Between Integration and Exclusion

Impacts of Globalization in Mozambique, Nepal, Tanzania and Vietnam

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Mozambique: Controversies over human and regional development

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Globalization is the increasing process of the integration of economies around the world, chiefly through trade and financial flows, as well as people movement and technological exchange. The *leitmotiv* of globalization is the need to grow and develop and, in principle, this process provides extensive opportunities for nations, enterprises and individuals to benefit from it. But is this true of Mozambique, a country which has recently been considered as an 'African success story'?

The short answer to this question is that over the past three or so decades modern globalization has not always brought its supposed benefits to Mozambique in general, and for most of its citizens in particular. This is due to three main reasons: 1) the Government's chosen policies following the independence of the country in 1975 aiming at cutting off, rather than increasingly integrating the newly independent country, from the international capitalist market; 2) the weak societal institutional and cultural setting, particular the very high illiteracy level of the population, which by itself represents one of the most important obstacles for people to catch up more quickly and seize the social, economic and cultural benefits offered by globalization; 3) factors outside Mozambique's control, such as natural disasters and the international economy.

The developmental challenges the Mozambican population is facing, and will face in the future, are inestimable and beyond its existing institutional, technical and financial capacities. It can be argued that Mozambique needs more rather than less globalization, in

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Mozambique at a glance					
	1997	1998	1999	2000	2001
Aid per capita (current USD)	57	61	46	50	–
Exports of goods and services (% of GDP)	11	10	11	15	30
GDP growth (annual %)	11	13	8	17	9
GNI per capita, Atlas method (current USD)	180	200	220	230	210
Illiteracy rate, female (% of females aged 15 and above)	75	4	72	71	70
Illiteracy rate, male (% of males aged 15 and above)	43	42	41	40	39
Life expectancy at birth, total (years)	45	–	43	42	–
Population growth (annual %)	2	2	2	2	2
Population, total (million)	16.6	17.0	17.3	17.7	18.1
Prevalence of HIV, female (% aged 15–24)	–	–	15	–	18
School enrollment, primary (% net)	–	46	50	–	–
Surface area (sq km)	801.6	801.6	801.6	801.6	801.6
Total debt service (% of exports of goods and services)	19	18	19	11	–
Urban population (% of total)	28	30	31	32	33

Source: World Development Indicators database, World Bank.

order to become a viable country and catch up in terms of development. However, contrary to some claims the extent to which Mozambique will be able to maximize the benefits and minimize the dangers and risks, from the opportunities provided by globalization, depends not so much on its increasing openness. While opening up to the international economy is necessary, the decisive condition for a well-succeeded integration in the world economy will, in the end, depend more on factors lying within than outside the country itself.

The important issue then is what are the strategies likely to yield better rewards for Mozambique from modern globalization? Before we can answer this issue and discuss specific strategies we must know what is the situation we are in. In this paper, I take up the relevant controversy concerning economic growth and human development in Mozambique. The controversy does not concern the position of Mozambique internationally, for the fact that this country is one of the ten or so poorest countries in the world is not under dispute.

What is increasingly questioned concerns, firstly, the extent the economic and social recovery of Mozambique, over the last decade of the twentieth century and the first years of the current century, can seriously be taken as a truly 'African success story'. As the present paper shows, the so-called 'success story', while standing on some positive achievements, entails an unhealthy reference frame of success, which makes policy-makers, researchers and planners quite content to be economical with the truth and thereby prone to misleading people. This is simply what in this paper I call wishful thinking, a pattern of thought extremely common, and increasingly very tempting in debates concerning the impact of globalization in Mozambique.

The main difficulty in setting up an adequate developmental strategy in Mozambique is intellectual confusion caused by many factors, among which three are paramount: confrontational thinking where each party deliberately takes an opposite view; self-deception towards unpalatable facts; and unwarranted optimism as a way to avoid confronting evidence likely to undermine wishful thinking.

Some readers interested in encyclopaedic overviews might be disappointed after reading this paper because many relevant issues in the debate on globalization are not discussed, nor even mentioned. The option in the process of reviewing the literature and thinking about the subject matter was to select issues, which, directly or indirectly, are at the core of impacts of globalization. In this regard, the fact that Mozambique has been considered as an 'African success story' provides an interesting basis for understanding the discourses on globalization associated with the experience of Mozambique.

The section that follows sets the ground for the debate by putting in parallel different viewpoints regarding Mozambique's long involvement with the outside world. Section two provides a snapshot of Mozambique situated in the wider context of modern globalization. Section three shows that analyses of short-term economic growth do not tell the whole story and can, indeed, becoming misleading if one overlooks the long-term of the national economic dynamics. Section four points out some further reasons for concern, namely the extreme poverty that affects the population, the recent signs of weak regional economic growth and inequality. Still in section four the debt and dependency issue is acknowledged as aurden that has nonetheless been instrumental in Mozambique's recovery process in multiple aspects: economically and financially, technically and institutionally.

'Down is not out', or is it?

"We are potentially rich, but we are impoverished by continued foreign domination", claimed recently Mozambican President Joaquim Chissano. "It started with slavery and colonialism, continuing in the present epoch through the domination of international trade by a few countries and their international corporations".[2]

[2] Chissano was speaking as President of Mozambique's ruling Frelimo Party in the Congress of the Tanzanian ruling party Chama Cha Mapinduzi (CCM), in Dodoma, Tanzania.

This rather negative and depressing view of African history, in general, and Mozambican history in particular, is far from a lone opinion, or even an isolated sign from the Marxist-Leninist speeches that dominated mainstream political discourse in the first decade of independence (Hanlon, 1984, 1996; Machel, 1983; Vieira, 2002; Ratilal, 2001). However, rather than providing a comprehensive review of the literature with the objective to show that Chissano's opinion is more widespread than at first glance appears, his words are highlighted as one of the best examples of wishful thinking that dominates current intellectual and political ideas, debates, projects and action programs in Mozambique.

Chissano's accusation of existing Western powers for the most important African ills is at odds with the long *duree* historical account provided by historians, such as Newitt (1995) and Landes (1999), to mention just two contemporary authors. Newitt published in 1995 one of, if not the best, book ever written about the history of Mozambique. Newitt's account of the long-term patterns of behaviour with deep roots in social structure and the intertwiningly relationships between Mozambican communities and foreigner intruders provides a challenging and relevant claim concerning the controversy over the impact of earlier and modern globalisation in Mozambique:

> The seventeenth century was certainly crucial in directing Africa on the path of underdevelopment but this was not, as has so often been argued, because international capitalism made it a peripheral area and controlled its economic relationships. Underdevelopment came about because the technologies and institutions needed to create a modern state failed to implant themselves among either the indigenous Tonga and Karanga or the Portuguese and Afro-Portuguese communities (Newitt 1995, p. 80).

In turn, Landes published in 1998 a fascinating book called *The Wealth and Poverty of Nations: Why Some are So Rich and Some so Poor*. For Landes,

> The old division of the world into power blocs, East and West, has subsided. Now the big challenge and threat is the gap in wealth and health that separates rich and poor. These are often styled North and South, because the division is geographic; but a more accurate signifier would be the West and the Rest, because the division is also historic. Here is the greatest single problem and danger facing the world of the Third Millennium (Landes 1999).

Without referring specifically to Mozambique, except once at the beginning of the book, Landes's more than 600 pages has many passages directly relevant to understand its present situation. Such passages cannot be adequately summarized in a small paper like this, but it seems worthwhile to at least quote some paragraphs at some length useful to set up the grounds for the analysis and discussion that follows:

> Since independence, the heterogeneous nations that we know collectively as the South, or as the Third World (and sometimes the Third and Fourth worlds, to distinguish between poor and very poor), have achieved widely diverse results. These have ranged from the spectacular successes of Easy Asia to mixed results in Latin America to outright regression in such places as Burma and much of Africa.
>
> This diversity of outcomes shows that colonization in itself, even enslavement, does not dictate failure. In the long sweep of history, this is the heart of the matter: down is not out. Some countries have made something of the colonial legacy; of the heritage of social overhead capital, education, and ideas; even of their own anger, resistance, and pride. Others have run down what the colonial power left behind and have not learned to replace it. Still others were left little, usually the colonial power did not see the payoff to improvement. Still others were too poor even to attract the cupidity of stronger nations ...The continent's problems go much deeper than bad policies, and bad policies are not an accident ... In a fragile world, good policies are hostages to fortune. In Africa, as in much of the world only more so, the clocks go backward as well as forward (Landes 1999, pp. 433, 49–92, 507).

Critics have pointed out that Landes' book must not be taken at face value, particular when he gives much explanatory emphasis to supposedly pro-capitalist European cultural features. However, it needs to be also acknowledged that African culture is very often used as a double-edge: either to seek the respect of cultural diversity and the right to be different, or to expect, if not demand, complacency towards the greedy political and economic agendas generally presented as well-meaning and harmless for the society in general.

In a former paper (Francisco 1999) I wondered that it remains to be seen whether, or when, the growing national elite in Mozambique will become more virtuous and creative than the colonial and assimilated bourgeoisie that ruled the country until the independence of the country. This is far from a longing manifestation for the past, or a conclusion that political independence is useless and unsustainable. While one is not totally safe from such an accusation, as this paper shows this is understandable when one realizes the strong influence of what in this paper it called wishful thinking.

Wishful thinking is understood here as the belief that because it would be nice if something were true, then it must actually be true. The pattern of thought associated with wishful thinking has become extremely common in Mozambique, particularly since it turned out to be politically convenient for some people, whether politicians, planners, technicians or researchers, to avoid unpalatable truths, and simultaneously keep control of the key decision-making and governmental institutions. Such a pattern can be traced back to the first decade of independence, under the domination of the monolithic one-party and single ideology system.

The dominance of wishful thinking in intellectual exercises has been so pervasive that serious and very urgent issues, which affect the overall societal fabric, usually take about 10 to 15 years to be openly acknowledged and explicitly faced by the ruling policy-makers and technicians. Examples range from the civil war, to the HIV/AIDS pandemics, and even the approval of a national anthem.

Throughout the paper some of these examples are referred to in more detail. The paper calls attention, in particular, to some of the most relevant forms of mainstream wishful thinking, from the more extreme form, a kind of self-deception, to the milder one characterized by an unwarranted optimism.

In short, still on what has been written in this section, there is no doubt that Africa's relationships, and in particular, Mozambique's long involvement with the outside world, have been a hard and complex process and has had a major influence on what has happened or not happened to its societal development. But if one really believes that internal factors are decisive for Africa's development, then it is a waste of time to concentrate on intellectual endeavours in pointing out and blaming the Western powers on the one hand, as far as African economic difficulties, poverty and other ills are concerned, while on the other hand, one goes around the world begging for aid, help and complacency.

Mozambique: An African success story?

The Mozambique of today is the outcome of several dramatic shocks that the country suffered since its independence from the Portuguese colonial administration in 1975.

