Foreign Economic Involvement in Angola and Mozambique

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For a good number of years, the leaders of many African nations have voiced concern about the impact of foreign economic activity in the Portuguese-administered territories in Southern Africa. They have argued that, as long as a major part of Portugal's revenues are expended on military operations, particularly to suppress liberation movements in the territories, the income from such foreign economic activity will substantially help Portugal maintain its grasp over the African territories.

Indeed, largely as a result of African efforts, a United Nations resolution was passed in 1965 that recognized the relationship between foreign economic investment and Portugal's failure to grant self-determination and independence for the territories; the resolution requested that all specialized UN agencies refrain from granting assistance to Portugal and that all States refrain from any financial activity with Portugal that would impede the attainment of independence for Mozambique and Angola.

In contrast, relatively little scholarly attention has been paid to the role of foreign economic activity in the Portuguese-administered territories. One factor, undoubtedly, is the paucity of hard data on the economic activity in each territory; another is the inherent difficulty of tracing the larger impact of any economic investment. Nevertheless, because of the importance of the issue, some impartial assessment seems warranted. This paper represents an attempt to contribute to that assessment. First, the full dimensions of foreign economic investment in the territories are examined, with special emphasis on Mozambique and Angola during the decade following the outbreak of the wars of liberation. Second, some comment is offered on the influence of such economic activity on the efforts to attain independence within Portuguese Africa.

Foreign Economic Activity: Differing Views

Most African leaders have strong opinions on the issue: they insist that foreign economic activity is a crucial mainstay of Portugal's continuing resistance to decolonization efforts in Angola and Mozambique. They point to Portugal's meagre European resources and argue that, with those resources alone, Portugal could not have financed the colonial wars it has been waging in Africa since 1961. If it were not for substantial loans and economic

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assistance from certain Western countries, they argue, Portugal would have been totally unable to equip and maintain an African expeditionary force of some 140,000 troops.[1]

Even Portuguese records provide some evidence for this view. First, there is the long-standing pattern of Portuguese deficits in its trade relations with countries outside the escudo zone. In addition, there has been no sizeable increase in the productive capacity of metropole Portugal. On the other hand, Portugal has steadily increased its military expenditures since the outbreak of the wars of liberation, both in dollar amounts and as a proportion of expenditures; allocations for military and security affairs have risen from 32% to 48% of the State budget, while each territory also has its own additional appropriations for military defence.[2] In view of the long-standing trade deficit and no change in productive capacity in Europe, it would have been difficult for Portugal to meet its increasing military expenditure throughout the last decade without foreign loans and investment to help fill the void.

Salazar's changing stance on foreign economic activity in the overseas territories is revealing. Prior to 1962, he was suspicious of and in opposition to the introduction of foreign capital in African territories. After 1962, such a policy was largely reversed and a number of measures introduced that would encourage foreign economic investment. In the earlier period, Salazar had planned to systematically exploit the territories' natural wealth for Portugal's benefit and to keep their economies subordinate to Portugal. Development was thus controlled to meet the needs of the metropolis; the territories were prevented from achieving any economic independence as their role was limited to that of a source of raw materials for the metropolis which, in turn, provided them with manufactured goods.[3] Foreign investment was sharply restricted. This policy was carried out in accordance with the Portuguese Constitution, which stipulated: "The economic organization of the Portuguese overseas territories shall form part of the general economic organization of the Portuguese Nation and shall thereby take its place in the world economy."[4] As a result, Portugal had been both the main supplier and the principal customer of Angola and Mozambique. This is reflected in the figures on Portugal's foreign trade with its African colonies as shown in Tables 1 and 2. As can be noted, Portugal has always enjoyed a favourable balance of trade payments with its African territories. Overall, Mozambique and Angola generate a good portion of Portuguese economic activity; in

1 *U.N. Monthly Chronicle*, November 1971, pp. 78-79; *Yearbook of the United Nations*, 1965, pp. 605-07; Basil Davidson, "Arms and the Portuguese," *Africa Report*, May 1970, pp. 10-11; Peter Enahoro, "Africa's Forgotten Wars," *African Affairs*, No. 7 (1972), p. 19.

2 Andrew Wilson Green, "Portugal and the African Territories: Economic Implications," in David M. Abshire and Michael A. Samuels, eds., *Portuguese Africa: A Handbook* (New York: Praeger, 1969), pp. 349-50.

3 Eduardo Mondlane, *The Struggle for Mozambique* (Great Britain: Penguin, 1969), pp. 79, 93-94.

4 Ibid., p. 95.

1964, for example, the two territories accounted for 25.5% of Portuguese exports and 12.3% of imports.[5]

Table 1—ANGOLA'S TRADE WITH METROPOLITAN PORTUGAL, 1961-1970
(in millions of dollars)

Year	*Exports*	*Imports*	*Balance*
1961	25.9	49.8	−23.9
1962	29.7	56.1	−26.4
1963	36.3	63.0	−26.7
1964	61.0	80.2	−19.2
1965	70.4	92.6	−22.2
1966	77.1	88.6	−11.5
1967	79.6	97.6	−18.0
1968	93.1	110.4	−17.3
1969	121.7	119.1	+ 2.6
1970	145.2	129.7	+15.5

Source: United Nations, *Foreign Trade Statistics for Africa*, E/CN. 14/Stat/Ser. A/5-18.

