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# **Which Agrarian Options for Mozambique?**

*The agrarian question and transformation, the social system of accumulation and dual policy systems*

*- An initial sketch -*

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# Outline of the presentation

- Context of policy processes – General points
- The agrarian question and transformation, and the social system of accumulation
- Policy statements, inconsistencies and tensions between options
- Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

# Context of policy processes – general points

- Policy documents are the formal institutional framework for negotiation, or that emerge from negotiation. In Mozambique, the design of policy involves, or aims at, or reflects negotiations
  - With donors
  - With large foreign capital and
  - With different domestic interest (fractions of domestic capital as well as labour)...given the existing and dominant patterns, pressures and challenges of development.
- The existence of policy documents stating one or another direction of development for agriculture does not mean that the dynamics (the real political economy) of agricultural development are based on such principles and directions. One thing is to state a principle, another is real life. For example, stating the role of smallholders does not mean that dynamics in agriculture are, or will be, driven by smallholders. It may actually mean, for example, some sort of compromise – for example, state ownership of land – that while not preventing other, more dominant, dynamics from emerging or consolidating (for example, large private investment in commodities for export), also gives something to smallholders so that (1) labour is reproduced in the long run and (2) new, small and medium capitalist can emerge.

## Context of policy processes – general points

- Policy can, thus, be a negotiating process that sustains long term reproduction and accumulation of capital without preventing the dominant forms of such process from emerging and becoming dominant in the short and medium term. Policy may not guarantee all that resource-thirsty and resource-seeking capitalist wish to have in the short run, but may smooth the process of expropriation such that labour, markets and long term reproduction and accumulation are more sustainable.
- For capitalism, the problem arises when government officials become, themselves, resource-thirsty and resource-seekers, in which case policy may actually accelerate expropriation in such a way as to threaten long term reproduction and accumulation of capital.

## Context of policy processes – general points

- Another problem is, as it so often happens in Mozambique, when no specific direction of policy can be read from the policy documents, and/or when there is a proliferation of contradictory policy documents, that tend to integrate everything that is possible, without priorities or clear options, with long shopping lists or unreal wishful thinking lists, and not to be based on much critical research. These types of problem arise when (1) no hegemonic interests arise in the process of negotiation and conflict over options, directions, goals and priorities of development; and/or (2) when different policy documents are produced for different audiences; and/or (3) some of these different and contradictory policy documents are utilised as smoke-screens in order to hide the actual intentions of policy and promote the official rhetoric that is deemed necessary to protect political legitimacy.

## Context of policy processes – general points

- All of these issues arise in the debate about agricultural policy and the agrarian question and transformation in Mozambique, particularly because of the contradictory and paradoxical terms of the process of accumulation in Mozambique, in which there is a clear and historically inevitable conflict between broadening the pattern of development and reducing poverty, on one hand, and accelerating concentration and centralisation of capital accumulation for emerging, national capitalist classes, on the other hand (Castel-Branco 2010  
[http://www.iese.ac.mz/lib/publication/livros/economia/IESE\\_EconExt\\_1.EconExt.pdf](http://www.iese.ac.mz/lib/publication/livros/economia/IESE_EconExt_1.EconExt.pdf), and 2012a  
[http://www.iese.ac.mz/lib/noticias/2012/EconMocParadoxos\\_Agenda2025\\_v2\\_revCNCB.pdf](http://www.iese.ac.mz/lib/noticias/2012/EconMocParadoxos_Agenda2025_v2_revCNCB.pdf), O’Laughlin, B. 1981. *A questão agrária em Moçambique. Estudos Moçambicanos 3*, pp. 9-32 (CEA/UEM: Maputo); Wuyts 2011  
[http://www.iese.ac.mz/lib/publication/outras/ideias/ideias\\_35P.pdf](http://www.iese.ac.mz/lib/publication/outras/ideias/ideias_35P.pdf).