Civil war and political transformation

First, there was the unexpected and unplanned transition to independence, chiefly characterized by the sudden and massive exodus of the majority of its managers and skilled employees, both of Portuguese origin but also of thousands of Africans who quit the country either to the neighbouring countries or to Portugal. Serra (2000) referred to such a shock as "The three years that shook Mozambique", a felicitous paraphrase of the well-known book from John Reed about the Russian revolution in 1917, and showed how the accumulation and reproductive mechanisms inherited from the colonial period were badly questioned by Frelimo, the Liberation movement that seized power and ever since became the ruling party in Mozambique. According to Serra, the new political and economic authorities destroyed the reproductive and accumulation mechanisms without a due assessment of its consequences, nor even an adequate search for better alternatives than those questioned, such as: the attempt to integrate the Mozambican economy into the former economic socialist system; Frelimo's refusal to hand over the abandoned farms by the former Portuguese settlers to the peasants; the widespread nationalization six months after independence, from private education and health to land farming and building construction, among other services and entrepreneurial activities and institutions badly needed for a market economy.

There was the ruinous civil war between the late 1970s and the peace agreement in October 1992. This war was instigated, on the one hand by the white minority regimes in Southern Rhodesia and South Africa and, on the other, the extremist political measures implemented by the Mozambican Government without due care and consideration for its economic implications for the Mozambican population. Such measures included from the decision on the sudden closing borders with the neighbour former Rhodesian regime, to the new kind of politics of exclusion standing on ideological grounds and the one-party system closely based on the East European model. The Mozambican Government launched its economic transition process while in the midst of the internal military and political conflict. This conflict destroyed the country's economic and social infrastructure and led to a massive population displacement and economic disruption in rural areas.

Since the early 1990s, Mozambique has been engaged in a complex, multi-faceted process of transition: from the first to the second Constitution; from war to peace and reconciliation; from a one-party state to pluralism and democracy; from a humanitarian emergency to rehabilitation and reconstruction; and from centralized planning to a market-based economy. However, by the end of the twentieth century, that is a quarter of a century after Mozambique's independence, the country was heavily indebted and impoverished. While for some authors, such as Hanlon (1995), peace brought about no real benefit to the overall population because of the policies demanded by the external creditors, one can hardly imagine what would had happened if the Bretton Woods institutions had not been so deeply involved in Mozambique's recovery process. In the middle of 1999, the IMF, together with the World Bank's International Development Association (IDA), agreed that Mozambique had met the requirements for reaching the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative, allowing the country to receive substantial debt relief from its external creditors.

From 'repressed' to 'mostly unfree'

The Mozambican Government launched its economic transition process while in the midst of the internal military and political conflict. This conflict destroyed the country's economic and social infrastructure and led to a massive population displacement and economic disruption in the rural areas. Mozambique joined the Bretton Wood institutions, namely the World Bank, in September 1984, and since 1987 Mozambique's comprehensive stabilization and structural programme, later named the Economic and Social Rehabilitation Programme (PRES), was supported by the International Monetary Fund (IMF) under successive programs, first the Structural Adjustment Facility (SAF) until 1990, and then two arrangements under the Enhanced Structural Adjustment Facility (ESAF). A third ESAF arrangement was approved in the middle of 1999.

As UNCTAD (2001) asserts in its An Investment Guide to Mozambique: Opportunities and Conditions:

> Mozambique is a good example of a least developed country in which the basic constraints on development are being gradually removed by a decisive and reform-minded Government, which commands popular support. The sustainability of these efforts depends to a large extent on the tangible results they produce in the main areas of the economy. The Government is aware of this and in general committed to continuing on its current path. It is also aware that private-sector participation and, in particular, foreign direct investment with its unique combination of tangible and intangible assets, is indispensable to economic growth. In sum, Mozambique is and will remain a prime investment location in Africa.

Another example is provided by a more conservative organization, The Heritage Foundation and the *Wall Street Journal*, which from 1994 has published an annual report on the Index of Economic Freedom (IEF) (O'Driscoll et al. 2002, 2003). The IEF is intended to articulate empirical data with a careful theoretical analysis of the facts that most influence the institutional setting of economic growth and development, namely its origins and causes. Empirically, the IEF measures the impact of taxes and customs duties, of commercial regulation, of government intervention in the economy, of corruption in the government, of the judicial system, and of the customs services, among other relevant factors. In their last report O'Driscoll et al. (2002: xiv) mention Mozambique as a country that has undergone great changes:

> The first government of Mozambique was dedicated to converting the economy to a socialist system. A 16-year civil war that lasted until 1992 and communist economic policies that endured until 1987 devastated the economy ... Over the past 15 years, the government of Mozambique has repudiated its former Marxist policies, relinquishing its grip on many state-controlled enterprises and encouraging entrepreneurs to take advantage of opportunities in agriculture, hydroelectric power, and transportation presented by a freer economic system. Liberalization, privatization, and relative peace and stability have led to strong, stable economic growth over the past decade and have made Mozambique a model for economic development and post-war recovery (O'Driscoll et al., 2002: 321; 2003: 307).

Table 1 summarizes the improvement of the IEF for Mozambique, between 1995 and 2003, in terms of rank, score and category. Lower scores indicate positive factors for the economy. In 1995, Mozambique was rated 'a repressed economy'. Over the past several years, however, it has made notable improvement, even if is still ranked 'mostly unfree'. Why? As O'Driscoll et al. (2002: xiv) put it: "Until 1987, Mozambique was implementing communist economic policies that were devastating its economy. Then, in the 1990s, the government began to implement privatization and liberalization".

This is not the most appropriate place to discuss the theoretical and empirical features associated with the IEF, which are no doubt controversial, and the ten facts presented in Table 1. For the purpose of this paper, Table 1 serves to highlight two features. On the one hand, O'Driscoll et al.'s (2002, 2003) publications have also contributed to the positive view about Mozambique and its so-called economic success. On the other hand, Table 1 comprises the set of factors, which have been at stake in the process of economic reform since the first steps towards economic deregulation back in 1985 and the introduction in 1987 of the first Economic Rehabilitation Program in coordination with the Bretton Woods agencies.

The core message put forward by O'Driscoll et al.'s publications is spelt out explicitly in the latest publication: "The countries with the most economic freedom also have higher rates of long-term economic growth and are more prosperous than are those with less economic freedom" (O'Driscoll et al. 2003, p. 1). Whether or not one agrees with the concept of

Table 1. The Index of Economic Freedom of Mozambique

	1995	2003
Overall Rank	96	94
Overall Score	4.20	3.25
Trade	5.0	4.0
Fiscal Burden	3.0	3.5
Government Intervention	4.0	3.0
Monetary Policy	5.0	3.0
Foreign Investment	4.0	2.0
Banking/Finance	4.0	2.0
Wages/Prices	4.0	3.0
Property/Rights	4.0	4.0
Regulation	4.0	4.0
Black Market	5.0	4.0

Source: http://cf.heritage.org/index/

Figure 1. Economic Freedom and Per Capita Income, 2002 (1999 Per capita Income in Purchasing Power Parity USD)

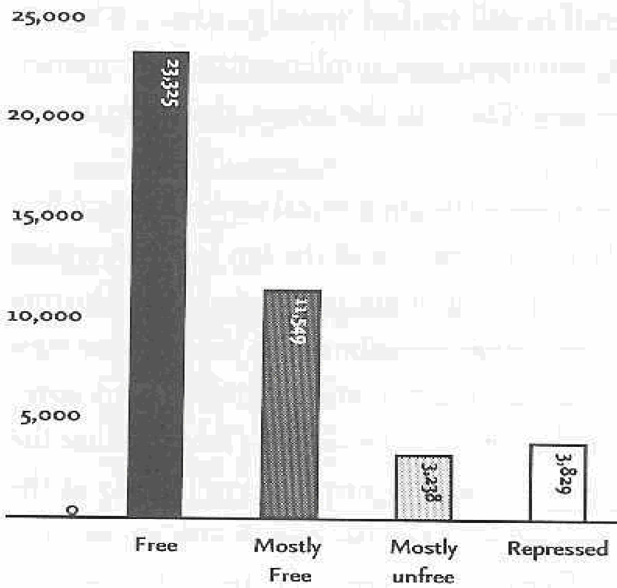
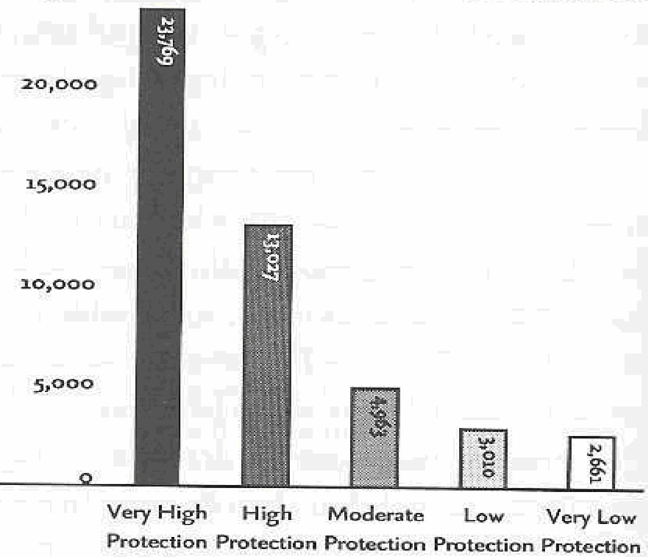


Figure 2. Protection of Property Rights and Per Capita Income, 2002 (1999 Per capita Income in Purchasing Power Parity USD)



Source: O'Driscoll, 2002.

economic freedom considered in association with O'Driscoll et al.'s (2002, 2003) publications, the important aspect to highlight here is that such a concept is present, more or less consciously, in the thoughts of investors and perhaps of the majority of the people.

It is scarcely worth conjuring away the validity of the notion of 'free' and 'unfree' in terms of the Mozambican economy. In the final instance, it is the enormous persuasive power of such ideas, perceptions and images, such as those in figures 1 and 2, that countries like Mozambique have to face, and to which they must find effective solutions, if they are really banking on promoting private investment, whether foreign or national.

O'Driscoll et al. (2002) stated that Mozambique proves that it is possible to advance while recovering from a national disaster. But one needs to wonder whether the simple fact that Mozambique has increasingly opened its borders to foreign investment, is enough to further boost economic growth in the country.

While O'Driscoll et al. assert that many countries fail to realize the simple concept that open borders equals more investment, and thus more income, one needs to wonder whether this, in itself, is enough to ensure sustainable and real economic growth and development; or is it a necessary rather than a sufficient condition, among several other important conditions?