Table 2—MOZAMBIQUE'S TRADE WITH METROPOLITAN PORTUGAL, 1961-1970
(in millions of dollars)

Year	*Exports*	*Imports*	*Balance*
1961	36.5	38.4	− 1.9
1962	36.4	39.5	− 3.1
1963	35.8	44.4	− 8.6
1964	34.2	49.6	−15.4
1965	40.2	60.4	−20.2
1966	42.9	64.0	−21.1
1967	46.2	62.9	−16.7
1968	55.5	77.3	−21.8
1969	58.4	81.3	−22.9
1970	59.9	89.3	−29.4

Sources: United Nations, *Foreign Trade Statistics for Africa*, E/CN. 14/Stat/Ser. A/5-18. For 1965, Banco Nacional Ultramarino, *Boletim Trimestral*, No. 73 (Lisbon, 1968).

Through the imposition of trade restrictions, Portugal had managed to monopolize the African markets as outlets for its industrial exports and thus to increase its profits through the benefit of no competition. Portugal had completely precluded the establishment of such industries as textiles, fertilizers and food processing that would have competed with those in the metropole.

Mineral development in Angola and Mozambique was left for private investment, although with important restrictions. Even for Portuguese firms, the Government often became a minority shareholder. Foreign investors were permitted but were required to register their companies, to associate themselves with Portuguese firms, to include Portuguese capital in foreign-owned

5 Abshire and Samuels, *Portuguese Africa: A Handbook*, op. cit., pp. 353-54.

companies, and to appoint Portuguese nationals to their boards of directors. These measures were imposed in order to discourage, if not to bring to a halt, any large-scale, foreign investment and to slow the influx of foreign capital into Angola and Mozambique. As Frank Brandenburg put it: "Throughout [this] era, foreign equity investment was rare as a rule, and outside investment and outside aid have meant essentially Portuguese investment and Portuguese metropolitan aid."[6]

The smooth operation of this policy was disrupted, however, by the turmoils Portugal suffered in the early 1960s as revolutions broke out in one African territory after another. Armed struggle first began in Angola in 1961 and then spread into Guinea (Bissau) in 1963 and into Mozambique in 1964. As Portugal began to feel the financial burden of its colonial wars, Salazar was forced to abandon his policy of limiting foreign capital in the African provinces. Portugal badly needed new sources of revenue in order to offset rising war costs and one measure taken was to encourage foreign investment in Angola and Mozambique in two areas: the extraction of minerals and small processing and manufacturing industries. The strategy was that, through the energetic efforts of foreign investors, the general level of economic activity would be accelerated. This, in turn, would lead to greater exports and greater foreign exchange earnings.

Portugal's previous disinterest in fostering industry in the African provinces helped to leave no recourse than that of foreign investment. Increased economic productivity was necessary; yet, the territories lacked any independent economic base because they had been restricted to raw material production in the past. Each territory suffered from a shortage of local capital and of the capital equipment needed for economic development; in addition, each lacked the skilled manpower and technical know-how necessary for such needed activities as mineral exploration.[7] With this context in mind, Salazar took an unprecedented step in 1962 and began to alter Portugal's stringently restrictive investment laws. By 1965, new foreign investment and industrial production laws were proclaimed, intended to simplify investment procedure and to offer guarantees to foreign capital. As John Marcum and others have argued, Portugal took such action only because of its urgent need for revenues to fund its African wars.[8] The new laws represented quite a drastic departure from previous practice: foreign investors were given generous terms; they were not required to associate themselves with Portuguese firms; they were free to repatriate capital and profits and were granted tax holidays of up to a decade.[9] With these new laws as incentives, Salazar now turned to his Western allies and their multinational corporations in his quest for substantial amounts of foreign capital. He found a sympathetic response from

6 Frank Brandenburg, "Development, Finance and Trade," in ibid., p. 221.
7 U.S. Department of Commerce, Bureau of International Commerce, *Foreign Economic Trends and Their Implication for the U.S.*, October 1968, p. 7.
8 John A. Marcum, *Portugal and Africa: The Politics of Indifference* (Syracuse, New York: Syracuse University, 1972), p. 10.
9 Branco de Fomento Nacional, *Investments in Portugal* (Lisbon, 1973), pp. 192, 193-95.

the American, German, and South African Governments, none of whom opposed the outflow of capital and technology into the Portuguese-administered territories of Africa. These efforts resulted in a sharp increase in private foreign investment in Portugal's overseas territories, from a point of less than 15% of gross fixed capital formation in 1964 to 25% in 1969.[10] Without doubt, a major appeal for investors was that economic activity in the Portuguese territories yielded higher profits than anywhere else in the world.[11]

