The Policital Economy of International Trade: Mozambique Under Portuguese Colonialism.

*A.T. Gana**

Classical economic theory posits a positive relationship between international trade and national development. Until quite recently third world economists, most especially African academic economists, swallowed tenets of this theory hook line and sinker. This is not surprising, given the content of their training from the major academic (ideological) institutions of the former colonial masters. Their uncritical acceptance, until recently of this and other bourgeois theories, testifies to the degree of cultural and intellectual subjugation facilitated by the colonial structures of exploitation. Consider the following excerpt from a recent work on the economic history of Nigeria. After presenting the data for Nigeria's foreign trade during the colonial period, the author concludes:

> The export trade of Nigeria provided a fitting example of Adam Smith's argument for international trade. Adam Smith wrote that 'Between whatever places foreign trade is carried on they, all of them, derive distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them and brings back in return for it, something also for which there is demand. It gives a value to their superfluities, by exchanging them for something also, which may satisfy a part of their wants, and increase their enjoyments.'[1]

The message throughout the book rings loud and clear: international (or foreign) trade is the route to development. Implicit in this is a simple syllogism: International trade leads to development. Britain, the United States, Japan etc. developed through international trade, therefore, Nigeria, one of the developing countries, will develop through international trade. Hopkins, who is by no means a Marxist scholar, knocked the bottom off the free traders' claim when he observed, in respect of European imperial adventures in West Africa:

> Free trade though sometimes presented as a high minded principle capable of bringing prosperity with honor to the comity of nations, was in reality a passport to British supremacy. In conditions of 'equal' competition, Britain was likely to dominate most world markets because she could produce and transport manufactured goods more cheaply than could any of her rivals.[2]

So seductive have been the appeals of free trade that most Third World economists fail to reflect on the global political context within which the theory germinated. They fail to realize that just as the flag followed the Bible so did the theory hegemony of the Crown in the global struggle for ascendancy among European powers.

This failure to distinguish between economic theory and economic reality is due, in part, to the paralysing effect of colonialism on the intellectual capacity of the colonized, but, much more significantly, to the general crisis that has plagued economic science ever since it "abandoned its revolutionary intellectual efforts to seek out and establish the working principles of an economic system best able to advance the cause of mankind, becoming a mere attempt at an explanation and justification of the *status quo.*"[3] This abondonment of its revolutionary raison d'etre, created a

*Senior Lecturer in School of Basic Studies, Ahmadu Bello University.

dichotomy between theory and practice rather than a dialectical relationship in which theory informs practice and vice versa. It is this observed disjuncture that in 1969 led a group of Latin American economists to express their distress at "the present inadequacies of our discipline and our own inability to give the necessary cooperation to people.... in their search for economic and social development"[4] urging "new perspectives" and change in its orientantions. Onimode put the problem facing the discipline most poignantly in perspective:

> the crisis in economics, the loss of coherence and consensus in the discipline, is the direct consequence of fundamental incongruence between paradigm and objective reality. The dominant world view of the economics discipline its basic explanations, solutions and predictions have been at such variance with observed social reality as to make the major assumption and methodology dubious.[5]

This article takes a look at one such social reality to see the extent of congruence between economic theory and the reality it purports to explain: International trade is said to (a) facilitate increased capacity of an under-developed country to import capital goods of all descriptions, needed for economic capital; (b) serve as a means of diseminating new ideas, technical know-how, skills, managerial and entrepreneurial competences; (c) serve as a vehicle for international capital movements and (d) make for healthy competition. It was for these reasons that Professor Haberier, claimed that;

> International trade has made a tremendous contribution to the development of less developed countries in the 19th and 20th centuries and it can be expected to make an equally big contribution to their future, if it is allowed to proceed freely.[6]

The central contention of this article is that much of bourgeois economic theory on trade and development, as on many other aspects of economic life, is ideological rationalization for the hegemonic position of monopoly capital throughout areas of the world that it has successfully penetrated. The mercantalist practices as distinct from the free trade theories which characterize foreign economic policies of advanced capitalist states since the beginning of the last decade, should alert even the die-hard neo-classicist that international trade contributes to the development of the dominant economic powers in a given international economic system, not the development of the subordinate economies of the system.

In this article, I propose to examine the dynamics of trade and circuits of capital in the process of the underdevelopment of Mozambique under Portuguese colonialism. The central thesis is precisely the opposite of the above quotation: that international trade has, indeed, been the source of underdevelopment of Mozambique, as of the rest of Africa.

ECONOMIC DEVELOPMENT IN HISTORICAL PERSPECTIVE

Economic development is a function of economic growth; without growth there is no development. The essential prerequisites of economic growth are capital accumulation, and changes in the structures and organization of the process of production. The notion of capital implies economic surplus. Economic surplus is the difference between the actual current economic output and actual current consumption viz. current savings or accumulation. Historically, it is the size and mode of utilization of this generated economic surplus that determines the level of development of the productive forces of society and corresponding relations of production. Growth is then an interaction of these material and social processes. Hence, the rate and direction of economic development is dependent on the mode of appropriation of the economic surplus and the necessary changes in the social relations which the process of appropriation historically engenders. The full utilisation of this surplus within a given social economic formation, is the prime mover behind economic development.