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- The first big question about the political economy of agriculture is to decide what role agriculture should play. This debate often takes place outside the understanding of the social system of accumulation that agriculture is part of. Hence:
  - Agriculture is treated as a sector separated from the rest of the economy and in isolation from how the economy functions. There are references to intersectoral linkages, but not to how agriculture is part of a system of accumulation,
  - Agriculture is often referred to as the basis for development, but there is no sound theoretical or empirical argument to say so:
    - ***70% of the population live in the country side and depend on agriculture*** – while the first part of the sentence may be true, but changing quickly, the second is not. Living in the country side does not imply dependency from agriculture, and evidence shows the relevance of wide ranging livelihood strategies and high dependence on markets (for labour and agricultural goods). Additionally, living in country side does not necessarily mean a livelihood delinked from wage, urban (formal or informal) work. This argument may be important politically (linked with the concept of national/popular democratic revolution, majority of voters, and so on), but makes no economic and social sense *per se*.

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- *Most of the poor live in the country side and depend on agriculture* – was, this whole argument, true and sound, and it could have implied that agriculture was a source of poverty rather than the basis for development.
- *Agriculture is the main source of food* (it could be, but is not, as Mozambique is highly dependent on food imports because of the dominant system of accumulation) *and primary exports, hence, of rents for the economy* (it has not been so for two decades or more, as other forms of extractive activities have become dominant).
- *Agriculture is the source of economic diversification* – it could have been, but is not, as the drivers of agricultural production are as narrow, extractive and oligopolistic as the economy as a whole (forestry, tobacco, cotton, sugar, biofuels), with the prospects of large plantations or contract farming schemes being implemented for the export of food.



## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- Hence, the first great difficulty is in deciding what agriculture should be and how it can contribute to consolidating or changing the dominant patterns of accumulation:
  - Big business for primary commodity exports?
  - Social safety net for those “70% of the population” who have no access to formal jobs?
  - Incubator for domestic, small and medium entrepreneurship, developed from the common mould of the vast majority of smallholders?
  - Food supplier for industrialization around minerals and energy, or around diversified industrialization based on effective and deep import substitution and diversification of processed exports?

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- How are decisions about the role of agriculture to be taken? There is no universal answer to this questions, but some lessons can be drawn out of experience.
- First, the key issue is to acknowledge that there is an agrarian question with conflicting perspective regarding agrarian transformation and the role of agriculture (that goes way beyond “agriculture” and “raising agricultural productivity”). This provides the political economy framework to discuss agriculture, as put in this way (as an agrarian question of transformation rather than a question for agriculture alone), the analytical framework is focused on:
  - The relationship of agriculture and associated social, technological and economic dynamics with the process of accumulation and, hence, the macroeconomic, social and political context of agricultural development and transformation (O’Laughlin 1981; Wuyts, M. 1981. *Camponeses e economia rural em Moçambique. Relatório 81/8.* (Centro de Estudos Africanos). CEA: Maputo; Wuyts; M. 2001. The agrarian question in Mozambique’s transition and reconstruction [http://www.wider.unu.edu/publications/working-papers/discussion-papers/2001/en\\_GB/dp2001-14/files/78091717229544018/default/dp2001-14.pdf](http://www.wider.unu.edu/publications/working-papers/discussion-papers/2001/en_GB/dp2001-14/files/78091717229544018/default/dp2001-14.pdf); Karshenas, M. 1995. *Industrialization and Agricultural Surplus: a Comparative Study of Economic Development in Asia.* Oxford University Press: Oxford).

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- The relationship between the state, capital (including finance) and labour, technology and social and technical organization of production and markets in the process of accumulation (O’Laughlin 1981, Wuyts 1981 and 2001).
- In brief, the linkages, agents and the dynamic, changing and contradictory relationship between them (Fine, B, and Z. Rustomjee. 1996. *The Political Economy of South Africa: from Minerals-Energy Complex to Industrialization*. Westview Press: London).

