed to be an external investment led program aiming the export of agro-commodities by the occupation of one of the most fertile areas of Mozambique, is still the topic of discussion between the Governments, civil society and other stakeholders, in order to avoid it to be a continuation of the land grabbing model identified as the previous Brazilian and Japanese cooperation PRODECER program which led to many landless people in the Brazilian Cerrado.

This program is believed to be a turning point to family farming in Mozambique as it indicates medium to large scale foreign investments grabbing land to a monoculture and fertilized-based production schemes in response to external market demands, marginalizing internal market needs. “Coincidentally”, in the same region, Vale Moçambique is believed to have acquired a phosphate mine to feed the potential increase of fertilizer demand as predicted in the published ProSAVANA Master Plan.

For the sake of the transport and distribution of agro-commodities predicted by ProSAVANA program, the Japanese International Cooperation Agency (JICA) is financing many kilometres of road construction and rehabilitation throughout the Nacala corridor which is highly integrated with the rehabilitation and construction of the railways connecting Nacala Port financed by Vale Moçambique and Mitsui & Co.

Among many donors and besides the World Bank and African Bank of development’s finance programs, countries as India, Portugal and Denmark finance programs related with the construction of infrastructures including bridges and roads. Recently, the government announced that, as part of the storage and distribution strategy of liquefied natural gas will be supported by a terminal project in Beira (Centre of Mozambique), which is financed by the Export and Import Bank of India.

On the other side, China is increasingly financing directly to the Government disbursed to the Government in different sectors, e.g., through the Export and Import Bank of China, 179 million USD were disbursed to projects among the Zambeze Vale and the International Airport of Maputo. An analysis from the Economic Intelligence Unit indicates that favouring financial relations with Asian countries (China, one of the largest Mozambican lenders, and with gas and coal importing countries such as India, Japan and Thailand) may be a strategy of Mozambican Government to compensate the decline on the volume disbursed by the Bretton Woods institutions and other Global North donors after the hidden debt scandalous.

The construction of some of the support infrastructures of the main Mega-Projects including airports, ports and even road rehabilitations are being led by Brazilian construction companies. A greater

project is on the same path, as the recognition of the great potential in production of electric energy in Zambeze river, where the biggest Mozambican dam, Cahora Bassa hydroelectric, is located and half of the production is exported to the emerging industrialized South Africa and a smaller amount to Zimbabwe, a new investment was approved aiming the construction of a new dam among the Zambeze river, Mpanda Nkuwa. The Government signed a contract of concession and the public company EDM owns about 20% and the rest is shared between a Brazilian construction company Camargo Correa and the Mozambican company, Insitec, which one of the owners is indicated to be the former President of Mozambique Armando Guebuza and Celso Correia, before engaging the role of Minister of Land, Environment and Rural Development.

In conclusion, there are clear patterns of an exchange in financialization in Mozambique as the Global North dominance as the main donor or lender is being overtaken mainly by the BRICS at this stage, on a context of clear export-based strategies of investment and distribution channels. For Lenin (1916) and Harvey (2003) this is a clear driver of imperialism, or in this case, sub-imperialism in the name of South-South cooperation and solidarity. The main question remaining is who gets the win in the so called “win-win” alternative strategies of development promoted by the BRICS?

### **2.3 South-South sub-imperialism behind the “alternative development strategies”**

The United Nations Commission for Africa (2013) puts forward several “guidelines” regarding the Africa-BRICS cooperation regarding the engagement of Africa with this set of countries and how Africa can enhance economic growth, employment and structural transformation through this engagement. Their main focus is to reduce poverty through the creation of employment and maximized the opportunity through development assistance provided by the BRICS.