Clearly, the leading questions of economic development cannot be answered without a dynamic category of historical interpretation requiring a methodology which fuses economic, social and political forces historically. The concept of the mode of production denotes the historical specificity of an economic system. The conceptualization of distinct or specific stages in the development of socio-economic systems may begin at the level of class relationships - producer to non-producer and each of these to other sections of society. This periodization of the history of economic development facilitates an identification of crucial points and forces in the process in which the tempo of growth is accelarated, the continuity broken by a sharp change in direction, or the blockage of particular socio-economic formations.[7]

Although each mode of production is distinguished by a definite set of class relations and organization of production, modes are never "pure" in form. Elements of both preceeding and succeeding modes are to be found intermingled: yet each mode of production is articulated under a dominant form of capital. This capital exists in different forms at different stages of history according to the specific mode of production. To each mode of production corresponds a dominant circuit of capital (money, merchant capital, industrial capital, or finance capital), as well as a dominant method of surplus appropriation (rent, profit, or interests. Since modes are never pure,) different forms of capital and methods of appropriation may exist at a given historical conjucture, and different modes of production are accordinggy articulated within a specific socio-economic formation. This process - capital accumulation and appropriation - is an historical dynamic: the dominant circuit dissolves previous modes of production, and gives birth to new modes of production.

The articulation of modes of production, the introduction of forces changing the character of productive forces and social relations, is conditioned by trade relations. Trade, the exchange of commodities via the circuit of merchant capital has historically dissolved precapitalist modes of production. Yet this process of dissolution and articulation — economic development — cannot be analyzed merely with concepts rooted in relation of exchange. The causal, historical analysis of the *process* of economic development cannot be derived solely by a construction of exchange relationships. The concept of the mode of production, the articulation of patterns of surplus production and utilization, is effaced at the level of exchange. Nothing is explained since exchange analysis is one of price equivalents. This positivist, structuralist approach to international trade and economic development, by assuming a given level of production or factor endowment and consummating in quantitative analysis, ignores the crucial, historical and social division of labor that is the content of factor endowments and production. The identification of the real functions of trade in the process of economic development must be rooted in the relationship of trade to the specific mode of production. These functions include the transmission of new circuits of capital which impinge upon and change the pre-existing mode of surplus production and appropriation. Thus, the role of trade in changing the mode of

production — the acceleration, blockage, or disruption of the process of articulation — is a fundamental foundation for an historical theory of underdevelopment.

Analysis of the form and content of trade in the penetration of pre-capitalist economic formations of modes of production in Mozambique, as in all colonial territories, must be rooted first in the specific, objective economic character of the metropolitan mode of production, and generally in the position of its economy in the world political economy at different periods.

MOZAMBIQUE AND PORTUGUESE CAPITAL

The Portuguese penetration of the Mozambican coast in the 16th century was followed by settlement and the expansion of the regime dos prazos in the Zambesi Valley over the 17th, 18th and 19th centuries. The prazoa were essentially landed estates organized and headed by the Portuguese settler. These estates were feudal in character, marked by a definite sysytem of land tenure and class relations -- a hierarchy of landlord, vassal (colons), and slave. *Modus operandi* were developed between the prazeros and the adjacent communal kingdoms of the interior of Mozambique. Trade in tribute was the early means of this exchange with the kingdoms, and the source of the *colons* and slaves. Regional trade during this period, 1700-1850, was highlighted by the extraction of ivory and gold by the coastal Portuguese merchants, and intra-*prazo* trade conducted by a vassal slaving class-- *misambodzi*. The feudal prazo sysytem was not tied to the Metropole, it was rather organized against Portuguese intrusion. Tenuous links the Portuguese merchants resulted in an absence of economic incentives or pressures to increase production on the *prazo*. Economic organization was thus limited to simple commodity production of staples such as sorghum, millet and maize. The feudal system, and its class relations, was in flux; the ability to acquire land by the *colonos* led to a rapid rise of non-European *prazeros* by the early 1800's. Yet the system lacked a sound structural basis for expansion of the forces of production due to the absence of external trade relations. Class tension within the prazero system gave rise to disintegration and shortlived organized estates. Continuous raids by local *prazo* slaves bands and intrusions by the surrounding kingdoms, yielded this mode of production to be highly unstable. The period of prazo disintegration (1780-1850), the growth of feudal warfare, landlord absenteeism and agricultural stagnation, stemmed from the structural incapacity for surplus production from the existing mode of production. The feudal mode began to disintegrate before really penetrating and changing the precapitalist kingdom form of production. Moreover, the merchants, trading in ivory and gold, were not serious enough to affect the traditional mode of production during this period. Instead, contradictions in the *prazo* mode of production gave rise to a new form of surplus accumulation.

From 1800-1850, slaves were the dominant commodity for accumulation in Mozambique. Approximately 10,000-25,000 slaves were appropriated per year during this period, depending on the success of the hunt and the demand by merchant capital. The surrogate prazeros, European and non-European, extended the trade deep into the interior reaching up to Lake Nyasa and south to the Limpompo region. This large scale exportation of natives during this trade and the de-population of the traditional lands to satisfy to the dictates of coastal merchant capital, marked a fundamental disruption of the process of development in the precapitalist economic organisations. The trade in slaves and the consequent depopulation preempted population pressures which historically generated changes in productive techniques and the social division of labour of an economic structure. The essential condition for economic development, the maximum use of a given formation's *key* natural resources human labor-- was systematically blocked by slave trade under merchant capital.