Portugal's economic relations with neighbouring white-minority ruled Southern African countries also took a new turn in the mid-1960s. Through a number of new agreements, Portugal began to develop stronger bonds of cooperation. The most notable example with respect to South Africa, perhaps, was the joint agreement to develop the basin of the Cunene River, which flows between Angola and Namibia.[12] Also, when most African ports were closed to South African aircraft, Portugal allowed South African use of an airport in Cape Verde. Moreover, in Mozambique, the South African based Edmundian Investments Ltd. was granted a concession to the copper mine in the Tete District, while the South African Government agreed to build a pipeline to transport natural gas to the Witwatersrand. Greater cooperation was also developed with Southern Rhodesia. In 1964, Rhodesia was granted a "most-favoured-nation" treatment in trade with Mozambique, thus exempting it from an import duty on certain commodities. In December 1964, a 300-kilometre pipeline running from Beira to the Feruka refinery at Umtali in Rhodesia was opened for service in order to facilitate the delivery of crude oil supplies to Southern Rhodesia; Beira's facilities were vital to Rhodesia's overseas transit trade. Economic ties were further strengthened at a joint trade and technical conference held in Salisbury in 1965. Moreover, when the UN Security Council called for economic sanctions against Rhodesia, including an embargo on oil and petroleum products, Portugal continued to allow the use of Beira's facilities for the delivery of oil to Southern Rhodesia.[13]

Most African leaders viewed with alarm the strengthening of economic ties among these three countries—Portugal, South Africa and Southern Rhodesia. They believed that such increased economic cooperation was helping Portugal to suppress the liberation movements in Africa and, from a long-term perspective, could only lead to greater opposition for the decolonization process. Largely though their efforts, the United Nations passed a resolution on the matter in 1965, which requested that all States

10 Basil Davidson, *In the Eye of the Storm: Angola's People* (Garden City, New York: Doubleday, 1972), p. 306.
11 United Nations, *Report of Sub-Committee I, Special Committee on the Situation with Regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples*, A/AC.109/L.893, 31 July 1973, p. 3.
12 *Cunene Dam Scheme and the Struggle for the Liberation of Southern Africa*, prepared by the World Council of Churches (1972), p. 4.
13 *A Principle in Torment: II. The United Nations and Portuguese Administered Territories* (New York: United Nations, 1970), pp. 42-3, Working Paper on Territories Under Portuguese Administration, prepared by the U.N. Secretariat (A/AC.109/L.625), 17 April 1970, pp. 56-8; *U.N. Monthly Chronicle* (August-September 1971), p. 26.

refrain from economic activity that might aid Portugal's military suppression of the independence movements. In addition, since 1966, Portugal has not been able to get economic or technical assistance from such specialized United Nations agencies as the World Bank, the International Monetary Fund, the World Health Assembly, and UNESCO.[14]

Despite these actions, Portugal has had no difficulty in attracting a continual flow of foreign capital into Angola and, to a lesser extent, into Mozambique. Further, when Portugal announced its Third Development Plan (1968-1973), which had a total investment target of $1.6 billion in the overseas territories, there was no sign of any concession to United Nations decisions. As a major focus, the plan sought to accelerate the development of African mineral resources; this was to be accomplished, however, primarily with European and American capital. Overall, Portugal expected giant European and American corporations to provide $283 million of the total investment target for Angola and another $171.7 million for Mozambique. By contrast, and as an indication of Portugal's inability to finance long-term development, the expected Portuguese contribution stood at only $70 million for Angola and at $78.5 million for Mozambique.[15]

From an earlier position that severely restricted foreign investment, the Portuguese Government had thus moved to a position of strong reliance on foreign capital for the economic growth of its African territories. This transition had taken place in a context of sharply increasing Portuguese military operations, necessitated by the activities of the liberation movements in the territories. In the view of many observers, the two changes are inextricably linked, mainly because foreign investment has provided the revenues by which military operations have been financed. In addition, however, the prospects of such continuing revenues may reinforce the Portuguese desire to maintain its control over the rich economic potential of its African territories. In order to fully assess the impact of such a change of policy, the record of foreign economic activity during the past decade should be examined in some detail. A better understanding of the nature of this activity —particularly the range of investors and the extent of foreign involvement in each territory's economic life—should shed some light on the relative importance of foreign investment in each territory and in the overall Portuguese economic picture as well. In the next pages, then, the extent of foreign investment in each territory is discussed separately; in addition, the highly significant Cabora Bassa and Cunene River projects are given particular attention. Afterward, some of the implications of such foreign investment will be drawn concerning Portuguese economic and military resources and, inevitably, too, concerning the prospects of the independence movements in Angola and Mozambique.

14 *Y.U.N.*, 1965, p. 609; *The U.N. and Portuguese Administered Territories*, op. cit., pp. 40-5; Mohamed El-Khawas, "Mozambique and the United Nations," *Issue* (Winter 1972), p. 32.
15 Jennifer Davis, "Allies in Empire: Part 1—U.S. Economic Involvement," *Africa Today* (July-August 1970), p. 7.