These statements have been a major target of debate and several authors (for instance Nayyar, 2016; Bond, 2013; Bond, 2016; Muhr, 2016; McKay, Hall and Liu, 2017 and others) analyse the role of the economic potential of the BRICS in the global economy and particularly its effects on developing countries to find out whether there are sub-imperialists, huge competitors or even if they have a more optimistic view of assuming the complementarity role of the BRICS. This section aims the discussion of some of the mainstream slogans and guidelines that are often connected with Africa-BRICS cooperation for the case of Mozambique.

## **3 Endowment of natural resources as an opportunity to economic growth**

*“Africa’s resource endowments create opportunities to leverage Africa–BRICS cooperation for embarking on an industrial strategy to maximize backward and forward processing linkages with the commodity sectors”*

The United Nations Commission for Africa (2013: iii)

Having a growth-centred Government, Mozambique has succeeded in providing high rates of economic growth for the past decades. This growth is substantially justified (as showed in Graph 1) by the high volumes of investment directed mainly to extract-and-export based Mega-Projects in natural resources sector. Indeed, it is confirmed that through the Africa-BRICS development strategy Mozambique was able to achieve high rates of growth, however, it is not verifiable the way this economic growth is translated into wealth creation to Mozambicans or even into reduced of poverty of the dispossessed local population and the rest of the population.

According to the last Ministry of Economy and Finance’s Survey (2016) more than 46% of the population is considered to be living in poverty and the number of people living in poverty increased to 11.8 million as compared with the previous Survey in 2009. United Nations’ own analysis show, despite the high rates of growth, that for decades Mozambique is classified as a low human development country as it presents low income per capita, high rates of illiteracy and one of the worst

Life expectancy of the world. In 2015 was ranked in the bottom 10 worldwide, even behind extremely political instable countries as Republic Democratic of Congo, (UNDP, 2016).

This scenario can be justified with two macroeconomic phenomena with which the discourses around alternative strategies of development arise. Firstly, although there is the assumption of creation of employment as a result of this Africa-BRICS engagement and as the key determinant of decreasing poverty through investment-led channels, most of the BRICS' investments in Mozambique (either Mega-Projects or large to medium scale) are capital-intensive with low jobs created per investment ratio and with cases of higher admission of foreign labour<sup>9</sup>.

Secondly, an accumulation by dispossession process is verified in parallel with higher levels of external accumulation of wealth through exportation of profit from raw material export oriented schemes and high levels of remittances. This scheme does not promote internal industrialization or even export of value added commodities, quite the opposite, as it undermines internal industrialization as it feeds and increase the level of competitiveness of BRICS' industrialization processes as it will be explained afterwards.

The mainstream institutions' obsession in achieving higher and higher rates of economic growth and the capitalists' systematic seek of higher rates of profit is the perfect combination for the marginalization of trends of socio-economic development, well-being and social justice for the host country of these investments. Therefore, the endowment of resources creates opportunities for the BRICS as emerging economic powers, however, for the African countries, in this case Mozambique, it's more of an unfair trade-off of factors of production.

Overall, this system would be characterized by Lenin's theory of imperialism as the concentration of capital accumulation in specific groups of economic agents that are engaged in a parasitic exploitation and that attain decisive role in economic life, in this case, of Mozambique.

#### **4 Mutual benefits and solidarity**

*"Africa-BRICS cooperation is predicated more on mutual benefit and solidarity rather than on gift giving or pure commerce. The BRICS support Africa's development through project aid (mainly to improve infrastructure, complimenting aid from countries in the Organisation for Economic Co-operation and Development), concessionary loans and credits, as well as grants."*

The United Nations Commission for Africa (2013: 1-2)

Mainstream institutions' impressive effort of underlying anti-imperialism discourses around the Africa-BRICS cooperation is as consistent as the assumption that mutual benefits and solidarity are materialized through a profit-free trade activity and the extraction of natural resources and land grabbing were just as beneficial for local population or internal market demands as they are to Multinationals or international market demand.