The Portuguese State was not at all involved in the organization of the slave trade in Mozambique. In fact, this period was characterised by the remarkable absence of Portuguese military or political control. The Portuguese mode of production, largely feudal and by far the most heavily indebted country in Europe, lacked the resources necessary to organize an administrative network for effective control there. However, intensified economic competition in the world political economy among the European capitalists incited Portuguese efforts at consolidation and control. A modicum of control was established by the 1880's in order to substantiate Portugal's claim to colonies at the Berlin Conference of 1884-86. The Conference and the partitions of Africa which followed, multiplied the means available for the reorganization of the mode of production in Mozambique.

Portuguese colonial policy in Mozambique was designed to utilize trade and merchant capital to transform the *prazos* into effective economic institutions for the promotion of agricultural production and the export of commodities. The instruments for the expansion of trade and the circuit of merchant capital were the three companies chartered in the 1890's: the Mozambique Companhia (backed by British, German, and South African Capital), the Niassa Companhia (backed by British capital), and the Zambezia Companhia (backed by British, French, German, and South African Capital). Land leased to these monopoly trading companies covered 2/3 of the total land area of Mozambique by 1900. The Zambezia Companhia, the largest and most profitable, spearheaded the transformation of the interior via merchant capital. European plantations were subsequently developed for sugar, sisal, copra, and cotton production. The colonial state instituted a system of forced native mobilization through taxation so that commodity production may expand. Yet the extent of the penetration of merchant capital, the expansion of commodity production, and the dissolution of the precapitalist economic structures was circumscribed during this period (1890—1915). The companies were highly speculative and lacked the capacity (capital) needed to develop the land leased. Instead a large share of the surplus was reaped from taxation; an exorbitant hut tax on the precapitalist formations, and a tax to be paid in kind (forced labour). An additional source of surplus was labour recruitment and shipment to the South African or Rhodesian mines. Peasant revolts began on a wide scale in 1878, and developed into the full scale rebellions of Sena-Tonga, Makange, and Mwenemutapa by the turn of the century. The military power of the colonial state was frequently called upon to crush these revolts in the kingdoms. In this period, therefore, the penetration of the precapitalist modes of production and their transformation was minimal. By 1915, less than 1% of the land in the fertile Zambezi Valley, the *prazo* belt, was under cultivation. Mining was equally undeveloped.

These prazo merchant companies were the tools for the penetration of the precapitalist economic structures in Mozambique by merchant capital. The process penetrated and undermined the simple commodity mode of production, and subordinated it to the demands of merchant capital (allied with the state). As Kay describes this process vividly when he says:

> The accumulation of merchant capital required an expansion of commodity production which sooner or later disrupts the social organisation of production itself. Even where merchant capital does not threaten to seize control of production directly and reorganise it on a capital basis.... by always challenging the social organization of production it undermines the economic and social basis of the ruling class. As the sole form of capital and sole medium of the law of value, which its drive to accumulate transmits to all spheres of economic activity, merchant capital is the acid in which the structures of non-capitalist society are dissolved.[8]

The massive resistance and revolts from the precapitalist sector manifest the struggle against the undermining of the social basis of the mode of production, as Nigeria's experience also testifies.

To underline the dynamics of the circuit of merchant capital, a recapitulation is in order, at this juncture. The character of a simple commodity produced in two-fold; it has use value and exchange value. Merchant capital transforms precapitalist production from that of simple commodities to commodities for exchange value in trade. The local producer in Mozambique, as in Angola or Nigeria under colonial rule, was therefore exposed to new needs which could only be realized by participation in the production of cash crops - either by selling his labour or by selling fruits of his labour. The transformation of simple commodity production, under the circuit or merchant capital, robbed production of its largely independent form (domestic use and exchange value), but it was not capable of completely transforming the entirety of precapitalist formations. "The development of merchant capital tends to give production more and more the character of production for exchange value.... yet its development is incapable by itself of promoting the transition from one mode of production to another."[9]

Merchant capital is trading capital, the commodity has value before the act of exchange, in the form of crystallized abstract labor so that value creation is not a function of exchange, but rather of Production. Merchant capital, expressed by the circuit M-C-M (money-commodity-increased money) is a process of profit via unequal exchange — the price of sale is higher than that of purchase. Merchant capital then merely makes the value of the commodity apparent. It cannot, by its very nature, increase the value of commodities. The surplus seized is largely penned up in the sphere of circulation, and utilized to expand trade but *not* the forces of production. Merchant capital in its independent form, then, operates without regard to use value. The objectiver mechanism of the circuit, unequel exchange, is as identical with slaves as with agricultural commodities.[10]

This independent medium bearing law of value of merchant capital reorganized the pattern of production to that of exchange value for *external* sources. This is the basis of the dislocation of production from consumption, the substitution of exchange value for use values in commodity production, and the origins of the disarticulation of the structures of production and vertical integration. Without a class to resist the demands of this merchant capital, which was blocked by the earlier disruption of the development of feudalism in Mozambique, production developed on the basis of an alien mode of production and circuit of capital. Therefore, the independent form of merchant capital stands in inverse proportion to the general level of economic development of society.[11] Since independent merchant capital did not transform the precapitalist formations, neither the necessary socialization of labor (the development of a structural *inter*dependence of the sectors of production) nor the socialization of capital (the capital of directly associated capitalist producers) was realized. This integration is the *sine qua non* of economic development. The expansion of trade under these conditions aggravates and intensifies the structural distortions in the mode of production.