Foreign Involvement in Angola

Angola has always been attractive for foreign investment because of its vast resources of diamonds, petroleum and iron ore. Indeed, Lisbon previously had exploited this situation so that Angola's foreign exchange earnings could offset Portugal's own traditional deficit with countries outside the escudo zone.[16] Unlike Mozambique, Angola has traditionally enjoyed a favourable balance of international payments because its exports have nearly always exceeded its imports, as shown in Tables 3 and 4. The only exceptions were in 1967 and 1968 when trade deficits occurred for the first time in a decade, primarily because of the sharp increase in imports from West Germany and the US associated with the massive purchase of equipment for Krupp's Cassinga iron ore project and for Gulf Oil's Cabinda development.[17]

Table 3—EXTERNAL TRADE OF ANGOLA, 1961-1970 (in millions of dollars)

Year	*Exports*	*Imports*	*Total Trade*	*Balance*
1961	135.6	114.3	249.9	+21.3
1962	148.3	135.6	283.9	+12.7
1963	164.5	146.5	311.0	+18.0
1964	204.1	164.0	368.0	+40.1
1965	199.8	194.7	394.5	+ 5.1
1966	221.2	208.8	430.0	+12.4
1967	237.8	275.0	512.8	−37.2
1968	271.2	307.6	578.8	−36.4
1969	326.6	322.1	648.7	+ 4.5
1970	422.9	368.5	791.4	+54.4

Sources: United Nations, *Foreign Trade Statistics for Africa*, E/CN. 14/Stat/Ser. A/5-18. For 1961, Angola, Direcção de Economia, Repartição de Estatística Geral, Comércio externo (Luanda: Imprensa Nacional).

Table 4—EXTERNAL TRADE OF MOZAMBIQUE, 1961-1970 (in millions of dollars)

Year	*Exports*	*Imports*	*Total Trade*	*Balance*
1961	89.2	130.2	219.4	−41.0
1962	91.3	136.0	227.3	−44.7
1963	100.7	141.8	242.5	−41.1
1964	105.8	156.2	262.0	−50.4
1965	108.7	179.3	288.0	−70.6
1966	111.9	207.7	319.6	−95.8
1967	121.8	199.2	321.0	−77.4
1968	153.7	234.4	388.1	−80.7
1969	141.9	260.5	402.4	−118.6
1970	156.4	325.7	482.1	−169.3

Sources: United Nations, *Foreign Trade Statistics for Africa*, E/CN. 14/Stat/Ser. A/5-18. For 1961, Mozambique, Serviços de Estatistica Geral, Comércio externo (Lourenço Marques, 1963). For 1965, Mozambique, Serviços de Estatística Geral, *Boletim Mensal* (Lourenço Marques, 1967).

16 Abshire and Samuels, *Portuguese Africa: A Handbook*, op. cit., p. 222.
17 U.S. Department of Commerce, *Foreign Economic Trends*, October 1968, p. 5, and October 1969, p. 10.

American and European direct investment has been concentrated mainly in the extractive industries. Gulf Oil's Cabinda project, for instance, which was estimated as worth $209 million in 1972, accounts for the lion's share of all direct foreign investment. Its exports of crude oil jumped from 4.7 million tons in 1971 to 6.8 million tons in 1972 (an increase of 43.9%), most of which was shipped to Canada, the US, Japan, Portugal, Spain and Denmark in that order of importance.[18] This initial success of Gulf Oil's adventure aroused other American interests in Angola's petroleum. Texaco, for instance, received its first concession in 1968. Shortly thereafter, Exxon, Union Carbide, Mobil and Standard Oil of California began to seek oil rights. Largely because of the Gulf Oil investment, the US by 1968 was Angola's second major supplier (with 11.8% of imports), outranked by Portugal but followed closely by West Germany (11.1%) and Britain (8.9%). In the following years, the American share of Angola's market again rose steadily: imports from the US increased by 17.2% in 1970 and a further 16.5% in 1971, primarily due to increased importation of capital goods, raw materials, and partly finished goods for local industries.[19]

Angola's potential mineral wealth has also been the object of investor interest. Portugal's encouragement of foreign capital has resulted in much competitive activity by American and European multinational corporations for the exploration and the development of possible deposits of sulphur, diamonds and phosphates. In 1968, three American companies—Diversa, Inc., N.Y. Diamond Distributors, and Diamul—were granted diamond concessions in southwestern Angola. In the following year, the US Tenneco and South African Consolidated Investments were granted sulphur concessions near Benguela. Similarly, the German Urangesellschaft was given an uranium concession and a Swiss firm recently arranged to develop the copper deposits at Mavoio in north-central Angola.[20]

Thus, by 1970, a substantial number of foreign investors were involved in mineral prospecting and oil exploration and production. In Angola, the number of American companies alone had already reached 25, most of which had entered Angola since 1965.[21] As one result, West Germany and the US ranked as Angola's second and third suppliers (with 11.4% and 11.1% of imports, respectively) in 1971, with both following Portugal (35.3%). In turn, they were followed by important levels of involvement by Britain (9.0%), Japan (5.6%) and France (4.6%).[22] West Germany's sizeable role as an Angolan supplier is largely accounted for by its affiliation with the Companhia Mineira do Lobito, which is mining rich iron ore at Cassinga. This large operation in southern Angola began in the early 1960s under a consortium formed by Krupp, Hojgaard and Schultz (Denmark) to construct rail, port and mine installations for the Cassinga project. Later, a group