In reality, this Africa-BRICS cooperation promoted the redistribution of natural resources (including land for agricultural purposes) that reshapes the possession of means of production and the ability of wealth creation. As being capital intensive, the process of resource grabbing does not provide enough rural employment and consequently high levels of rural surplus population is verified. Therefore, rural development is shaped by the interests and needs of the investors accompanied by a process of peasantry transformation regarding class differentiation.

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<sup>9</sup> In 2016 a 15.6% drop in formal employment for Mozambican citizens, however, a 11.1% increase in jobs for foreigners, (Zitamar News, 2017).

The previous point of discussion itself partly contradicts the assumption of mutual benefit and solidarity as there isn't a balance between the gains and losses of this cooperation for both parties even though Mozambique achieved high rates of growth. Additionally, both terms maybe not be suitable with reality as most of the cooperation, loans and projects financed by the BRICS focus on infrastructure improvement in order to accommodate and support the development of their own investments in the country, whether it is to increase productivity or to improve its channels of distribution. Section I.2 provides a more in-depth analysis of the nature of infrastructures financed by the BRICS and their allies.

On the other side, there is the fallacy of solidarity through disbursement of aid directed to programs of health, education and other sector that do not come simply as "free lunches" as they influence on the bargaining power of a low capacity and low autonomy Government<sup>10</sup> in many decision processes regarding investment and planning. For instance, taking the example of China as a strong donor, it set some economic "pre-conditions" for the volume disbursed as stated by the former Prime-Minister, Luisa Diogo, those are related to guarantees regarding the access of natural resources (Hanlon, 2010; *Diario de Moçambique*, 2010 in Chichava, 2010). It is certainly the case that the increase in agro-commodities' demand put not only China in seek of new partnership to secure natural resource access (McKay, AF, Brent, Sauer and Xu, 2017: 1) but the same patterns of aid/natural resources trade-off are verified from the rest of the BRICS.

Discourses about mutual benefit and solidarity entail the recognition of each other needs as countries of distinguished stages of development and economic dynamics which would set priorities differently. So, the "alternative development strategies" should respond the needs and priority of both countries with relatively balanced cost/benefit ratio, which is systematically ignored when negotiations take place and the Multinationals operating in extractive industries get major fiscal benefits (reductions and exemptions). The lack of Government's bargaining power towards current donors/lenders and potential investors from the BRICS and their allies, plus the high levels of corruption fail to seize the opportunity of increasing public revenue, on the contrary, it contributes to the ability of capitalists to get higher profit rates out of the extraction of resources. The latter fully responds to the interests and need of the BRICS as emerging powers.

Table 1: Example of Mega-Projects' fiscal benefits

| <b>Mega-Project</b>            | <b>Fiscal benefit</b>   |
|--------------------------------|---|
| Vale<br>Moçambique             | Reduction of 25% on collective tax income for the period of 5 years |
|                                | Reduction of 25% on profits for the period of 10 years              |
| Sasol<br>Petroleum -<br>Temane | Exemption of Value Added Tax  |
|                                | Exemption of Import Taxes for a period of 5 years.                  |

Source: Nuvunga (2013).

Nevertheless, one should say that the most growing sector of Mozambican economy in terms of investment, trade and finance of infrastructure support, the extractive industry, does not constitute the

<sup>10</sup> After the Socialist experience, Mozambique incorporated programs to improve economic performance with the Bretton Woods institution and since then has been systematically dependent on external resources (donations and loans from Bretton Woods Institutions, European Union, Japan and many other countries). In the last decade, on average, 50% of the Government Budget is financed by external resources.

first priority for the sake of its population with high levels of undernutrition and where one third suffer from chronic food insecurity. In other words, the “mutual benefit and solidarity” coming from the BRICS did not respond to fulfil the most basic needs and interests of the majority of the population.

Some reflexions try to explore the potential of South-South cooperation to promote “alternative development”, for instance Murh (2016), shows that although solidarity is one of the principles of this cooperation, it should not be expected that the BRICS would resolve all the world’s problems. However, from the author’s point of view it shouldn’t be expected from them as well to create new problems, even over in the name of solidarity.