Although Mozambique faces daunting political, juridical and institutional challenges and many constraints, there has been a relatively stable pluralist political system,

Figure 3. Real GDP Trend, Mozambique, 1985–1998

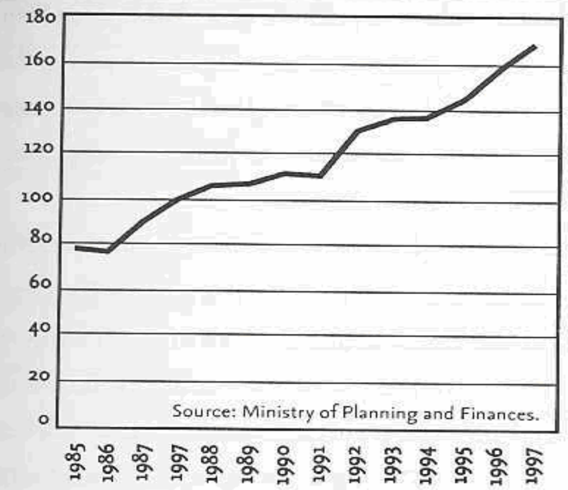
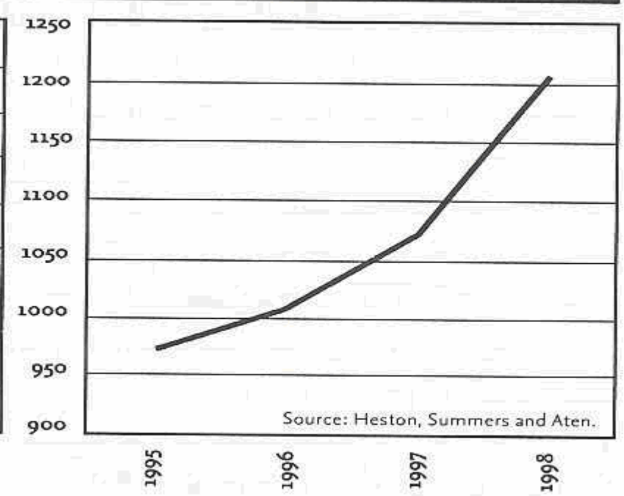


Figure 4. Real per capita GDP of Mozambique, 1995–1998



some important steps towards decentralization and democratization at the local level, leading to the first elections for municipal authorities in June 1998. Together, the consolidation of peace, economic reforms and improved macroeconomic management, along with high levels of external assistance, some periods of good weather conditions and improved terms of trade, have enabled Mozambique to achieve relatively high rates of growth, though one needs to bear in mind that such growth started from a very low basis and daunting conditions of extreme poverty, a point which will be resumed below.

A narrow view of Mozambique's economic recovery

Over the last decade of the twentieth century, Mozambique experienced a significant turn around towards a positive resolution of its deep economic crisis since the country's independence from the Portuguese colonial administration in 1975. A dramatic overturn of the Government's policy transformed Mozambique from the poorest country in the world, as the World Bank (1992: 218; 1997: 214) classified the country late in the 1980s, into one of the fastest growing economies in Africa in the second half of the 1990s.

This significant recovery of the Mozambican economy has been internationally praised by mainstream agencies, such as the World Bank, International Monetary Fund, UNCTAD, OECD, among many others. And it needs to be stressed that Mozambique's economy recovery is far from a statistical artefact. The data have certainly many weaknesses and limitations; and they are hardly comparable due to their different sources and methods of calculation. In spite of this, the available statistical data show more about the present and past changes of the Mozambican economic reality than often policy makers and planners recognize.

One important feature immediately apparent is that regardless of data differences, in terms of sources and techniques, the key indicators show a positive and visible economic recovery in Mozambique in the last decade of the twentieth century. Figures 3 and 4, the former based on data from the Ministry of Planning and Finances and the latter drawn from the internationally comparable Penn World Tables, depict an almost exponential economic growth in the second half of the 1990s.

The national economy has grown at relatively high rates, while simultaneously taming inflation and creating a favourable climate for investment, notably from the private sector. In 1997, the GDP growth rate reached 14%, and was brought about by a number of factors: real growth in production; investment in the productive sectors of the economy; increased savings within the public and private sectors; and reduction of the current account deficit from around USD 700 m in 1995 to USD 600 m in 1997. GDP per capita increased from 0.8% in 1994–5, 4.3% in 1995–6, to 11.6% in 1996/7. The annual rate of inflation diminished from 56.9% in 1994 to 16.3% in 1996 and 5.8% in 1997 (see Table 2).

Approximately 50% of GDP is produced by commercial activities, transport, financial establishments, public administration and other services. By contrast, despite employing more than 80% of the economically active population, the agrarian sector only contributes one-quarter of GDP. In 1998 GDP growth was estimated between 9 and 10%, which means a rate of growth of GDP per capita of 7.2% with respect to 1997.

Apart from the indicators provided above, there are other indicators, often used by investors and international agencies that bear witness to serious progress in the past decade, concerning the elimination of the basic constraints on investment. These were presented above through quotations from UNCTAD and O'Driscoll.

Despite the undoubted reality of Mozambique's economic recovery and rapid growth the extent and impact of this success needs to be put into its proper and wider context. The description of Mozambique as an African success story results from the short-minded view that has usually underlined the analyses, in part because economic growth and the improvements observed within a very short life-span are often considered a-historically and as if they were an end in themselves.

A broader view of Mozambique's economic dynamics

Analyses of short-term average GDP or income measures do not tell the whole story, particularly the story that long-term and broader measures of welfare provide about the social conditions and human development in general.

Figure 5. Real per capita GDP 1960–1998 (chain method, 1996 prices)

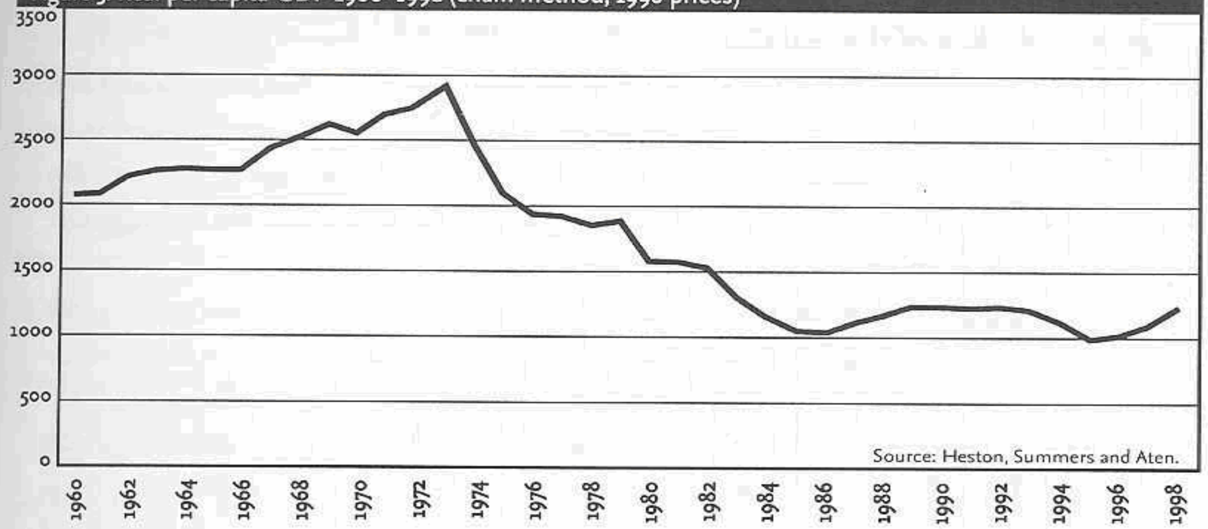


Table 2. Macroeconomic indicators, Mozambique, 1980–2000

	1980	1997	1999	2000	1980–90	1990–99
Per capita GDP (in 1999 dollars)	80.0	128.0	209.0	210.0	–	–
Annual average growth rates of per capita real GDP %	–	–	5.0	–	-1.5	2.5
Real GDP total real product (%)	–	14.1	7.3	–	-0.1	6.2
Population, (Million)	12.3	16.5	17.3	17.6	–	–
Percentage share of agriculture in the labour force	84.0	–	81.0	–	–	–
Gross Domestic Product by sector						
Agriculture (% of GDP)	37.0	–	33.0	–	–	–
Manufacturing (% of GDP)	9.0	–	13.0	–	–	–
Investment (% of GDP)	6.0	–	33.0	–	3.8	10.7

Source: INE, 1997 and 1998; IMF, 2000; UNCTAD, 2002; UNDP, 2001 and 2002; World Bank, 2002.

conditions and human development in general.

This section calls attention to the perils of a short-term assessment of Mozambique's economic recovery. The limitations of the view become apparent when one places the last decade or so of relatively rapid economic growth of Mozambique in a wider context, including: (1) the longer duration economic trend which should include the highest levels that Mozambique's economy ever attained; (2) the real developmental impacts of the recent economic growth, in terms both of rising living standards and reducing absolute and relative poverty levels; (3) and the future investment prospects, both for national and foreign investors.

Long-term decline of the real GDP

Figure 5 depicts the evolution of the real GDP per capita over the past four decades and draws upon the latest data made available by the Penn World Tables, measured in purchasing power parity; that is, the data of the Figure spans from 1960 to the late 1990s, including the last decade and half of the colonial period which registered the fastest economic growth ever experienced in Mozambique in the twentieth century.[3]

By looking at the long-term evolution of Mozambique's economy in comparison with the almost exponential economic growth depicted in figures 1 and 2 above, one wonders: where is the noteworthiness of Mozambique's performance ABD referred to 1998 so emphatically?[4]

The image represented in figure 5 is corroborated by the series of eight graphs (figures 12 and 13 in Annex) depicting, on the one hand, the trend of four relevant agricultural products both in terms of the sustenance of the population and for export: cashew nut product and harvest, sugar cane, tea and maize production between 1961 and 2001.[5] On the other hand, there is the set of four graphs representing the annual average percentage growth trends in gross internal investment, public and private, compared with the average annual growth of food and non-food production, in Mozambique and in sub-Saharan Africa.

A few features can be highlighted regarding this set of graphs. Firstly, with negative private investment in the first decade after independence, and investments not higher than the average annual population growth in the second decade, the crisis in food and non-food production in the country was inevitable.