18 *African Development*, November 1973, pp. 11-12.
19 U.S. Department of Commerce, *Foreign Economic Trends*, October 1969, p. 9, and August 1972, p. 8.
20 Ibid., 20 October 1970, p. 7.
21 *Africa Today*, July-August 1970, p. 7.
22 U.S. Department of Commerce, *Foreign Economic Trends*, 18 August 1972, p. 8.

of West German banks provided the Krupp consortium with $11.9 million to expand operations at Cassinga. As a result, Cassinga's iron ore exports increased drastically from 43,100 tons in 1962 to 6.1 million tons in 1971.[23]

In 1971, extractive industry accounted for 39.6% of Angola's foreign exchange earnings representing a more than 100% increase over 1965 earnings. Agricultural products accounted for 51% of the value of exports, with coffee alone representing 35.2%. The leading customers for Angola's exports were Portugal (31.1% of exports, chiefly diamond and agricultural products), followed by the US (20.2%, especially coffee), West Germany (14.0%, coffee and agricultural products), Japan (10.0%, crude oil and iron ore), and Canada (5.0%, crude oil).[24] The outlook for the near future appears good. Angola has generally had, and should maintain, its favourable balance of trade; overall industrial production rose 15% in 1970[25] and most observers agree that Angola is undergoing a mining boom. Increased petroleum production should help boost foreign exchange earnings although, with production of iron ore, exports will not be further increased until new deposits are discovered. At all points, however, the importance of foreign investment to such economic growth is quite evident. Taken together, the economic activity of foreign investors has grown to a point where it overshadows that of Portugal's investment activity.

Foreign Involvement in Mozambique

At present, Mozambique's economy has a much different base from Angola's. Although it probably also has important mineral resources, as yet they have been largely unexploited, previously because of Portugal's restrictive policy but, more recently, because of the instability and danger caused by the guerrilla warfare raging in the minerally rich northern districts. As a result, Mozambique still relies heavily on agricultural production as the mainstay of its foreign exchange earnings. But, despite these adverse circumstances, the lure of potentially rich mineral resources and the encouraging terms of Portugal's recent policy have already attracted a number of foreign firms to Mozambique, and there are indications that the level of foreign investment may increase substantially over the next few years. Consequently, although they presently are at very different points, Angola and Mozambique may actually be following a somewhat similar trend of increasing foreign involvement.

With regard to the exploitation of mineral resources, for instance, Mozambique so far has experienced must less activity than Angola. International criticisms of Portugal's colonial policy in Mozambique and the insurgency in the minerally rich, northern districts (Cabo Delgado, Niassa and Tete) have both contributed to the low level of activity. Between 1965

23 United Nations, *Report of Sub-Committee I, Special Committee*, A/AC.109/L.893, 31 July 1973, p. 5; *African Development*, November 1972, p. 5.
24 U.S. Department of Commerce, *Foreign Economic Trends*, 18 August 1972, pp. 7-8.
25 *Business Europe*, 13 August 1971, p. 263.

and 1967, particularly—the most volatile period—foreign investors were quite reluctant to invest their capital in Mozambique. Nevertheless, the end of 1967 marked the beginning of a growing influx of foreign capital investment in the mining sector. As one result, private investment increased moderately, from $23 million in 1968 to $28.6 million in 1970.[26] Most of the foreign investment is concentrated in the extractive industries.

Like Angola, American companies account for a large portion of foreign investment; seven US companies, for instance, have captured the overwhelming majority of investment in petroleum exploration in Mozambique. In October 1967, a joint petroleum prospecting concession was granted to three small American companies with little prior overseas involvement; they were Sunray Oil Co., Clark Oil and Refining Corp., and Skelly Oil Co. A few months later, Hunt International Petroleum received a similar concession. In 1968, Texaco was granted a concession offshore from the northernmost province of Cabo Delgado. Gulf Oil Company—which has carried on petroleum exploration in Mozambique since 1947 and has held a joint concession with the Pan American Oil Company since 1958—has continued to operate and recently had some success with two small natural gas fields in southern Mozambique at Pande and near the Buzi River. Other oil concessions in Mozambique are operated by German, Portuguese and South African firms.[27]

Mozambique's potential mineral wealth, accompanied by Lisbon's encouragement of foreign capital, has resulted in much interest among foreign investors in the exploration and development of possible deposits of iron ore, tantalite, copper ore, gold and diamonds. Mozambique is currently one of the major world producers of columbo-tantalite, a mineral used in the manufacture of tough and hard steel and thereby considered a strategic metal. Its product now is exported to the US and Britain.[28] In addition, a Japanese group, Sumitomo, was granted a concession to develop a deposit of high grade iron ore that was unearthed near Namapa, in Mozambique District and, also, to construct a rail link to Nacala. Shortly thereafter, Sociedade Algodoeira de Fomento and Sher Company of Rhodesia agreed to build two blast furnaces at Beira to process this iron.[29] In addition, new deposits of manganese, diamonds and asbestos have been discovered at Catuane, on the border with South Africa; Agro-Commercial Ltd. and Gabinete Mocambicano have been given the prospecting rights. Uranium has also been found in Mozambique, suggesting that it may become one of the major producers of that important mineral. It is reported that gold has been discovered in Manica as well as important deposits of copper and