A key *determinant* of the development (form, content and operation) of merchant capital and trade in Mozambique was social relations in the Metropole mode of production. The peculiar, objective conditions of the Portugues economy, historically influenced the nature of Portuguese colonialism, and therefore the economic development of Mozambique. The position of the Portugues economy in the international political economy at the turn of the 20th Century was still one of an underdeveloped, largely feudal state. The ruling class was dominated by feudal land—owners: in other words, the class structure was such that an increase in cash crop or raw material production in Mozambique would put pressure on industrialization in Portugal and undermine their social base. Therefore, in the earlier period, merchant capital pursued commodities of high surplus value but not directly of high Metropolitan exchange value: human slave labor. Initially, markets for commodities were realized outside the Metropole. It was not until the 1910—30 period — that of expanded Portuguese industrialization and changes in restrictionist colonial trade policies — that the operation of merchant capital rapidly expanded commodity production. The Portuguese State also began to take advantage of the protected overseas makert. This reciprocal element in the operation of merchant capital caused a distorted division of labor between Mozambique and Portugal. The extent of the distorted specialization is reflected by the following:

In 1937, of the 30 principle exports from Mozambique, the quantity of manufactured exports accounted for less than 1%. Hence the articulation of the mode of production in Mozambique by merchant capital denied that mode the dynamics of the industrialization process. The reciprocal dynamic of merchant capital also served to arrest changes in social relations in Portugal.[12] The landed ruling class was able to defer the contraditions of repressing the level of industrialization by dumping goods which would have been uncompetitive on the international market (limited industrialization implies low economies and high costs of production) into Mozambique. This prolonged the operation of the circuit of merchant capital in Mozambique.

Without revolutionizing the mode of production, the further extension of the circuit of independent merchant capital only increased the dependence and worsened the condition of the direct producers in Mozambique. The expansion of commodity production leaves the producers dependent on the monetized economy for provision of the necessary use—values for social reproduction. Yet this is only half the matter: the impact of the colonial superstructure, the ideology of the colonial state (as formulated in the 1980's) was to have an important influence on the forms of economic development and the condition of labor. The foundation of colonial labor policy was objective in the sence that it conformed first to the structural distortions as articulated by merchant capital. The *form* the policy took (though racist) was not designed to secure a modicum of social improvement for the African. The State explicity stated its ideology in 1898: "the state, not as a sovereign for the semi-barbarous population but

also as a depository of social authority, should have no scruples in obliging and if necessary forcing these rude Negroes to work, that it is to better themselves through work, to acquire through work the happiest means of existence, to civilize themeselves through work."[13] This ideology by conforming to the monetizing dictates of merchant capital, saw landowners doubled as officials ensured that the State was directly involved in maintaining social relations in the same mould. The state soon realized its historic role in uniting and reproducing the social relations of a given mode of production. The history of the role of the state in labor relations in Mozambique is largely the history of the ruthless expoitation of the Africans through a system of quasi slavery — the institution of forced labor or *shibalo*. The labor, vagrancy and taxation, operated in tandem to force the African to enter the cash bound market economy, and to control those already involved in the economy. Resistance from the precapitalist economic formations was dealt with by the Labour Conventions, of 1913 and 1928, with Pretoria and the Transvaal for the annual conscription of 80,000 Mozambican workers per year for the mines. The state actively utilized merchant capital to break down the precapitalist mode of production either by transferring labor to the sphere of commodity production or out of the economy altogether. The transformation of precapitalist structures from a mode of simple commodity production to capitalist production (in the strict sense of the sale of one's labor) was limited to cash crop regions along the coast and the stevedorés of the ports.[14] Wage labor *per se* was not effectively institutionalized on a wide scale until after the strikes and organized resistances of the 1920's and 1930's forced changes in social relations. Shibalo is the objective historical solution to the labor problem [15]. Nevertheless, at given junctures the predominant set of social relations is no longer effective in promoting economic growth and becomes fetters on the productive forces.[16] This does not imply that *shibalo* was systematically eliminated following the class struggles of the 1930's; it was still in operation at the time of independence.

The independent form of merchant capital then extended and stimulated commodity production during the period 1890—1920, but did not completely dissolve the precapitalist formations of the interior. The restriction on merchant capital is that it can only appropriate a portion of surplus value, yielding the balance of production profits to the class in control of the means of production. The distinction here is crucial: surplus value versus profits (rate of profit=c+v+s), wherein surplus value appropriated by the merchant is a minor, relatively fixed proportion of productive profit. The rate of surplus accumulation depends then, not on the absolute value of the surplus value and profit, but on surplus value relative to total capital advanced in the process of production. Again, the circuit of merchant capital is one which intersects in the market and does not directly expand the capital in production. The objective necessity to systematize the rate of capital accumulation and tensions at the level of social relations, i.e. stagnating profit rates, forced merchant capital to recompose itself into industrial capital and enter the sphere of production. The recomposition was initially facilitated by the financial and economic autonomy granted to Mozambique during the brief period of the Portuguese Republic. [17] A merchant-manufacturing element, with property in land ownership of the petty means of production, strengthened its class position by expanding simple industrial raw material processing centers along the coast. The process was fettered by the tariff and restrictionist development policy in Portugal, ensuring that industrial capital entered the productive structures as developed by independent merchant capital. Merchant capital was transformed from its independent to dependent form, operating as an agent of industrial capital. The task of industrial capital, on the other hand, is to increase its share of the surplus by transforming production, increasing surplus value and profit.