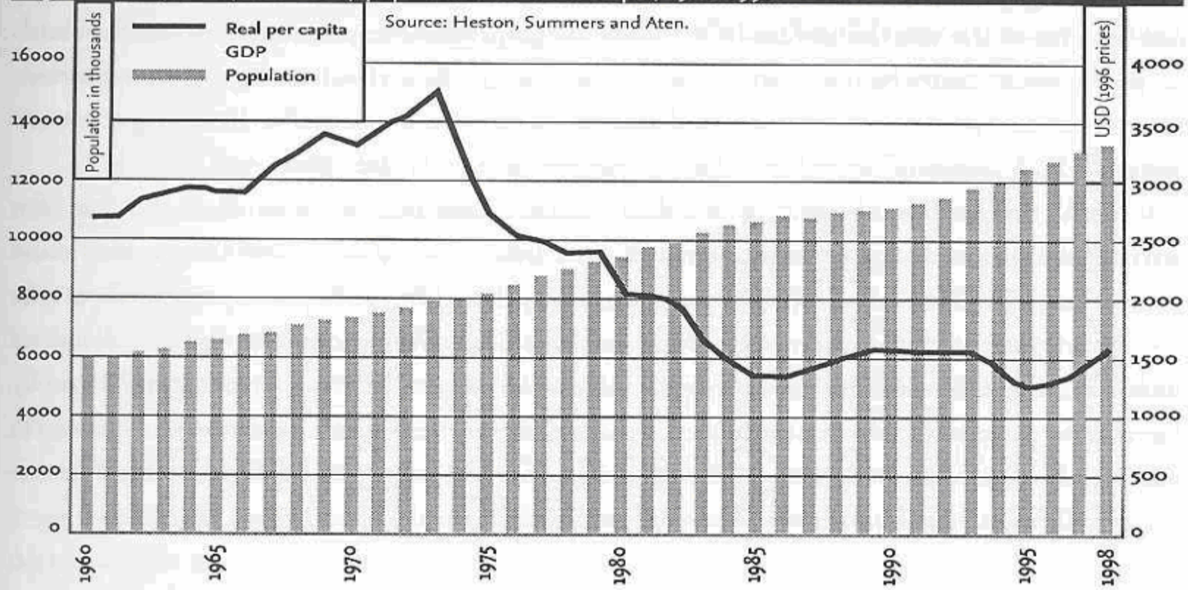
Secondly, it is important to notice that the debate among Mozambican researchers and policy makers on these long-term economic indicators is very difficult, if not frequently

[3] Purchasing power parity (PPP) is defined as the number of units of a foreign country's currency required to purchase the identical quantity of goods and services in the local (LDC) market as $1 would buy in the United States. The $PPP accounts for price differences across countries, allowing international comparisons of real output and income rate.

[4] Using the measure in PPP dollars to estimate the gap between the highest and the lowest income countries gives a much lower range than using official foreign-exchange rates. For instance, the gap between Mozambique and the United States is 1 to 42 and 1 to 163, respectively, and between Mozambique and South Africa is 1 to 11 and 1 to 14 (World Bank, 2002, p. 233).

[5] I first prepared this long trend overview of Mozambique's economy for a paper written in 1999, together with the estimated real GDP per capita trend measured using official foreign-exchange rates in US dollars. The latter was the focus of the analysis in the 1999 paper, for its main purpose was the assessment of the national economy evolution over almost half a century and within its own borders. Such an option led to a picture much more negative, though probably closer to the reality depicted by the four graphs on specific products presented below. For the purpose of this paper, the image in Figure 5 drawn from data measuring the relative domestic purchasing power of different currencies for international comparative purposes is enough.

Figure 6. Real per Capita GDP by population in Mozambique, 1960–1998



avoided. For instance, in a 2000 paper Magid Osman lamented: "Nowadays, it has become a current practice to overlook the war effects and increasingly stress that the economic policy implemented was disastrous". Even if Osman's complaints were in principle justified, he failed to acknowledge that the alleged exaggerated emphasis given nowadays to the disastrous economic policy implemented immediately after independence is in itself a compensation for the monolithic period, when the practice was the other way around. That is, to put the blame on whatever cause likely to be beyond the Government's control, from the colonialism heritage and the destabilization strategy moved by the white minority regimes in the Southern African region, to natural disasters.

Thirdly, the decline in living standards illustrated above becomes more visible in figure 6, which shows the trend of the GDP per capita in comparison with population growth. Anybody who experienced the post-independence decade certainly recalls the long queues and empty shelves; the widespread black market caused by the administrative price control of most of the food and non-products; the shortages of almost everything to the extent that people were forced to resort to the direct exchange of products: cloth for fish, cigarettes for rice or bread, meat for a particular service, and so forth.

Fourthly, what might be called the economy of the truth, meaning the selective withholding of information, has for long become a way of thinking among mainstream policymakers and researchers. They go to great lengths to avoid saying anything that is untrue, whilst being quite content to be economical with the truth, such as suggesting that if it was not because of the war the unfeasibility of the mega-projects implemented under the socialist policy could easily be overcome with well-meaning political will and governance; including when such projects were conceived and implemented as part of a dreaming economic system which nonetheless collapsed and disappeared late in the 1980s.

As this section shows, the so-called 'Mozambican economic success', as it has been portrayed by several mainstream national and international agencies, only makes sense when compared, first of all, with the economic disaster Mozambique experienced prior to the abandonment of the attempt the Mozambican Government made in the first decade of independence to cut completely off from the market capitalist economic system. Secondly, the relative success of Mozambique's economic recovery becomes relevant in comparison to the anarchy or civil unrest that continued to affect several sub-Saharan African countries (i.e., Angola, Democratic Republic of Congo, Sudan and Burundi), throughout the 1990s.

Economic growth and its impact on living standards and human development

Real Gross Domestic Product (GDP) per capita is a good indicator of living standards because it shows variations in production at constant prices; that is, in the absence of inflation. Thus real GDP per capita can be used as an indicator of people's living standards.

The figures used below to calculate the income index, as one of the components of the HDI, are based on the World Bank's estimates of real GDP, using the scale of international dollars, or purchasing power parity ($PPP), instead of exchange rates as conversion factors.[6]

The latest *World Development Report 2002* (World Bank 2002) estimates that Mozambique's GDP grew, between 1990 and 2000, at an average growth rate of 6.4% per year, and at the beginning of the new Millennium it is estimated to have a USD 210 per capita gross national income (GNI).

In 2000, the GDP was 52% larger than the GDP of 1994. Over the same period the population grew by about 13%, which suggests that the national wealth grew more rapidly than the population. That is, real per capita production grew, and thus the average living standard of Mozambicans also improved. This is illustrated in Figure 7 by the line corresponding to the growth of the GDP index referring to the period 1994–2000. The index

[6] There are slight differences between the data used in this article and those of UNDP's *National Human Development Report for Mozambique 2000*. Very probably this is because my source is the CD-ROM 2000 of the World Bank, while the UNDP indicates it has used data from two successive World Bank reports: 1999/2000 and 2000/2001. However, these differences have no implications for the main conclusions of the article.

represents the proportion of economic growth that may really have contributed to human development. In these terms, I estimate that about 10% out of the 52% economic growth accumulated over the second half of the 1990s has reverted directly to human development.

In part, this confirms what the ordinary citizen feels and laments. For example, reflecting this feeling, Joaquim Fanheiro, General Secretary of the Organisation of Mozambican Workers (OTM), recently stated "the economic growth that has been mentioned in the official statistics has not been reflected significantly in poverty alleviation and in improving living conditions" (*Metical* no. 998, 30/05/2001).

This perception of the invisibility of the impact of recent economic growth is understandable for two reasons. First, the period of real positive growth is still very short, and started from a very low level, after several years of negative growth, or of economic growth lower than the growth in population. Secondly, economic growth does not generally benefit the population in an even fashion.

It is thus understandable that people say that they do not feel the dividends from the recent economic growth. For this perception to change, it will be necessary for real growth of production to continue for a long period, and for the mechanisms of the social distribution of national wealth to be improved, for the benefit of the majority of the population. In other words, this will involve establishing links and flows between economic growth and human development that are currently either very weak or simply do not exist.

In any case, even knowing that the impact of economic growth on improving the living conditions of the population is still limited, it remains important to recognise that this crucial component of human development has made a positive contribution to its progression. This is fundamental, if we take into consideration that, over about a quarter of a century, economic growth constituted one of the main obstacles to improving human development. Without rapid and sustained growth in the living standards of the population, progress in human development is non-viable and practically impossible.

The worsening of life expectancy at birth and its impact on human development

Life expectancy at birth is a demographic measure widely recognised as one of the main indicators of people's living conditions: through it, one can estimate the longevity and state of health of a population. By reviewing the data available on the trend in life expectancy at birth over the last half-century or so, one observes a steady improvement in the health status of the population between 1950 and 1980. This improvement was caused by two main factors.

Firstly, as show above the last two decades of the colonial period corresponded to the fastest growing period of the Mozambican economy. During the 1960s and early 1970s, pressure grew for expansion of the modern sector of the economy as well as for expansion of the internal market. The Portuguese administration became slowly but increasingly more aware that the quantity of labour alone was not as relevant to the development goals adopted as its quality. The need to increase productivity and to increase basic living standards required substantial expenditures on education and training and the provision of a wide range of health and socio-economic infrastructures and services not previously considered necessary. This is apparent in the increasing focus and investment allocated by the development plans in the 1960s and early 1970s aiming at, initially, to increasing labour productivity and, then, to more general aspects of individual health and welfare (UNFPA 1981, pp. 12–14; Newitt 1995; Presidência do Conselho 1968, 1973).

Secondly, the first decade of independence was characterized by significant actions on health and education, including several campaigns of vaccinations and alphabetisation national wide. In parallel to the many social actions, several populist economy policies were implemented. Although such policies soon turned out to be unfeasible and unsustainable, in the short run this relieved the population of the certain expenses that the well-meaning Mozambican Government enthusiastically considered should be provided for, as a basic human principle.

Following the Peace agreement in 1992, however, a novel kind of war arose, imposed by the HIV/AIDS pandemic. It threatens to become – incredible though it may seem – deadlier than all the wars and natural disasters that have struck Mozambique over the last half-century. The main difference, perhaps, is that in this case most of the victims die silently, many of them absolutely alone, and convinced that the cause of their death is one of the various other diseases that lie behind a life expectancy for Mozambicans that was already very low even before HIV made its appearance.

Over the last decade we have become used to hearing that Mozambique is among the ten countries in the world with the lowest Human Development Index (HDI).[7] Only with diffi-

[7] At the start of the 1990s, this indicator was incorporated into an index, which also includes two other components that are important for human development: knowledge and living standards. Taken together, these three components formed the Human Development Index (HDI), which has been used as a measure of human development, understood as the process of enlarging people's choices (UNDP 2001, 2002). Those readers interested in the technical aspects of calculating the HDI can consult the technical notes in the UNDP national and international reports. As for the details of the calculations made for this research, as well as suggestions for improving and deepening them, I can be contacted at my faculty or through the e-mail address: afrancisco32@hotmail.com.

culty can this lamentable international position of Mozambique be altered, at least in the short and medium term. Immediately, the best thing that can be done to alter it, before anything else, is to recognise the difficult reality in which the country finds itself. And this is precisely where the problem lies. Are we aware that human development is currently getting worse?[8]

At the end of the 1990s, we had reason – certainly more reason than now – to look positively at the trends in human development. What we knew, up to the end of 1999, about the three components of the HDI showed us that the Mozambican population was indeed managing to improve its condition. However, the release of the data on the *Impacto Demografico do HIV/SIDA em Moçambique* (Demographic Impact of HIV/AIDS in Mozambique (INE, 2000)[9] raised serious doubts about the real improvement of human development, particularly with regard to life expectancy.