Some sceptic scholars, not only distrust the notion of solidarity, but consider the competition behind it. Nayyan (2016) consider BRICS’ emergence in world economy as strong competitors in markets for export or as destinations for investment towards other developing countries, as they might opt to pursue national interest rather than solidarity. Ironically, the pursuit of their own interests in Africa-BRICS cooperation, make the BRICS much more competitive as they are able to produce manufacture goods much cheaper than the countries that provide the raw materials, as it will be discussed further.

## **5 Alternative development strategies**

It is indeed a fact that these set of schemes are reshaping political and economic relations of resource distribution, value chains, external trade and financialization, in which the BRICS have become a major actor. Nevertheless, Mozambique’s economy increased their external dependence not only on loans and donations, additionally dependent on inflows of foreign direct investment to support high rates of growth and dependent on international trade dynamics, specifically the commodity demand from emerging Asian markets that are influenced by Global North demand of manufactured commodities, which has no relation to Mozambique’s internal needs and demand. In the same line of thought McKay, Hall and Liu (2017:1) refer that “the BRICS may represent a continuation rather than an alternative to the development paradigms of the global north”.

This level of dependence can have local as well as macroeconomic examples of the increased vulnerability of Mozambique’s economy. In a local level, I present the case of the increase of pigeon peas production (in quantity produced and in harvested area as well) in specific provinces due to an increase in the Indian market demand and the liberalization of import taxes of pigeon peas in India. This stimulus motivated a huge number of family farmers to increase the production as it was a market-guaranteed cash crop and they even started to substitute the production of food crops in order to meet the high levels of Indian demand deficit, yet becoming more and more dependent of exports to India for their subsistence. However, the recent tax increase for the import of pigeon peas in India, motivated the Indian middlemen to decrease dramatically the demand for pigeon peas, leaving the family farmers’ production to rot<sup>11</sup> and with access to markets to sell their production and get income for their subsistence.

In the macroeconomic level, the vulnerability is expressed through the volatility of international commodity prices as Mozambique is a strategic extract and export region. The case of the investments in Tete province (Vale Moçambique and Jindal) and the drop of coal prices portrays how determinants these Mega-Projects are for the Mozambican trade balance, the balance of payment, exchange rate and other macroeconomic variables. The systematic drop on coal prices in the last years (except for the recent rise) instigated less exports of coal and disinvestments in the Tete province which negatively influenced the balance of payment sustainability and also the national currency devaluation with effects on general prices (rise of inflation) as Mozambique is a net importer of food and manufactured goods.

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<sup>11</sup> <http://clubofmozambique.com/news/unsold-pigeon-peas-at-risk-of-rotting-in-cabo-delgado/>

These are typical scenarios of economies that are growing due to external market stimulus, whether is FDI or export of primary goods, and the economic and political interests are highly influenced by external market demands and ignore the priorities and needs of national interests. The BRICS' scheme promotes and instigate the chronic dependence path of Mozambique, which will not allow this country to achieve sustainable social, environmental and human development as an alternative to what have been verified before.

## **6 How 'South' is BRICS' sub-imperialism?**

The previous analysis focus on the visible evidences of the emergence of south-to-south sub-imperialism in Mozambique focusing mainly in investment, trade and financialization schemes brought up by the BRICS in the last decades. These insights indicate it is just a fictional discourse that the Africa-BRICS cooperation made Mozambique shift to "alternative development strategies" rather than continue on the neoliberal imperialism with high economic dependence on the Global North.

From section I.2 it is clear that the BRICS are in some way involved as shareholders (major or minor) in all of the biggest Mega-Projects and many others large scale investments engaged in a scheme of integrated development and synergies throughout the sector of agriculture, extractive industry, infrastructure and even the only and biggest project in manufacture industry (MOZAL). These schemes are equally effective when it comes to strategic positions in international trade that guarantee marketization of the primary goods, for instance Brazilian Vale Moçambique to export mineral coal to China and India, or, South African investments to import manufactured good from China or vice-versa.