Industrial capital has historically defeated merchant capital, ripped off the fetters on production by the extension of capitalist relations of production, and expanded the forces of production. Industrial capital interest in the spheres of direct production: M-CLMP...P...C'-M', where money is utilised to purchase commodities (labor and the means of production), which are expanded in the process of production (P), yielding a greater value of commodities (C'), and sold at profit (M'). Industrial capital then increases surplus value and profits in the process of direct production. Social relations are transformed as the laborer sells his labor to the capitalist in exchange for the prodution of commodities, he does not sell the fruits of his labor (precapitalist), but his labor[18] (capitalist). The necessary socialisation processes of economic development, the socialization of capital and labor through concentration and centralisation, historically expand under the circuit of industrial capital. Yet the distortions in the structures of production in Mozambique, as in Angola, articulated under independent merchant capital, precluded this historic process of capitalist development to take effect. Instead industrial capital disarticulated the modes of production by expanding the production of industrial exchange values for trade.

The expansion of cash crop production and light industrial production was accompanied by the development of mining and the railroad in the 1930's. The spatial pattern of railway development was exclusively horizontal, from the interior to the sea. The Organic Charter of 1933 and the institutionalisation of the *regim do indigenato* (system of wage labor) sparked off the anger of the capitalist class in Mozambique. This class viewed the Charter as another mechanism for the perpetuation of the economic milking and blocking of the development of Mozambique. The capitalists, in alliance with its counterpart in Portugal, succeeded in expanding the capitalist relations of production (the circuit of industrial capital) throughout the 1940's and '50's in Mozambique. Domestic industrial interests were able to secure protection for nascent manufacturing through import permits and custom duties from the Board of Trade. Production for trade was articulated in the sectors of minerals, agriculture and light manufactures. A key exception here was the principal cash crop of the capitalist sector, cotton. Cotton processing was exempted from the process of industrial capital due to the Portuguese provision for the duty-free entry of textile goods from both Macau and the Metropole. Thus, the historical key role of the textile industry in economic development was pre-empted by the state restriction on the circuits of capital. The bulk of agricultural production continued to be subsistence production of the precapitalist crops: maize, beans, rice, and peanuts. Low levels of production in the precapitalist sector, reinforced by low-fixed producer prices and strigent local agricultural trade boards, resulted in food shortages in the cash crop areas. Famine was chronic in the cotton growing regions during this period.

International economic relations from 1850—1946, between the Portuguese Metropole and Mozambique, were mediated by merchant capital, first in its independent and later in its dependent form as an agent of industrial capital. This is the structural context of the underdevelopment of Mozambique. The circuit of merchant capital lacked the capacity to dissolve completely the precapitalist mode of communal production in the interior, instead it organized the productive forces into the

monetized production of exchange values. Merchant capital, in its independent form, lacked the capatity to develop socio-economic formations necessary for the systematization of capital accumulation or the socialization of captial and labor. Within this context, in its drive to systematize capital accumulation within dislocated sectors of production, the dependent form of merchant capital merely served to reinforce the structural dislocations, and the expansion of this trade deepened and reproduced these dislocations. The circuit of dependent merchant capital and industrial capital was conditioned not only by the political power of the capitalist class in Mozambique, but also by the production specialization between the Metropole and Mozambique which ensured a source of cheap raw material imports and a protected market for Portuguese exports. It was this contradiction that was paramaount, and not that of a high rate of capital accumulation and declining rate of profit, which is endemic to advanced capitalism (the later would have accelerated the circuit of Industrial capital).

The state, under Salazar, was composed of an alliance of landed proprietors, bankers, merchants and petty industrialists.[19] The dominant element during the period 1930-50 was the landed class who continued to effectively restrain the expansion of capitalist industrialization. This factor explains the limited circuit of industrial capital in the Portuguese colonies. It is only at a high level of development of the capitalist mode of production that surplus capital (industrial capital) becomes available on a big scale. The process goes thus: the capitalist mode of production determines the value of a commodity according to the value used up in the means of production (capital, equipment, constant capital or c), the value produced by socially necessary labor (variable capital or v) and the value produced by surplus value. The rate of profit, s/(c+v), can be expressed algebraically as a function of the rate of surplus value and/or the change in the organic composition of capital (c+v):

rate of profit = s/v (rate of surplus value) divided by c/v organic composition +v/v.

Hence the rate of profit rises with an increase in the rate of surplus value and falls with an increase in the organic composition of capital.[20] In the long run, under the capitalist mode of production, there is a tendency for the organic composition of capital to rise more rapidly than the rate of surplus value, thus the rate of profit decreases. Operationalizing the circuit of industrial capital under these conditions counteracts the falling rate of profit. The low level of development in the capitalist sector in Portugal precluded the generation of surplus capital on a large scale, so that merchant capital, the mechanism for the resolution of the production/consumption contradiction, held greater rein than in other colonial territories. These factors explain the extended predominance of merchant capital, the late and limited introduction of the circuit of industrial capital, and the content of capital goods in Mozambique.

Part and parcel of the circuit of industrial capital are the capital goods. Although the Portuguese economy was able to benefit from the protected Mozambican market, the underdeveloped character of capitalist production prevented it from realizing the full fruits of its monopoly. The configuration of imports of industrial capital into Mazambique in 1960 clearly reflects the position of Portugal in the world political economy, a junior partner of international capitalism.[21]

STATE CAPITAL

The low level of productivity of capitalist industry in Portugal forced the state to assume a dominant role in the circuit of industrial capital in Mozambique. The increase in the share of Portuguese state capital in total fixed capital investment (as opposed to private national capital) in Mozambique increased from 28% in 1936 to 45% in 1960 to 79% in 1963 [22] In terms of the crucial utilization of this economic surplus, total exports of profits on investments increased from 207 million escudoes in 1957 to 357 million in 1965.[23] This is only the removal of profits on investment, distinct from the losses of capital in the form of underpriced exports as manipulated by the Portuguese in the unequal exchange of trade [24]