Astonishingly, the new data is not reflected in two the latest UNDP's National Human Development Reports for Mozambique (UNDP 2001, 2002). But when one looks at the latest Global Human Development Reports produced by the UNDP in New York, life expectancy at birth in Mozambique appears lower in the second half of the 1990s than in the first half of the 1970s. For instance, the UNDP (2002, p. 177) estimated the life expectancy at birth in 1970–1975 at 42.5 years and in 1995–2000 at 40.6 years.

This is a dramatic revision. It means that, at the start of the 21st century, the impact that HIV/AIDS seems to have pushed the Mozambique life expectancy down to recording practically the same level as it had reached in the late 1960s, 40 years ago.

Educational level: Adult literacy and combined enrolment ratio

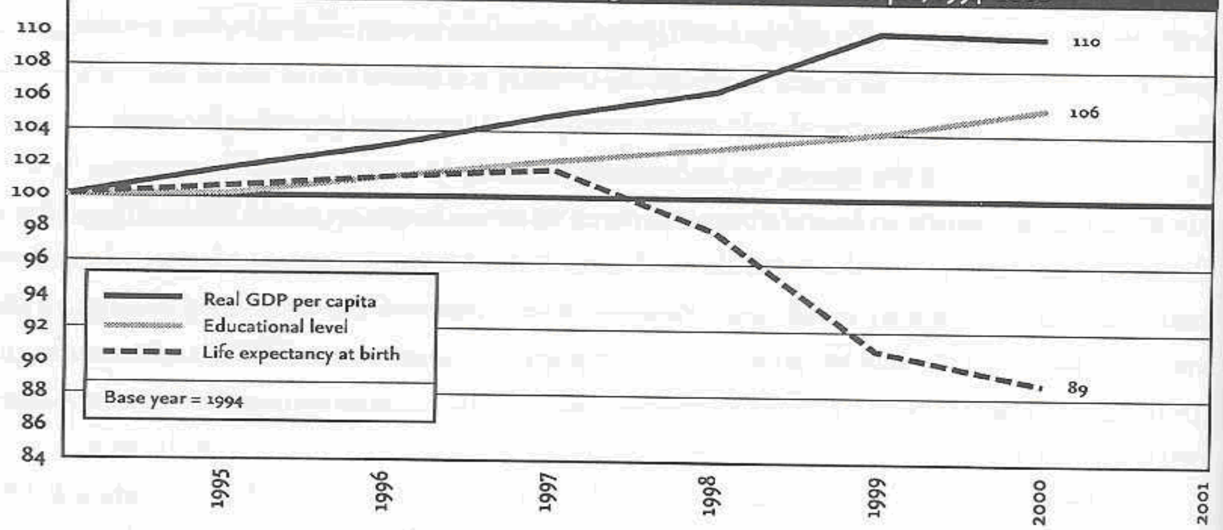
The 1997 Census shows that the adult literacy level in Mozambique is 39.5%, while the data provided by the Ministry of Education show that school attendance has increased between 1994 and 2000 at an average rate of 6% a year.

There is no sign of adult literacy undergoing improvement in recent years, just as there is no sign to the contrary either, with one recent exception. The results from the sur-

[8] In the UNDP's 2002 Global Human Development Report, Mozambique is classified in 170th position, out of 173 countries. The 10 countries with the lowest human development in this list are: Sierra Leone, Niger, Burundi, Mozambique, Burkina Faso, Ethiopia, Guinea-Bissau, Chad, Central African Republic and Mali.

[9] This study, the authorship of which is henceforth given as MISAU et al., was drawn up by four Mozambican institutions: the Ministry of Health (MISAU), the National Statistics Institute (INE), the Planning and Finance Ministry (MPF), and the Population Studies Centre (CEP) of the Eduardo Mondlane University (UEM).

Figure 7. Recent evolution of the three indices that integrate the HDI, Mozambique, 1994–2000



vey on basic welfare indicators, known as the 2000 QUIBB, estimate an adult literacy rate at 43.3%. There is no clear explanation for this improvement and more surveys are needed before one concludes whether such a figure is due to sampling or it can be regarded as representative of the real and overall literacy rate in Mozambique.

Not surprisingly, though, is that in this case, and in sharp contrast to what the UNDP did with regard to the data on life expectancy at birth affected by the prevalence of HIV/AIDS, the National Human Development Report (NHDR) 2001 incorporated the 43.3% in the calculation of the HDI for 2000.

In the HDI, adult literacy and the combined enrolment ratio are integrated into a single educational index, which represents the contribution of knowledge to human development. Thus the available data suggest that the educational index contributed about 5% to the improvement in human development between 1994 and 1999.

Just as in the case of the contribution made by economic growth, which is still not very visible, so in the case of the educational level, there are reasons for concern – not only over the future, which it is feared could worsen because of HIV/AIDS (UNDP 2001; Wils et al. 2001), but also already over the present. If adult literacy remains stationary, the educational level of the population will be entirely at the mercy at whatever improvements may take place in school attendance among children and young people. And clearly a poor level of knowledge, in school, functional and professional terms, holds back improvements in the quality of Mozambican human capital, economic productivity and a whole vast range of opportunities which people will cease to enjoy because of their low level of knowledge.

Figure 8. Realistic hypothesis on HDI trend versus the wishful thinking (NHDR 2001), Mozambique, 1994–2000

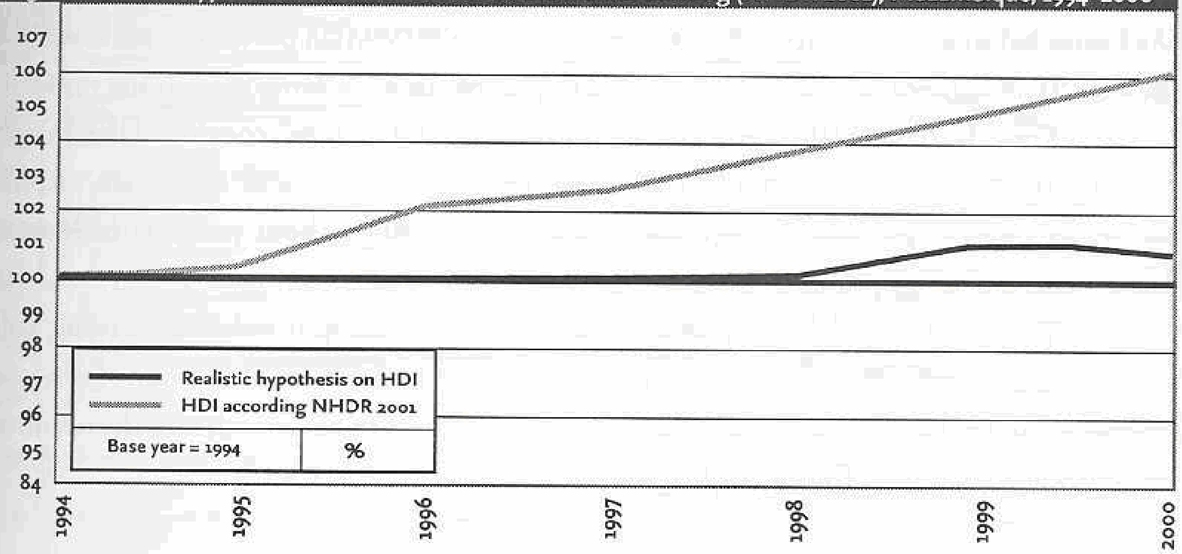
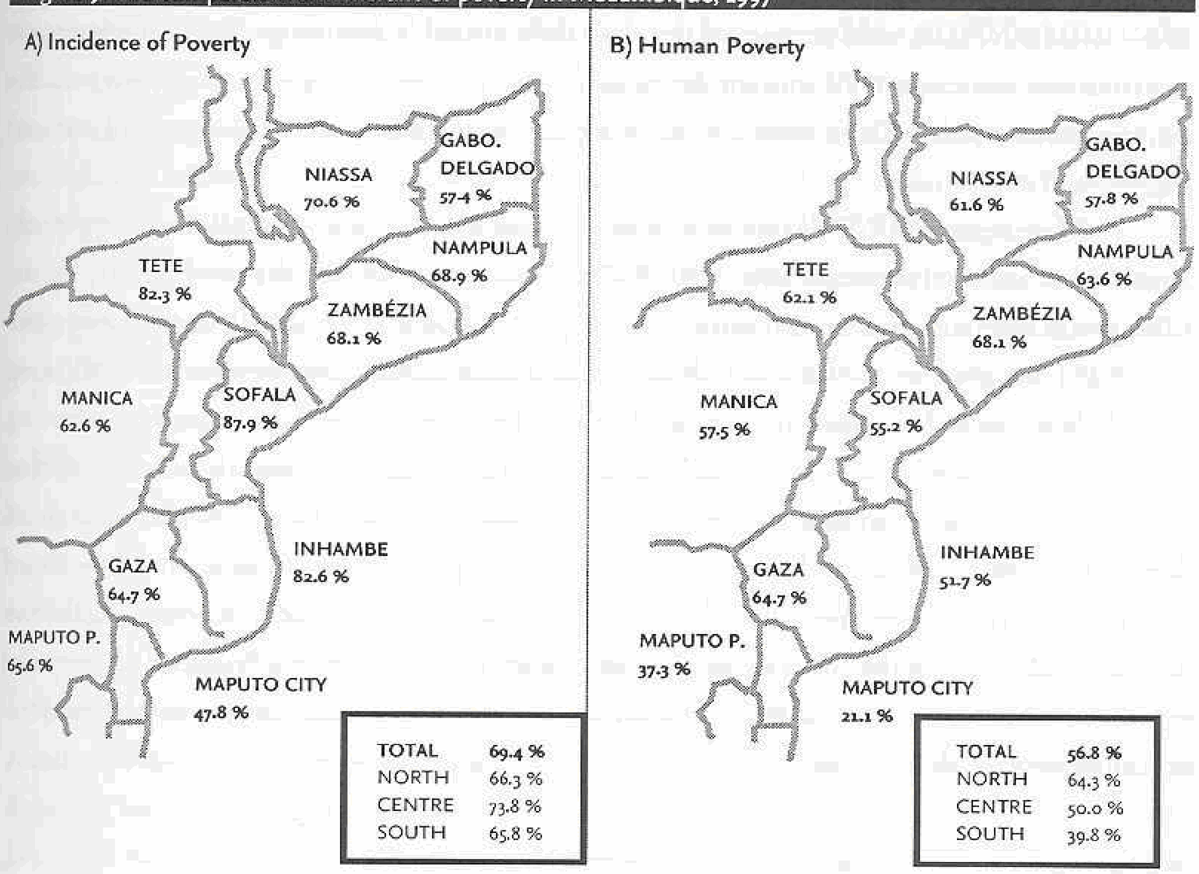


Figure 9. Two comparative dimensions of poverty in Mozambique, 1997



The most realistic estimate of HDI in Mozambique drawn from available data

As I expected in my 2000 paper, the most recent data on HIV/AIDS prevalence made available by the INE et al. (2002) confirmed its negative impact on life expectancy at birth and the HDI.