26 Department of Commerce, *Foreign Economic Trends*, 19 May 1972, p. 6 and April 1971, pp. 5-6.

27 Supplementary working paper prepared by the U.N. Secretariat for the members of Sub-Committee I, Special Committee, Conference Room Paper SC.I/73/2, 8 June 1973, pp. 611; Mondlane, *The Struggle for Mozambique*, op. cit., p. 94.

28 William Minter, *Portuguese Africa and the West* (Great Britain: Penguin, 1972), p. 121.

natural gas in other parts of the territory.[30] Finally, in 1972 an exclusive concession for mineral prospecting was awarded in the south and southwest of the Tete District to a consortium formed by Mineira do Lobito (its first venture outside Mozambique), and the US Bethlehem Steel Corporation. These rights apply to selected minerals at Chioco and Changara, less than 100 miles south of the Cabora Bassa dam site.[31]

From a larger perspective, however, it must be noted that relatively few firms have invested in Mozambique and generally, with a low level of activity. For its exports, Mozambique relies primarily on agricultural products such as cashews, cotton and sugar, which together account for approximately 67% of its foreign exchange earnings. Another source of revenue is the provision of transit facilities (ports and railroads) for the rich mining areas of neighbouring countries. Its Government collects a sizeable amount of foreign exchange earnings from the shipment of goods at Lourenço Marques and Beira to the interior of Southern Africa, particularly Transvaal and Swaziland.[32] The development of Beira, like the Mozambican economy in general, has thus been slowed down because of the UN sanctions against Rhodesia. Minerals still constitute a small part of the territory's income. Total mineral production in Mozambique has been low, estimated at $7 million in 1972, with coal as the largest component item.

As a result, Mozambique has continually suffered from a trade imbalance due to the combined influence of three factors: (1) heavy imports of consumer goods, machinery and equipment for mineral prospecting and industrialization; (2) limited foreign capital available for development because of the political uncertainties surrounding the future of the territory; and (3) the rising cost of the colonial war. The trade deficit reached its highest level in 1968, however, when imports exceeded exports by 66%.[33]

In view of the trade deficit and the generally low level of foreign economic activity, the Portuguese Government took several steps during 1970 to stimulate foreign investment. First, it liberalized its industrialization promotion policy and then, in November of that year, imposed quantitative and qualitative restrictions on the importation of nonessential goods (e.g., luxury food, sport clothes) into Mozambique. These restrictions have prompted local manufacturing to some extent: a textile factory is under construction near Lourenço Marques, partly financed by a French firm (Cie Generale d'Entreprises d'Electricite); tire plants are being built by Firestone and General Tire (with Portugal's Mabor); a paper pulp factory was built by French and Portuguese interests.[34] These measures have helped to reduce the chronic balance-of-payments deficit, while industrial output rose 9.3% during 1970;

30 David M. Abshire, "Minerals, Manufacturing, Power and Communication," in *Portuguese Africa: A Handbook*, op. cit., pp. 308-10.

31 *African Development*, November 1972, p. 5.

32 Joseph Massinga, *The United Nations and Decolonization of Angola, Mozambique and Rhodesia* (Geneva, Switzerland: The Graduate Institute of International Studies, 1973), pp. 103-05; U.S. Department of Commerce, *Foreign Economic Trends*, 16 July 1969, p. 4, and 16 May 1972, p. 5.

33 Ibid., pp. 4-5, and April 1971, p. 6.

34 *Business Europe*, 13 August 1971, p. 263, and 11 August 1972, p. 255.

however, the measures also caused some slowdown in trade.[35] Even so, Mozambique has continued to import machinery and equipment. particularly in the food processing and clothing fields, and has continued to rely heavily on Europe and the US for essential imports such as capital goods and food grains. Consequently, the trade deficit has continued to exist even after these new restrictions (i.e., a deficit of $129 million in 1971) and has resulted in payment restrictions on imports of capital goods, including industrial machinery, road-building equipment, airplanes, trucks and tractors.[36]

As compared to Angola, the Mozambican economy has been the object of much interest among foreign investors but as yet has witnessed much less in tangible results. Foreign investors have become active in several spheres that should eventually provide significant growth for Mozambique's economy, but it will be awhile longer before such activity becomes strongly productive.