Unequal exchange, the objective force behind the circuit of merchant capital ($M-C-M^1$), continues under the circuit of industrial capital.[25] Yet since the amount of surplus value is a funtion of capital advanced to the forces of production, the amount of surplus, and therefore potential unequal exchange, increases under industrial capital. There must be general rate of profit in the system, i.e. an equal rate of profit in the system. i.e an equal rate of profit in both consumer and capital goods industry to ensure social reproduction. But since different of this general rate of profit is inconsistent with the essential features of capitalist development. Commodities, produced under branches of industry with a lower organic composition of capital, sell *below* value to compensate for the excessive profit that would accure to capital if sold at true value. The difference in the organic composition of capital is rooted in the specific technical and organizational features of production, the objective condition of production. Low composition is marked by high raw material content, low wages (ineffective organization or repression of labor) and low level of constant capital. Returning to the fo mula for the rate of profit, s/v divided by c/v, changes in the mode of production are related to changes in s/v, the rate of exploitation, or c/v, the change in productive forces. The question of the rate of surplus value is one of class struggle, the power of the working class to bring the wages close to the value of labor. An increase in labor productivity without an increase in wages, i.e. increase in the rate of exploitation, cheapens the elements of c/v and reproduces the low composition. This pattern was institutionalized with shibalo. The process was similar in Portugal as the repression of wage levels under fascism cheapened the elements of c and v, which was to limit the export of capital.

Structural and institutional forces kept down the organic composition of capital and repressed the rate of capital accumulation in Mozambique. The articulation of the modes of production through merchant and then industrial capital and the structural distortions articulated and reproduced by trade, served to block the development of the capitalist mode of production. Whereas historically technical progress is achieved through the judicious employment of capital and drive for capital accumulation fuels the expansion of the forces of production, the dislocated modes of production precluded this process. Within this condition, the introduction of technical progress did not expand capitalist relations of production, but rather increased the rate of surplus labor migration to south to work in mines.

The different organic compositions of the modes of production and different wage levels determine that commodities are exchanged at unequal rates of surplus value. Exchange is unequal not in the sense of a real loss, *but in the failure to gain.* Trade then under these conditions involves the systematic transfer of surplus value from productive forces, characterised by a low organic composition, to those of a higher composition (to those who control these means of production). The surplus value is appropriate and realized at the level of exchange, it is transformed into

merchant capital, and then repatriated abroad. Trade and unequal exchange by transferring the *potential* economic surplus out of Mozambique, reinforced the dominance of merchant capital in the articulation of economic development. Historically then, capitalist realtions of production, the dynamics of increasing the rate of surplus value, capital accumulation, and the socialization of that capital, are progressive to economic development. The process is the basis for the expansion of the forces of production and catalyzes changes in the social relations which previously acted as fetters on the expansion of the productive forces. The dynamics of foreign trade under these conditions are to "cheapen the elements of constant capital and partly the necessities of life for which variable capital is exchanged, and maintain the rate of profit by increasing the rate of surplus value and lowering the rate of constant capital" [26] Clearly, trade under the circuit of industrial capital within the structures of production developed by merchant capital, the dislocations and partial articulation of the capitalist mode, is qualitatively different from the operation of trade under the advanced capitalist mode.

The class confirguration in Portugal changed with the growth of the manufacturing industry from 1950—1960; the distribution of power within the ruling class alliance began to shift from the landed class to big business and foreign finance capital.[27] Finance capital, the final circuit of capital in economic development, expressed as $Mf-Mf^1$, or in production as $Mf-C...P...C^1-Mf^1$, realized surplus in the form of interest. The change in the class structure of the *Etato Novo* affected the colonies, in that the expansion of capitalist production and finance capital generated an increase in the operation of capital circuits in Mozambique. Foreign investments in Portugal, i.e. the circuits of industrial finance capital as a percentage of total annual investments, increased from 0.8% in 1959 to 10.5% in 1962 and to 26.7% in 1966.[28] The pattern was therefore reproduced in Mozambique as commerce, industry and agricultural production was expanded and then opened to foreign capital. The penetration fueled the expansion of mining and manufacturing. The pattern of articulation is reflected in the following table:[29]

Item	Percentage value of total exports		
	1946	1962	1969
Raw materials	81	65	40
Mining	1	12	11
Manufacturing	18	22	45

The penetration of foreign capital into Portugal manifested the traditional pattern of forces behind the character of capital circuit trnasmission between the Metropole and Mozambique. Again, the character is one of reflex colonialism. The operation of the circuit of finance capital in Mozambique was dominated by non-national international finance capital which exercised an important role in the allocations of the Mozambican development of the 1950's and 1960's. Foreign sources of financing 'development plans' increased from 5.8 percent under the First (1953—58) to 25 percent in the Second Development Plan, with a corresponding decrease in state funds from 63.5 percent to 41.5 percent.[30] Further, the principal sectors of national (metropolitan) investment from 1953—64 were as follows:[31]

Communications and transport 33.6%
Agriculture 14.5%

Industry 29.4%

On the other hand, principal average sectoral investments of total capital from 1967—73 were:

Communications and transport 33.6%
Agriculture.. 14.5
Industry 29.4

It can be deduced that foreign capital tended to flow to the industrial sphere during this period, while national capital was relegated to infrastructure. By the time of the Third Development Plan (1968-73), 34% of total investments were for mining and manufacturing.[32] This increase in international capital, the rapid increase in the articulation of the mining and industrial modes, attended the 1965 Investment Law of Mozambique. Facing an increased shortage of operating revenue and low national capacity for funds, the Portuguese legislation for Mozambique provided for guarantees against discrimination of foreign capital on the basis of origin if the source was on OECD, IMF, or IBRD member and full remittance of profits on the capital investment (Portuguese national capital faced a 20% ceiling and a provision for 100% per cent foreign ownership)[33]

Therefore, Portuguese circuits of capital, assumed a subordinate role to international circuits of capital, content with skimming the surplus from taxation on productivity. Industrial resources were capitalized by foreign industrial capital, and increasingly international finance capital supplanted state capital. The major shareholders in the Banco Nacional Ultramar, the Overseas Territory Bank, were Societe General de Belgique, Barclays and the Standard Bank of South Africa (backed by U.S. finance capital). Moreover, what is significant is that Portugal's policy of increasing the volume of foreign investment in Mozambique coincided exactly with the start of the national liberation movement. The aim of this policy was to gain increased financial and industrial support from the foreign capitalist, to continue to assist Portugal in the exploitation of the natural and human resources of Mozambique. In this sense it did not differ from its historical predecessors.

The development of new patterns of trade subsequent to the transmission of new circuits of production, besides changing the forces of production, had determined effects on class relations in Mozambique. The concentration of the organization of production generated the organization of labor as well. The history of resistance, evinced by the revolts of the kingdoms, developed its counterpart in the growth of trade unionism, militant strikes, and general peasant struggle against *shibalo*. Class consciousness was intensified by the state's brutal attempt to overcome the structural contradictions rooted in the economy.

The level of extraction of the economic surplus, in the form of both profits and interest under these latter circuits of capital, grew exponentially. Export of profits on national capital investments increased from 287 million escudos in 1955 to 689 million in 1964, and 826 million in 1965.[34] Indeed it was the overall balance of payments of the escudo zone which as a rule re-established equilibrium in the Portuguese balance of payments from 1947—62. In terms of finance capital, payments on finance debts in Mozambique increased from 18 million to 158 million in 1964, and jumped to 380 million escudos in 1970.[35] Of this surplus appropriated by finance capital in 1960

approximately 19 percent of the debt service was non-national. By 1970 this figure had increased to 47 percent.[36] The leakage of this economic surplus into international finance assisted in the aggravation of underdevelopment. In addition, finance capital operating (without regard to use value of the commodities it may be utilized to produce) merely accentuated the disarticulation of the economy by entering into the distorted structures. Nor does it play any role in changing the pattern of trade which produced and reproduces the structural distortions.

Conclusion

Thus the underdevelopment and peripheralization of Mozambique is intimately linked to the penetration of the precapitalist Mozambican economy by Portuguese capital-merchant, industrial and finance, in that order. The circuits of these capitals, we have argued, opened up Mozambique to the capitalist mode of production and the resultant unequal exchange facillitated by international trade. As Metropolitan Portugal moved up the ladder of development in the course of this exchange, (never mind that Portugal is an appendage of the more powerful capitalist nations) so did Mozambique experience of the more powerful capitalist nations) so did Mozambique experience the obverse -the peripheralization of its society and economy within the maturing global capitalist system, an experience shared by the continent as a whole. The reversal of this situation initiated by the wars of liberation, the consequent liquidation of Portuguese colonialism, and the revolutionary reconstruction of the Mozambian society since then, provide the most eloquent testimony against the claims of international free traders.

The classicists, however, hand on to their illusions, and since they provide the theoretical underpinnings for economic planning in the Third World, many governments continue to experiment their prescriptions because, as Marx sarcastically remarked:

> If the free traders cannot understand how one nation can grow rich at the expense of another, we need not wonder, since these same gentlemen also refuse to understand how within one country one class can enrich itself at the expense of another.[37]

If there ever was a time for a new orientation in the science of economics this must be it considering the realities of what someone has called "structural power"[38] in international economic relations which imposes paralysing limits on the countries at the periphery of the international system trying to move beyond their subordinate positions.[39] The claims of the free traders have never before been in more urgent need of scrutiny.

FOOTNOTES

1 R.O. Ekundare, *An Economic History of Nigeria: 1860—1960* (New York Africana Publishing Company, 1973) p.200.

2 A.G. Hopkins, *An Economic History of West Africa* (New York, Columbia University Press, 1973) p.157.

3 Paul Baran, *The Political Economy of Growth,* (New York, Monthly Review Press, 1959) p.23.

4 A Spackman et al., "The Need for New Perspectives in Teaching and Research in Economics in Latin America" *Social and Economic Studies* 18, 1 (March 1969) 9.1.