The UNDP's NHDR 2001, just as its previous NHDR 2000, concluded that in spite of the HIV/AIDS pandemic the HDI is undergoing a positive and significant increase, strengthening the grounds for optimism and renewed hope about progress in Mozambique's human development.

This selective withholding of information has been happily welcome by ruling policy makers, and intellectuals involved in such endeavours find themselves rewarded when, for instance, the President of the country uses them uncritically in his speeches to the nation on Independence day or at the end of the year.

Further reasons for concern: Poverty, inequality and the debt

Absolute poverty and human poverty

The UNDP's NHDR 1999 presented the data then available focusing on two measures on the multiple dimensions of human deprivation: the incidence of absolute poverty and the human poverty index. These measures are depicted in the following set of two graphs placed side-by-side.

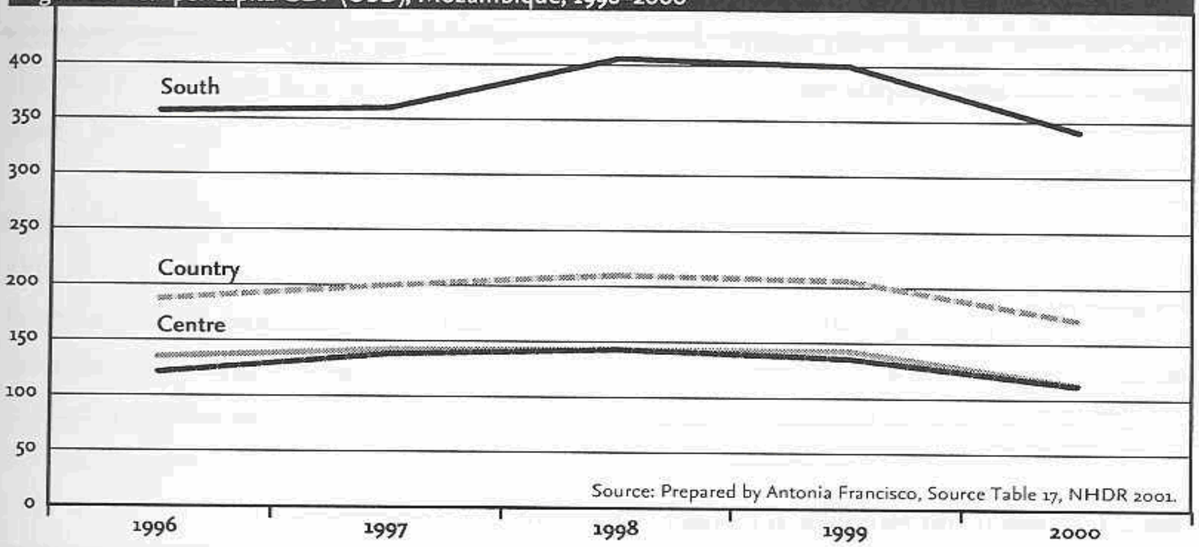
More recently UNCTAD (2002) estimated poverty using a relatively different approach, anchored in national accounts data. UNCTAD estimated that the incidence of poverty for the LDC group has increased from about 48% during 1965–1969 to over 50% during 1995–1999 for the USD 1 poverty line. For the USD 2 poverty line, the incidence of poverty for the LDC group as a whole seems to have been fluctuating at around 80% over the past few decades.

In the particular case of Mozambique, as part of the LDC group of countries studied by UNCTAD, the population living on less than one dollar a day was estimated at around 40.2% during 1995–1999, and around 80.2% for the one dollar poverty line. Similar levels are found with regard to the depth of poverty in the African, in which Mozambique appears among the five African countries (together with Benin, Gambia, Liberia, and the United Republic of Tanzania) where the reduction in poverty during the 1990s was not sufficient to neutralize the deterioration that occurred during the decade of the 1980s, and hence shows overall deteriorating trend.

Weak regional economic growth and inequality

Hanlon's paper entitled 'Do donors promote corruption?' provoked an outcry where he least expected: his suggestion that despite the headline GDP growth rate, Mozambique might not

Figure 10. Real per capita GDP (USD), Mozambique, 1996–2000



Source: Prepared by Antonia Francisco, Source Table 17, NHDR 2001.

be the economic success story claimed by the World Bank and donor community. Hanlon has expressed his disappointment at the fact that no one has contested his main conclusion – that donors are backing corrupt forces in Mozambique, what he called predatory state or state capture groups – rather than the honest Mozambicans. This is a rather naïve view about the subtleties of wishful thinking, particularly when he thinks that his readers seem to willing to accept the normality of a relationship between donors and a corrupt state capture state.

This is not the place to speculate about what would the consequences for Mozambique be if donors became as tough against what he calls the corrupt forces in the country as he seems to imply. In this paper it is enough to highlight the other debate Hanlon's paper provoked. Hanlon distributed the three graphs (Figure 10 and Figures 14 and 15 in Annex), which drew from Table 17 of the UNDP's NHDR 2001. These call attention to the recent signs of a fall in the real GDP per capita in 2000 in all the provinces of Mozambique.

This is another evidence for concern, rather than celebration, about the alleged noteworthiness of Mozambique's economic performance. The graphs were used on a TV program debate to illustrate some analytical inconsistencies in the NHDR 2001, in particular between the very positive image of Mozambique stressed by the Preface and a more balanced picture of Mozambican reality one can draw from the data in the annex. As suggested in that debate, 'a simple secondary-school exercise' provides another example of the economy with the truth: just read the NHDR 2001 from the beginning, from the Preface, and then do it backwards, starting from the tables in the statistical annex. The pictures one gets on human development and economic growth of Mozambique is rather different.

Table 3. Inequality in Income or Consumption, Mozambique, 1996–97

	Percentage
Share of income or consumption (%)	
Poorest 10%	2.5
Poorest 20%	6.5
Richest 20%	46.5
Richest 10%	31.7
Inequality measures	
Richest 10% to poorest 10%	12.5
Richest 20% to poorest 20%	7.2
Gini Index	39.6

Source: UNDP, 2002.

Table 4. Bilateral and Multilateral Donors in Mozambique

Bilateral Donors		Multilateral Donors	
1	Australia	1	BAD
2	Austria	2	BADEA
3	Belgium	3	BID
4	Canada	4	IDA
5	China, R. P.	5	EU
6	Denmark	6	BEI
7	Finland	7	FAD
8	France (MCF/AFD)	8	IFAD
9	Germany (GTZ/KFW)	9	KUWAIT FUND
10	Iceland	10	NDF
11	Ireland	11	NTF
12	Italy	12	OPEC
13	Japan		
14	Netherlands	**United Nations Agencies (11)**	
15	Nigeria	13	FAO
16	Norway	14	UNCDF
17	Portugal	15	UNDP
18	South Africa	16	UNESCO
19	Spain	17	UNFPA
20	Sweden	18	UNHCR
21	Switzerland	19	UNICED
22	United Kingdom	20	UNIDO
23	USA	21	UNV
24	Several other partners in cooperation process of negotiation with the MPF, Namely: Brazil, Cuba, India, Yugoslavia, Magacascar, Mauritius, Malawi, Russia, Tanzania, Zambia, Zimbabwe	22	WFP
		23	WHO

Source: Francisco, 2002.

The inequality statistical data are scanty, but the 2002 Global Human Development Report published by the UNDP in New York summarizes the available data on inequality in income or consumption drawn from the 1996–97 survey; such data are presented in Table 3.

Aid, debt and dependency

Aid

According to the Department for International Cooperation (DCI) from the MPF, in 1999 financial aid pledged amounted USD 1.162 million, of which 98% for public sector and the remaining 2% for the private sector [namely, from France (PROPARCO) and the UK (CDC)]. In turn, the actual disbursement still in 1999 was USD 921 million for the public sector and USD 16 million for the private sector. As Table 4 shows, one of the striking features of ODA to Mozambique is the multiplicity of its sources. A total of 46 partners are reported to have supported Mozambique in 1999, through two main channels: bilaterally (23) and multilaterally (23). Besides the donors listed in Table 4, there are also tens, perhaps more than 150, according to some sources, of international NGOs active in Mozambique (DCI, ECON 1998, p. 29). In 1999, bilateral donors represented about 55% of the disbursed founds, while multilateral donors represented 43% (of which 6% from United Nations system agencies) and private institutions the remaining 2% (Francisco 2002).

From Table 5, we can see that the top ten donors of gross ODA, Portugal emerges in second place, immediately after the International Development Association (IDA) of the World Bank. This relatively high contribution of Portugal, as compared to several often more directly visible donors in the public arena, has come as a surprise to several observers. This may, in part, be due, as pointed out above, to weaknesses regarding sharing information among donors. However, perhaps even more interesting, the data discrepancies call attention to an issue relevant for the purpose of this study, which is concerned with the way aid funds are channelled, managed and spent by donors. As the Portuguese advisor for cooperation at the Embassy of Portugal in Maputo explained, Portugal's aid programme remains characterised by the heritage of its former colonial relations. The somewhat informal relations between Portugal and Mozambique, at least as compared to other major donors, are largely based on institutional and personal relationships, highly decentralised and spread among most of the ministries and several agencies, universities, hospitals and municipalities of the two countries.

Table 5. Top ten donors of gross ODA, 1999–2000 (USD millions)

1. IDA	434
2. Portugal	154
3. United States	93
4. EC	86
5. United Kingdom	66
6. Netherlands	53
7. Germany	50
8. Denmark	49
9. Sweden	49
10. IMF	44

Source: OECD.

Investments

The overall economic reforms in Mozambique coordinated between the Mozambican Government and the representatives of the external creditors has taken place while several other international and particularly regional processes have also directly or indirectly affected the country. As Lima and Mendes (2000, pp. 259–260, 270) pointed out, the flow of foreign direct investment (FDI) within the most recent process of globalization has been characterized by a rapid increase and significant structural changes.

However, Lima and Mendes (2000, p. 270) also show that the FDI flow for the period 1961–1991 and also in most of the years in the 1990s African countries in general, and the Southern African Development Community (SADC) countries in particular, are far from a preferential destiny of worldwide FDI flows. As Table 6 shows more than 60% of the total FDI flow continues to be mostly absorbed by the OECD countries. Less than 2% of the annual average FDI went to Africa in the 1980s and 1990s, and Lima and Mendes expected that it could decline further, at least in relative terms. This raises some doubts, as Lima and Mendes (2002, p. 270) pointed out, about the putative positive consequences globalization should have in the region through an increase of investment and technological modernization.