Nevertheless, it is understood that the BRICS schemes also involves partnerships, shareholdings or even cooperation with some Global North actors<sup>12</sup>, who are involved in a much less overt way for some cases. The case of ProSAVANA is a clear case of cooperation of interest of Japan and Brazil, which is connected with Vale Moçambique investments along the Nacala Development Corridor and Mining (Which the Japanese company Mitsui & Co became a recent shareholder). In a project of natural gas extraction, the same Japanese company Mitsui & Co and two Indian companies are in a co-venture with USA capital operating in the North, Anadarko. The other Mega-Projects related to natural gas extraction, for instance the Italian capital ENI, recently signed a cooperation agreement with China National Petroleum Corporation (CNPC) which can strategically create greater access to the Chinese market<sup>13</sup>.

Financialization from the Global North actors is also a strong way of supporting their own as well as the BRICS' interests and profitability of their investments. For instance, big Mozambique lenders, IMF and WB, hold in their policy guidelines to the improvement of the business environment in an investor-led approach (see Doing Business Reports from the WB) and of promotion of exports in order to reach macroeconomic stability (with reasonable exchange rates and inflation). Facing these set of policies and many other features of being in a poverty trap, the Government promote Mozambique's potential regarding natural resources as if Mozambique was a 24h open business, with cheap labour, high levels of corruption, soft legislation and tax haven<sup>14</sup>. Besides being a lender and highly influential

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<sup>12</sup> See Section I.2.1 for a more detailed analysis of alliances between Global North and BRICS in Mozambique Mega-Projects.

<sup>13</sup> <http://clubofmozambique.com/news/eni-inks-ep-cooperation-deal-with-chinas-cnpc/>

<sup>14</sup> According to the Economic Intelligence Unit "after a tumultuous year the government is eager to convince foreign investors that Mozambique is open to business...these investments are almost exclusively focused on the growing gas sector...the profit margins in these operations, which are the cheapest in the world, are too appealing for investors to turn their backs on", (Zitamar News,

to Mozambican policy makers, the World Bank, through its member the International Finance Corporation is also a minor shareholder of the oldest natural gas extraction project in Mozambique in the South African company SASOL.

In this context, Bond (2013:252) argues about the role of the BRICS on Washington's ongoing hegemony, through lubricating world neoliberalism, eco-destruction, as coordinator of hinterland looting and greater recourse to accumulation by dispossession. Therefore, Bond (2013) calls for the confrontation of the general problem of sub-imperialism re-legitimation of neoliberalism. Therefore, it wouldn't be accurate to assume a shift from Global North imperialism in Mozambique to South-South sub-imperialism as the latter may arise as a variation of the first within a scheme of strategy shift of capital accumulation that integrates both Global North and BRICS' interests. In other words, there are two sets of capitalist associations that distribute the resources among themselves (Lenin, 1916), both drivers of accumulation by dispossession.

These sets of schemes can be considered to be set of new political and economic mechanisms of the new imperialism, although engaged in the same extractive model based on accumulation by dispossession by geopolitical expansion and dominance, it requires a number of alliances and connections between Global North actors and the BRICS that works harmoniously in order to accomplish the objectives of their national interest. The politics behind the South partner's discourse of mutual benefits and solidarity helps them to be the frontman of these schemes and ease the process of penetration whether it is from the closeness of economic development stage, from being ex-colonies, being neighbouring countries or even sharing the same language.

Overall, not only the BRICS can be considered to be lubricants to neoliberalism as portrayed by Bond (2013), they are currently engaged in a specific global division of labour, specially India and China as hubs of industrialization and global manufactured goods suppliers, that is reflected on the way they operationalize their activities in Mozambique in a strategically aligned, in a convergent or complementary way, with the Global North interest and demands.