5 Bade Onimode, "Towards New Orientations For Economics in Developing Countries" *The Nigerian Journal of Economic and Social Studies,* 18, 3 (November, 1976) p.339

6 Gottfried Haberler, "International Trade and Economic Development" in James T. Theberge, *Economics of Trade and Development* (New York 1968) p.128.
7 See Maurice Dobbs, *Studies in the Development of Capitalism* (New York, International Publishers, 1963) pp.1—82.
8 Geoffery Kay, *Development and Underdevelopment* (New York, Saint Martins 1975) p.127
9 Karl Marx Capital, Volume III (New York, International Publishers, 1974) pp.323—337.
10 For simplified explication of circuits of capital, see Paul M. Sweezy, "Maxian Economics" Monthly Review, 28, 7 (December, 1976) pp.1—6.
11 Karl Marx, op.cit. p.328.
12 It is not fortuitous that the Portuguese colonies were unique in having the value of their trade as a percentage of total value of trade decrease from 4.37 in 1906 to 4.20 percent in 1956. Every other colonial territory increased its value by at least 75 percent. See S.H. Frankel, "Capital Supply and Development" in E.A. Robinson, ed. *Economic Development of Africa, South of the Sahara,* (New York. Saint Martins Press, 1964) p.411.
13 James Duffy, *Portugal in Africa,* (Cambridge, Havard University Press, 1962) p.132.
14 Karl Marx, Vol. 1, p.168.
15 James Duffy, op.cit. p.151.
16 Eric Williams. *Capitalism and Slavery* (New York, Capricorn Books 1966) p.15.
17 James Duffy, op.cit. p.170.
18 Eric Hobsbaum, *Industry and Empire,* (London, Penguin Books 1969) p.30
19 James Duffy, op.cit. p.111.
20 For a simplified version of this process, see Piere Jalee, *How Capitalism Works* (New York, Monthly Review, 1977) pp.49—64.
21 Capital goods imports from foreign countries:

iron and steel	87%
industrial machinery	88%
Agricultural Machinery	98%
Railway machinery	94%

22. V.L. Sheinis, *Portuguese Imperialism in Africa After World War II* (Moscow, 1969) p 260
23. Ibid p. 240
24. For the explication of the concept of 'unequal exchange' see Aghiri Emanuel, *Unequal Exchange* (New York, Monthly Review, 1972) and The *Emperialism of Free Trade* (New York, Monthly Review, 1972)
25 The analysis here differs sharply from Emmanuel's who assumes the surplus appropriated accrues to the workers in the Metropole.
26. Karl Marx, Vol. III,p.237.
27. James Duffy, op. cit.p. 183.
28. Geoffery Kay, op. cit. passim.
29. V.L. Sheinis. op.cit.269.
30 Frank Brandenburg, "Development, Finance and Trade," in D.M. Abshire, *Portuguese Africa* (New York, Praeger, 1969) p.225.
31 V.L. Sheinis, op.cit. p.240.
32 F. Brandenburg, op.cit. pp.222—252
33 Ibid.
34 Sheinis, op.cit. p.274.
35 Ibid, p.259
36 United National, Economic Commission for Africa, Statistical Yearbook, (New York, U.N., 1973) p.43.
37 Karl Marx, The Poverty of Philosophy, (New York, International Publishers, 1963) p.223.
38 For an explication of the concept of 'structural power' see Cheryl Christensen, "Structural Power and National Security" in Klaus Knorr and Frank N. Trager, (eds.) *Economic Issues and National Security* (Lawrence, Kansas, Regents Press, 1977) pp.127—159.
39 For a stimulating analysis of these limits see Immanuel Wallerstein, "The Limited Possibilities of Transformation within the Capitalist World Economy," in *African Studies Review, vol. 17, No.1 (1974) pp.3—26.*

MAURITIUS: INDEPENDENCE AND DEPENDENCE

By Jean Houbert *

A COLONIAL CREATION

Mauritius became independent on the 12th March 1968. It was then taken as an example of a small, isolated, poor, dependent, country shedding off the chains of colonialism only to fall into neo-colonialism — the Third World's, Third World. Indeed, in some respects Mauritius is different from newly independent countries of Africa and Asia. Mauritius is 'Colonial' since it was entirely created by European Colonisation. The economy, the society, the polity, the flora and fauna of the island are all the direct result of its colonial history. Although it is a society of immigrants - all the present day Mauritians being descendants of the willing and unwilling immigrants who settled on the island under colonial rule in the last two centuries, it is not a settler colony' in the same sense as Australia. Moreover, it is a not a replica of the European 'mother country' beyond the seas. Mauritius is rather a floatsam left behind by the Wreck of the Colonial World. In Mauritius, Colonialism was not something alien; it was built into the very being of the country.

We have to ask ourselves what significance does independence have to such a nation and the form taken by development.

SETTLEMENT

Profit brought the first Mauritians to Mauritius, and it has dominated its life and history to the present. Initially there was not much money to be made out of Mauritius itself, an uninhabited small island entirely lacking in natural resources. However, it was part of a bigger scheme, the colonial trade between Europe Asia and Africa.[1]

Several European nations: Holland, France and finally Britain, used Mauritius as a stepping stone on the route to India. Gradually, it changed from a watering place to a trading centre, to a military base, and finally to a sugar plantation, the legacy still enjoyed by the island to the present, though manufacturing for export programmes have been established recently.

Sugar production in Mauritius can be explained by neither the availability of local natural resources nor by other initial factor endowment. It had some disadvantages: it is in the cyclonic belt, its small land surface was covered with tropical forests and volcanic boulders, it is thousands of kilometres away from the markets for sugar — raw sugar is heavy and bulky,[2] and there was no native labour-slaves had to be brought in from distant mainland Africa and Madagascar to cut the forests and clear the land.

The first European immigrants appropriated land and started plantations with slave labour. Initially, a variety of crops were grown but these gradually gave way to sugar. Sugar eventually dominated the economy of Mauritius due to its location in the British imperial scheme. Britain had seized the island for strategic reasons to deprive the French of a base from which they could harrass British ships and challenge her position in India.[3] With British hegemony in the Indian Ocean, Mauritius lost it military and commercial significance, so immigrants turned more and more to the

* Lecturer in Department of Politics, University of Aberdeen.