Table 6 also gives an idea of the Mozambique position in the regionalization process through the SADC, but at the onset two features in Lima and Mendes's paper deserve to be mentioned. One refers to the heterogeneous socio-economic condition of the SADC countries, namely the extreme poverty of some of them. The other feature concerns the strong dependency of the majority of SADC members in relation to the South African economy. In a recent paper, Castel-Branco (2002) shows that:

> Foreign direct investment (FDI) between South Africa and Mozambique is a one-way flow, in the direction of Mozambique. South Africa has become the largest investment partner of Mozambique. South African investors are involved in 300 out of 1,607 investment projects approved between 1990 and 2001. However, the importance of South African investment in Mozambique is much bigger than its share (19%) of the number of projects. South African investment represents 35% of FDI inflows to Mozambique, and the projects with South African participation absorb 85% of FDI inflows, 35% of national direct investment, and 75% of total investment ... South African FDI in Mozambique is heavily skewed towards the core and periphery of the minerals-energy complex, in partnership with other international corporations working in these sectors (like Mitsubishi, Japan; and WMC-mining, Australia) (Castel-Branco, 2002: 11–12).

Castel-Branco, just as Lima and Mendes in the paper mentioned above, considers that regional integration within SADC makes long-term sense if it is strategically oriented to gain advantages in the world economy. Mega projects, such as those already in progress in Mozambique, may be one way to increasingly integrate the world market economy, but as Castel-Branco points out real development requires a much broader basis than that.

Debt

In June 1999, Mozambique completed qualification for the Highly Indebted Poor Countries (HIPC) initiative and was granted debt relief of USD 1.7 billion in net present value, reducing its annual debt repayments from USD 112 million to USD 73 million a year – around USD 1.4 million a week. Under the enhanced HIPC formula, payments fell to USD 900,000 a week.

Today Mozambique continues to spend USD 50 million a year on debt servicing, compared to only USD 20 million on primary health care and USD 32 million on primary education, according to finance ministry figures. Currently, Mozambique owes USD 2.1 billion to multilateral organisations like the IMF and the World Bank and another USD 6 billion in private debt.

As these figures and those summarized in Table 7 suggest, in spite of the financial relief, the external debt burden of Mozambique continues to be very heavy. Moreover, critics also consider the recent write-offs and financial relief from Western governments as simply getting rid of the debt overhang, or the unpayable debts that Mozambique had been forever rescheduling.

Table 6. FDI Flows by recipient country, 1986–1997 (USD million)

Recipient Country/Region	1986–1991 Annual Average	1992	1995	1997
World	159,331	175,841	332,189	400,486
Developed Countries	129,583	120,294	211,465	233,115
Developing countries	20,090	51,108	105,511	148,944
Africa	2,869	3,171	5,136	4,710
SADC				
Angola	169	288	250	350
Botswana	59	-2	380	100
Congo, Rep. Dem.	-10	-1	–	1
Lesotho	11	3	23	29
Malawi	15	2	13	2
Mauritius	24	15	19	38
Mozambique	8	25	45	35
Namibia	26	118	118	131
Seychelles	20	9	40	49
Swaziland	53	83	26	75
Tanzania	–	–	–	–
Zambia	100	45	67	70

Source: Lima and Mendes, p. 260, 2000.

While the recent write-offs will indeed mean more money for social services, as political analyst Sipho Buthelezi, at the Pretoria-based Africa Institute, pointed out a more central question is: when will the so-called rewards of this apparent generosity filter down to the people who are most affected by poverty?

Buthelezi does not assert that the answer to this question depends totally on the IMF and the World Bank, but states that the catch for such a decision is that the Government qualified under HIPC is expected to stick rigidly to the targets in its structural adjustment programme with the IMF.

'It is easier to seize and screw than to make and do'

While even the most ardent campaigners for the cancellation of debt admit that debt relief is not a panacea, the other side of the coin turns the attention again to the forces within the country itself. There is enough anecdotal evidence throughout the African continent that

Table 7. External Debt Burden and Financial Flows, Mozambique, 1997–2000

	1997	1999	2000
External Position	–	–	–
Export of goods and services/GDP (%)	–	12	15
Import of goods and services/GDP (%)	–	38	39
External debt burden indicators			
Total debt stocks/GDP	169	175	190
Total debt service paid/exports	31	19	11
Total debt stock/exports	–	1092	928
Financial flows and ODA			
Total financial flows (net disbursements, 10^6 USD)	1,065	1,150	1,146
Total financial flows of which ODA, 10^6 USD)	948	804	876
Debt (at year end, in 10^6 USD)	5,519	5,161	4,848

Source: INE, 1997 and 1998; IMF, 2000; UNCTAD, 2002; UNDP, 2001 and 2002.

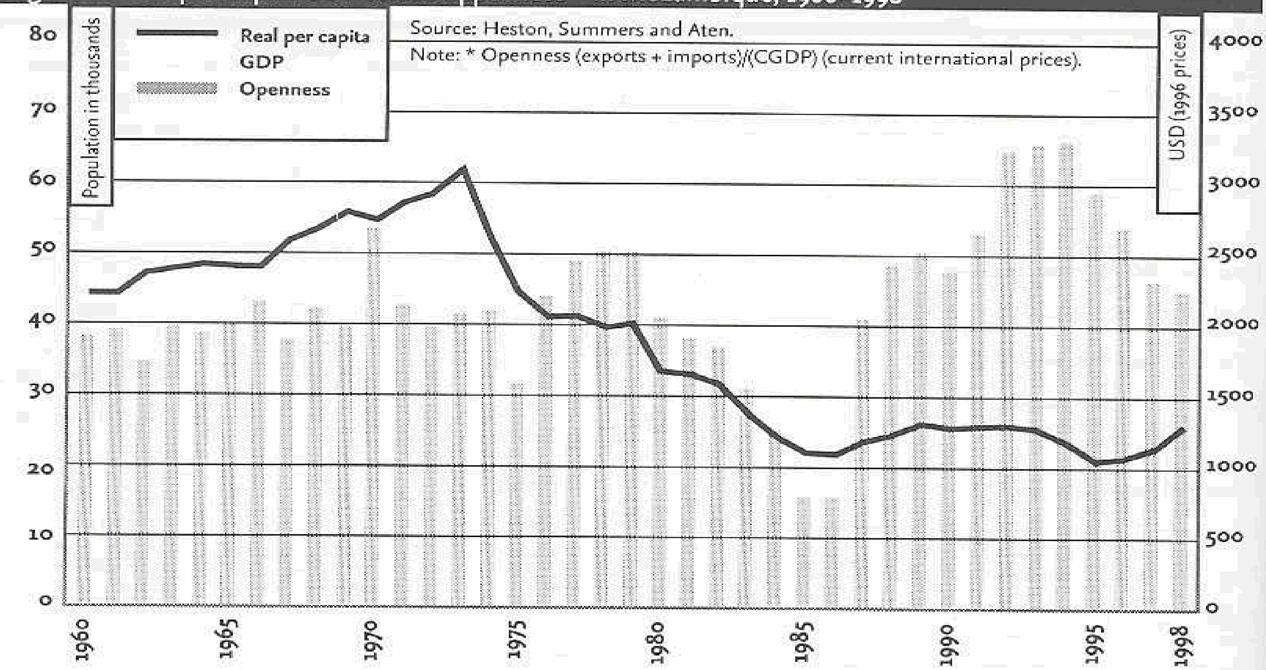
justify Landes' assertion used as the subtitle of this section, drawn from the same book used earlier, which asserts that it is easier to seize and screw than to make and do. This assertion is day-by-day confirmed in the case of Mozambique, and convincingly exposed by several writers, such as Hanlon in his paper entitled 'Do donors promote corruption?'

Hanlon concentrated his paper on denouncing donors' complacency in relation to what he called the predatory state or state capture groups, but in so doing he provided evidence to argue that Mozambique needs more, rather than less globalization, in order to become a viable country and catch up in terms of development. Otherwise, how should donors react to the realization, as some state, that the poor from the rich countries are increasingly subsidizing and nourishing the rich from the poorest countries?

This question is closely related to the aid assistance, debt and dependency. Figure 11 suggests that in the last decade of the twentieth century Mozambique experienced more economic openness than during the last two decades before independence, though that in itself is not immediately leading to a higher real per capita GDP.

This evidence suggests that the extent to which Mozambique will be able to maximize the benefits and minimize the dangers and risks from the opportunities provided by globalization depends not so much on its increasing openness. While opening up to the international economy is necessary, the key and decisive condition for a well-succeeded in-

Figure 11. Real per Capita GDP versus oppenness * in Mozambique, 1960–1998



tegration into the world economy will in the end depend more on factors lying within than outside the country itself.

Closing considerations: an unprecedented effort needed to catch up

The success or failure of any country in the next three decades, McRae (1999, 19) writes, will go around growth. Within two to three decades, McRae adds, most probably some countries will have experienced substantial improvements in their living standards. Other countries will have tried to follow the same pattern, and try to become a little bit richer, but they will feel uncomfortable for being left behind in relative terms. Still others seem predestined to failure and misfortune resulting from the deterioration of their living standards.

How will Mozambique be posited within this set of alternatives remains to be seen, but one thing can already be anticipated. With the annual average economic growth rates registered in the last decade, however noteworthy this may be when compared to many other countries, Mozambique will be forced to struggle between the second and third alternatives. This can be better illustrated with a simple but illuminating example comparing the situation of Mozambique with a true success story in Southern Africa, and perhaps the African continent in general.

Botswana has experienced one of the fastest sustainable economic growths in the world, a growth that is comparable only to the four Asian 'Tigers'. Since 1966, the year of its independence, Botswana's GDP has grown by an average of 7% a year. Income per head jumped from USD 80 a year in 1966 to USD 3,951 in 2000. Furthermore, Botswana is also rated Africa's freest economy in the annual report Economic Freedom of the World mentioned above.

With an average economic growth of about 5–7% per year and a moderate annual population growth rate (i.e. 2%), Mozambique will need between 100 to 60 years to increase its USD 210 real GDP per capita to the level currently enjoyed by Botswana, estimated at USD 3,951 in 2000. To be able to reach the current living standards of Botswana in about a quarter of a century Mozambique must grow at an unprecedented average real GDP average growth rate of at least 15% per year and a moderate annual population growth rate of 2%.[10] This example illustrates the dimension of the effort Mozambique needs to undertake within the next three decades, in order to achieve a substantial improvement in the living standards of the Mozambican population.

The developmental challenges the Mozambican population is facing today, and will certainly face in the future, are inestimable and, indeed, beyond its present institutional, technical and financial capacities. For that reason, it can be argued that Mozambique needs more, rather than less, globalization in order to become a viable country and try to catch up in terms of development. However, contrary to some claims the extent to which Mozambique will be able to maximize the benefit from the opportunities provided by globalization does not depend on its increasing openness only. While opening up to the international economy is necessary it is not sufficient on its own. Key factors for a succesful integration into the world economy will depend more from within than outside the country itself. Donors can help, but in the end no help can replace and be more effective than self-empowerment.

[10] The World Bank (2001) made a similar comparison between Mozambique and Mauritius, stressing that with an average real growth rate of about 5% the former will need about one hundred years to increase its $US210 of real GDP per capita to the income level currently enjoyed by Mauritius, which was USD 3,800 in 2001.