The Cabora Bassa and Cunene Dam Projects

In both Angola and Mozambique, major construction projects are currently underway that will greatly increase each territory's productive capacity. Because both projects—the Cabora Bassa dam in Mozambique and the Cunene River dam in Angola—depend heavily on direct foreign involvement, they provide good examples of the importance of foreign economic activity in the two territories. Portugal alone would not have been capable of sponsoring such gigantic projects—both in terms of capital and technical know-how—because of its limited European resources, the relative backwardness of its own economy and, too, its already heavy commitments to military operations to suppress territorial independence movements. The close interrelation between foreign investment and the Portuguese military effort is again illustrated: Portugal's continued control of territories helps make investor activity both feasible and profitable while Portugal's own resources will be immeasurably increased by such successful economic ventures. In turn, strengthened economic resources would enhance Portugal's ability to continue fighting the independence struggles.

A major feature of the foreign economic activity in these projects has been the entrenchment of South Africa into Angola and Mozambique. In 1969, the Cabora Bassa contract was awarded to ZAMCO (Consorcio Hidroelectrico do Zambeze), a consortium headed by the Anglo-American Corporation of South Africa and comprising 17 companies, mostly American, British, French, German, Portuguese and South African. Because of its location, South Africa has emerged as a prime supplier of technical know-how, machinery and materials for the project. Also, by the terms of the final contractual agreement, South Africa is not only a major financial sponsor

35 U.S. Department of Commerce, *Foreign Economic Trends*, 19 May 1972, p. 5.
36 *Business Europe*, 14 April 1972, p. 115.

but also the principal contractor to purchase the power generated from the Cabora Bassa dam.[37]

The Cunene River Basin development project has not received as much international attention even though total investment would eventually amount to twice that of Cabora Bassa. One reason is that the plan of work has so far involved only South Africa and Portugal.[38] Pretoria's involvement in both projects could lead to much closer cooperation between the two countries in economic, political and military fields. South Africa's influence, particularly in Angola, could increase drastically as a result of the construction of roads, waterways and other developments associated with the projects, all of which in the long run could strengthen and consolidate white control over the region. In addition, many observers have suggested that the two projects might involve bringing one or two million new European settlers into Angola and Mozambique[39] that would strengthen the economic base of the white minority regimes in Southern Africa.

South Africa is only one foreign investor in the territories, but its involvement in these two projects serves to underscore several aspects of the impact of foreign involvement. Foreign support for such massive projects is crucial to improve the territories' economies, for Portugal does not have the resources to undertake gigantic construction efforts. Moreover, successful completion of the projects will provide greatly increased productive capacity for the territories. In turn, this will bring greater revenues to the Portuguese Government. These potential revenues, which could provide a major subsidy for Portugal's colonial wars, probably could not be generated by Portuguese efforts alone. Foreign economic assistance can also have repercussions that amount to political support. Clearly, Portugal's interests in maintaining control over Angola and Mozambique can be quite compatible with the benefits to South Africa of greater European involvement and control in economically and politically powerful spheres in Southern Africa. Furthermore, investors finding good profits in Angola and Mozambique could provide ready allies for Portugal's effort to maintain its control of its territories.[40]

Assessment of Foreign Economic Activities

As long as Portugal did not have to meet sizeable new financial commitments in its overseas provinces, the role of foreign economic activities in its African territories remained minimal. Salazar had a deep distrust of foreign involvement in the development of his country's economy and consequently, he had closed Angola and Mozambique to foreign investors. Portugal was

37 Kenneth W. Grundy, *Confrontation and Accommodation in Southern Africa—The Limit of Independence* (Denver, 1973), p. 41; William A. Hance, "Cabora Bassa Hydro Project," *Africa Report*, May 1970, pp. 20-21; "Cabora Bassa: Why We Say No," *Mozambique Revolution*, October-December 1970, pp. 13-14; "Africa's Mini-Vietnam," *Newsweek*, No. 27 (1972), p. 47.
38 *Cunene Dam Scheme*, op. cit., p. 28.
39 Hugh Kay, *Salazar and Modern Portugal* (London: Eyre and Spottiswoode, 1970), p. 277.
40 Grundy, *Confrontation and Accommodation in Southern Africa—The Limits of Independence*, op. cit., p. 42.

forced to change this policy in the early 1960s, however, when it was faced with the outbreak of one armed struggle after another in Africa and needed new sources of revenue in order to fight against the liberation wars. One result was that Portugal's investment and industrial production laws were altered to encourage the flow of foreign capital into mineral prospecting, industrialization and foreign trade in the African territories. Such a change of direction was perhaps inevitable if Portugal hoped to fight on three fronts to hang on to its African territories. The war efforts were very costly, and the major untapped source of potential new revenue available to Portugal was the vast and largely unexploited natural wealth of its territories. Yet, Portugal itself was unable to fund any major increase in territorial economic activity. It can be noted, in support of this view, that Portugal had contributed relatively modestly to development plans for the territories prior to the wars and the introduction of foreign investment. Thus, when the need to support its defence effort became urgent, Portugal had few other options than to allow, and encourage, the development of such foreign economic activity in the territories as would materially benefit Portugal's financial coffers.