## 7 Concluding remarks

The BRICS, as the new faces of the "scramble for Africa", constitute one of the main emerging capitalist association with high economic power and dominating huge of commodity chains and transforming themselves into industrial hubs with high influence in international markets as they are determinant demand and supply wise. Together, they account for significant share of global economy investment and trade. Mozambique is one of the preferred destination of BRICS' activities as they represent 21% of total investment, 45% of total imports and 35% of total exports and together one of the biggest lenders and aid provider of the country.

As the monopolization of capitalism brought by the BRICS grow, politics and economic policies are being reshaped to answer mainly to the new dynamics from international market stimulus and BRICS demands, ignoring the priorities of Mozambique as an agricultural-based economy and as a country. In this way, this capitalist association was able to gain control over Mozambican economic growth, patterns of production, trade, legislation and so on, reflecting a geo-strategic economic dominance that transformed Mozambique into a primary goods supplier (natural resources) and at the same time a manufactured good consumer.

South-South economic and political relations, whether materialized by inflow of investments of all kinds or by so called cooperation programs, are commonly linked with words as "solidarity", "alternative", "win-win", "mutual benefits" and many others, however, this paper connects with the

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<http://clubofmozambique.com/news/mozambique-to-remain-a-two-speed-economy-growth-to-set-at-5-a-year-through-to-2021-economist/> ).



debate of sub-imperialism behind those optimistic discourses, as the BRICS are not engaged in an alternative strategy of development, they are rather exploiting asymmetric political and economic relations in order to obtain higher profit rates by the accumulation by dispossession process.

In reality, this Africa-BRICS cooperation promoted the redistribution of natural resources (including land for agricultural purposes) that reshapes the possession of means of production and the ability of wealth creation. As being capital intensive, the process of resource grabbing does not provide enough rural employment and consequently high levels of rural surplus population is verified. Therefore, rural development is shaped by the interests and needs of the investors accompanied by a process of peasantry transformation regarding class differentiation. In parallel, there is also a macroeconomic leverage that does not translate into well-being of the overall population meaning that there is the marginalization of trends of socio-economic development, well-being and social justice for the host country of these cooperation. Therefore, the endowment of resources creates opportunities for the BRICS as emerging economic powers, however, for the African countries, in this case Mozambique, it's more of an unfair trade-off of factors of production.

This concentration of capital accumulation in specific groups of economic agents that are engaged in a parasitic exploitation and that attain decisive role in economic life of the country, in which the priorities and needs of national interests are ignored, can be considered to be a set of new political and economic mechanisms of the new imperialism, although engaged in the same extractive model based on accumulation by dispossession by geopolitical expansion and dominance, it requires a number of alliances and connections between Global North actors and the BRICS that works harmoniously in order to accomplish the objectives of their national interest. The politics behind the South partner's discourse of mutual benefits and solidarity helps them to be the frontman of these schemes and ease the process of penetration whether it is from the closeness of economic development stage, from being ex-colonies, being neighbouring countries or even sharing the same language.

Overall, the BRICS they are currently engaged in a specific global division of labour, specially India and China as hubs of industrialization and global manufactured goods suppliers, that is reflected on the way they operationalize their activities in Mozambique in a strategically aligned, in a convergent or complementary way, with the Global North interest and demands. The emergence of a geospatial expansion and dominance of the BRICS power is supported by the Global North hegemony characterized by a new mechanism of imperialism hidden in the name of South-South cooperation, which in reality answering to BRICS national interests feeding the Global North demands and deepening the economic dependence of Mozambique.

This paper focusses mainly on external variables rather than focusing on internal and intrinsic actors of this study case. This does not invalidate the analyses of this work, however, it is relevant to examine the role of the Government and the nature of its actions and motivations, and how far it goes to accommodate the external capital interests over national interests. Further remarks are important on how the government's performance diminish or exacerbate the features of this emerging variation of (sub)imperialism in Mozambique.

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