Annex

Figure 12. Production of cashew, sugar, tea and maize in Mozambique, 1961–2001

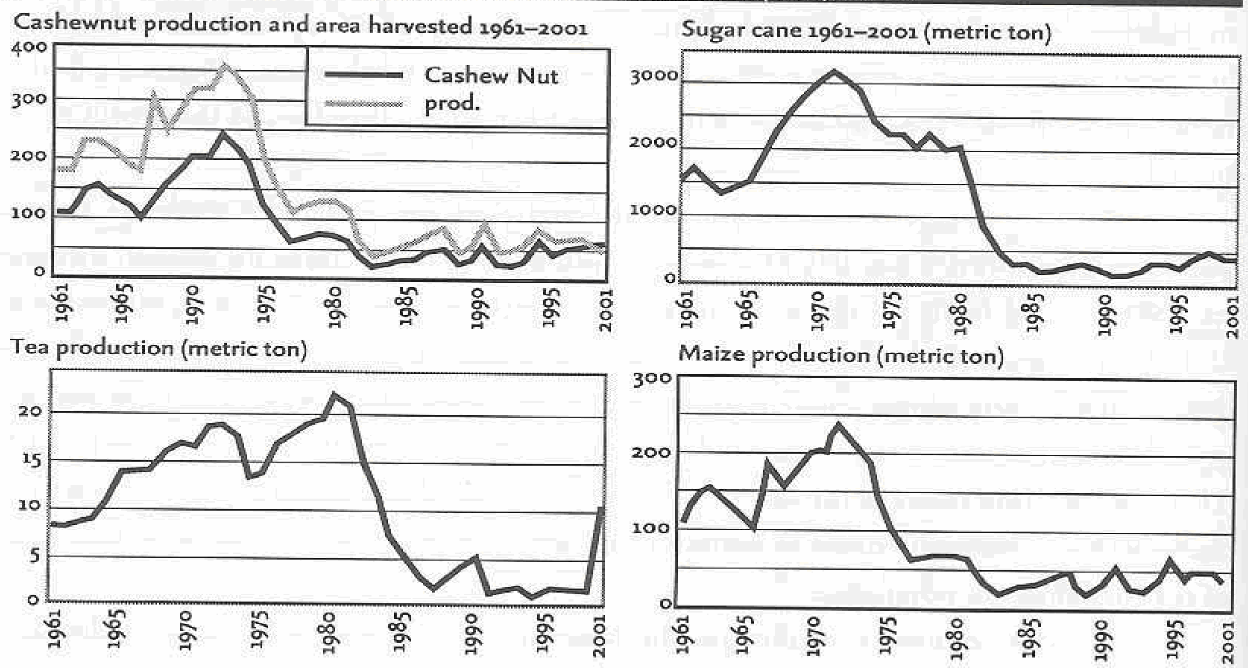
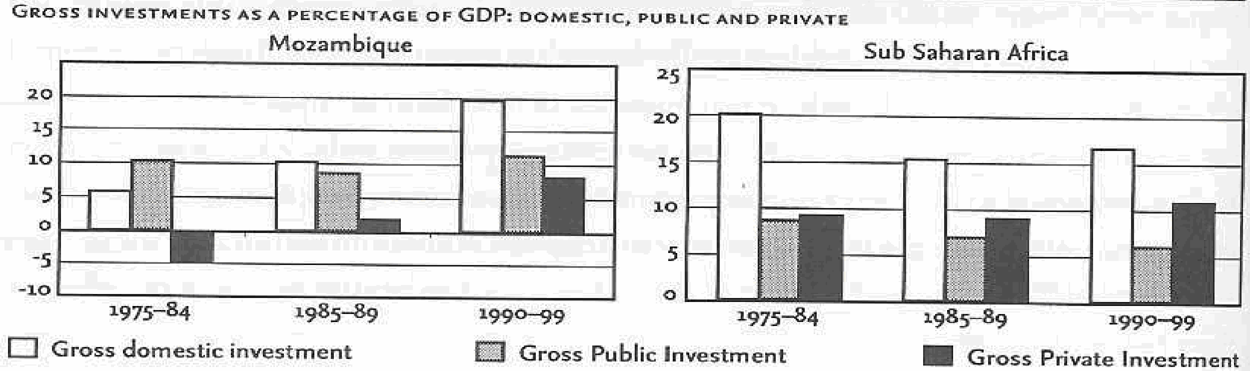


Figure 13. Evolution of some indicators on investment, and on food and non-food production, 1975–1999 (Average annual % growth)

GROSS INVESTMENTS AS A PERCENTAGE OF GDP: DOMESTIC, PUBLIC AND PRIVATE



FOOD PRODUCTION VERSUS NONFOOD PRODUCTION

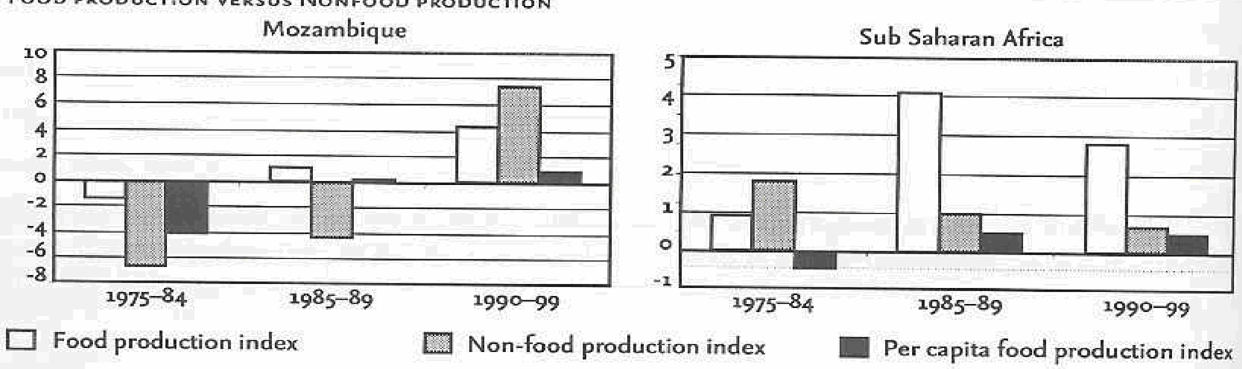


Figure 14. Real GDP per capita by province, 1996–2000

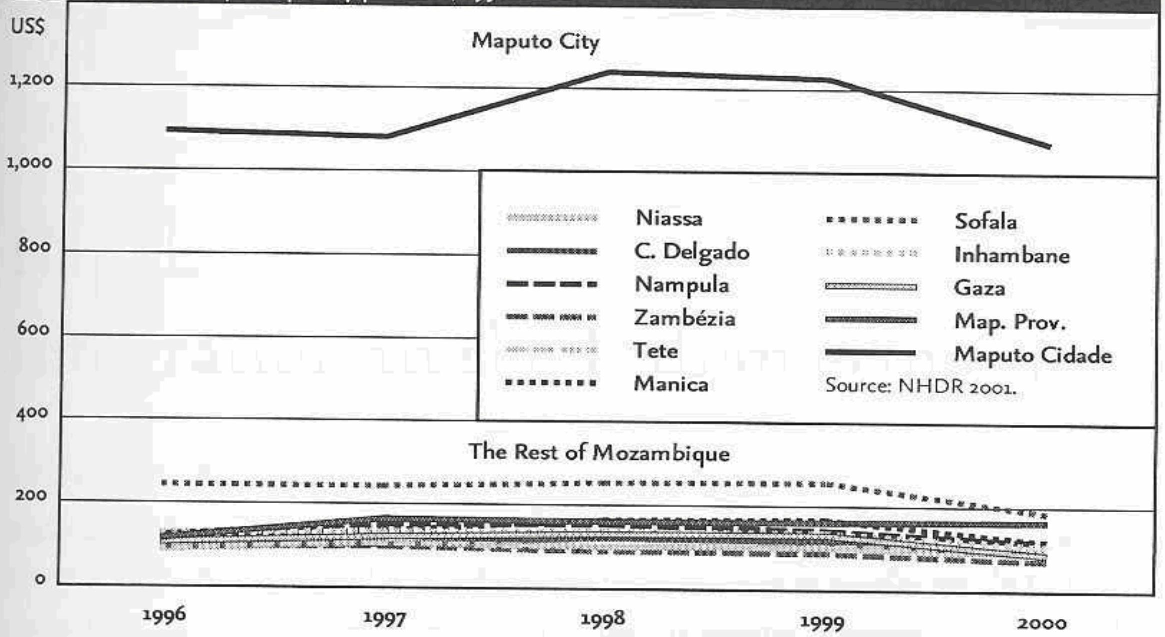
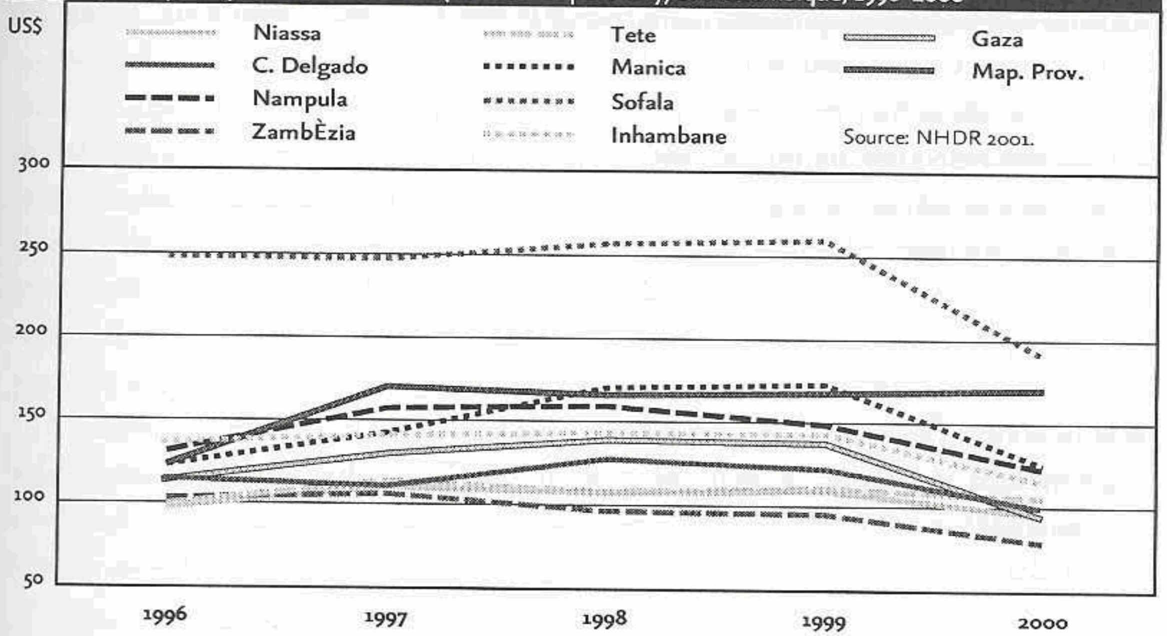


Figure 15. Real per capita GDP of the rest (without Maputo City) of Mozambique, 1996–2000



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