Ever since the introduction of foreign economic activity, Portugal has been provided with much needed revenues by which to support its military campaigns against the indigenous population in Angola and Mozambique. Many would argue, in fact, that it has been primarily due to European and American involvement that Portugal has been able to strengthen its economy and to continue its colonial wars in Africa.[41] Necessarily, however, such large-scale foreign economic involvement would have other long-term implications. In the 1950s, Luiz Teixeira Pinto, a leading Portuguese economist and later Minister of Economy, had warned his country that, while "... foreign aid is necessary to Portugal ... it may involve giving up some political independence and accepting unbalanced types of economic development".[42] Indeed, the presence of foreign economic interests in Africa has already had numerous consequences for the long-term development of Portugal's African territories.

Even in economic terms, Angola and Mozambique are not the prime beneficiaries of the growing foreign participation in their economy. Foreign companies are instead obliged to make substantial payments to Portuguese authorities in the form of taxes, shared profits, defence payments, royalties and Mining Fund contributions[43]—all of which can be used to support Portugal's colonial wars in Africa. As an illustration of this point, in 1972, Gulf Oil's payment in taxes and revenues to the Provincial Government of

41 Supplementary working paper prepared by Secretariat for the members of Sub-Committee I, Special Committee, Conference Room Paper SC.I/73/1, 12 June 1973, p. 11.

42 Richard J. Hammond, "Portugal's African Problem: Some Economic Facts," a working paper prepared for Carnegie Endowment for International Peace (New York, 1962), p. 38.

43 *Africa Today*, July-August 1970, p. 8.

Angola amounted to $61 million, representing 15% of the territory's revenue.[44] Foreign firms such as Gulf Oil and Krupp have given Portugal's war machinery very significant financial support, since they are forced to pay a special tax to support the territory's military budget which is solely used to combat the liberation movements.[45]

Deliberately or not, European and American multinational corporations have thus collaborated with Portugal to defeat the liberation movements and to maintain the *status quo* in Southern Africa. In addition, Portugal is gaining increased support from this activity, as foreign investment is expanding rapidly in Angola and, to a lesser degree, in Mozambique. Indeed, sheer economic interest prompts them to take such a direction. Foreign investors are now able to exploit the vast natural resources of the territories and to make use of poorly paid African workers; as one result, their investments in Portuguese African territories yield higher profits than anywhere else in the world. An African-ruled Angola and Mozambique might mean a cut in profits and an end to present exploitation of local populations and mineral resources. The high profits they presently receive are caused by the special privileges granted them by Portugal and by Portuguese racial practices. African wages are much lower than those of the Europeans employed in Africa, often as little as one-sixth to one-eighth of those paid to European workers. In addition, African labour is denied social security benefits; their trade union activities and labour movements have been suppressed.[46] Moreover, because profits from foreign economic activities are either repatriated, shared by Portugal, or remain in the hands of the settlers, very little of the profit is used for the improvement of the socio-economic conditions of the indigenous population.[47]

It should also be noted that the activities of the multinational corporations are depleting the natural and human resources of the territories. They have developed economic sectors which would guarantee high returns for their investment regardless of its impact on the territory's economy in the long run; they have manipulated agricultural production in such a way as to enhance export crops (coffee in Angola and cashews in Mozambique). The territories have thus been used as suppliers of raw material for Portugal, the US, Europe and Japan,[48] without regard to the welfare of the indigenous population or to the needs of developing countries for a strong and self-sufficient domestic economy and for balanced development. In consequence, Portugal's financial policies and practices in its African territories are not very responsive to the needs and interests of the African population. Policies

44 Sub-Committee I, Special Committee, Conference Room Paper SC.I/73/1, 12 June 1973, p. 6.

45 United Nations, *Report of Sub-Committee I, Special Committee* A/AC.109/L.893, 31 July 1973, p. 3.

46 "Foreign Economic Exploitation in Angola," *Objective Justice*, January/February/March 1974, pp. 45-46.

47 United Nations, *Report of Sub-Committee I, Special Committee*, A/AC.109/L.749, 8 October 1971, p. 5.

48 United Nations, *Provisional Summary Record of Sub-Committee I, Special Committee*, A/AC.109/SC.2/SR.123, 12 July 1973, p. 5.

are designed to keep the African majority under permanent subjugation and to thwart their efforts toward independence.[49]

For the most part, the effects of foreign economic involvement in Angola and Mozambique are indirect; however, taken together they indicate that multinational corporations, particularly American, European and South African, have collaborated with Portugal for the maintenance of the *status quo* in Southern Africa. Foreign investors have definite interests in the continuation of Portuguese rule in Africa so that they can have access to African mineral resources; they are motivated to support Portuguese African policy since it has guaranteed them substantial and profitable returns on their investments in Southern Africa. For the sake of protecting their investment, they have contributed large sums of money, through taxation and other means, to the colonial administration. By having sizeable investment in Angola and Mozambique, the multinational corporations have thus made the Portuguese economy strong enough to allocate more and more funds to be spent in their colonial wars in Africa. In turn, little attention is paid to the forms of economic investment that could aid the goal of eventual economic self-sufficiency for the territories. From both perspectives, Portugal's interests—and not those of the indigenous population—are being furthered most by foreign economic investment.

49 Report of the United Nations Special Committee, A/AC.109/L.759/Add.1, 19 November 1971, p. 8.