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- Most importantly, the “agrarian question and transformation” or “political economy” approach requires that the starting point of the analysis, debate and policy development is the study of what is going on in practice:
  - What is the role played by agriculture in the existing system of accumulation and what are the tensions and conflicts associated with it?
  - What are the linkages, agents and what characteristics their relationship takes?
  - What are the critical dynamics and the dynamics of crisis, and which tendencies for change do they generate?
  - What and how are markets structured and developing/changing?

(Woodhouse, Phil. 2010.

[http://www.iese.ac.mz/lib/publication/livros/economia/IESE\\_EconExt\\_6.ConPro.pdf](http://www.iese.ac.mz/lib/publication/livros/economia/IESE_EconExt_6.ConPro.pdf), and 2012. Agricultura, pobreza e a receita do PARP. In Brito, L. C. Castel-Branco, S Chichava e A. Francisco (orgs). Desafios para Moçambique 2012. Maputo: IESE; O’Laughlin 1981; Wuyts 1981 and 2001).

# Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- Why access to labour is the key constraint for expansion of farming and why is the recruitment of labour problematic? (O’Laughlin 1981; Wuyts 1981; Oya, Cramer and Sender [http://www.iese.ac.mz/lib/publication/livros/ref/IESE\\_Q.Econ\\_2.Disc.pdf](http://www.iese.ac.mz/lib/publication/livros/ref/IESE_Q.Econ_2.Disc.pdf); Castel-Branco 1983a [http://www.iese.ac.mz/lib/cncb/CEA\\_83\\_Camponeses\\_medios.pdf](http://www.iese.ac.mz/lib/cncb/CEA_83_Camponeses_medios.pdf) and 1983b [http://www.iese.ac.mz/lib/cncb/CEA\\_83\\_Assalariados.pdf](http://www.iese.ac.mz/lib/cncb/CEA_83_Assalariados.pdf)).
- Why only 5% of smallholders use fertilizer in Mozambique (and indeed whether this reading/understanding of the statistics is right, if we consider that all smallholders that produce under some sort of contract farming or farming with guaranteed factor and goods markets utilize agro-chemicals – or indeed whether the question should not instead be why only 5% of farming takes place under guaranteed factor and goods markets);
- Why peasants that grow cashew nut trees do not rush to expand their orchards and commercial cashew nut production even when prices are high? (Castel-Branco 2002 [http://www.iese.ac.mz/lib/cncb/Tese/An%20Investigation\\_Chapter%205.pdf](http://www.iese.ac.mz/lib/cncb/Tese/An%20Investigation_Chapter%205.pdf); and 2003 [http://www.iese.ac.mz/lib/cncb/AI%202003c%20QUADER\\_.PDF](http://www.iese.ac.mz/lib/cncb/AI%202003c%20QUADER_.PDF)). And so on.

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- Thinking about a “social system of accumulation”, in which agriculture has a role and from which the agrarian question and transformation emerges, is a useful way of understanding where the goals of agriculture development and where the characteristics of the agrarian question and transformation come from – both, their actual, existent goals and characteristics, and the contest/conflict for redefining them (Wuyts 2001 and 1989. Money and Planning for Socialist Transition: The Mozambican Experience. Gower: Aldershot; Karshenas 1995; Castel-Branco 2012a).
- The “social system of accumulation” refers to the common thread that links logical and systematically the apparently delinked social, economic and political components of the process of production, appropriation, utilization, reproduction and accumulation of social material surplus produced by labour.

## Context of policy processes – the agrarian question and transformation, and the social system of accumulation

- So, while the “agrarian question and transformation” helps to describe the “what is going on” question in such a manner that the description is indeed useful (rather than only a description) for understanding the process of social accumulation and the characteristics, challenges and role of agricultural transformation...
- ...the “social system of accumulation” helps to explain the “what is going on” question in terms of the economy as whole...
- ...and also helps to ask questions that emerge from a more macro analysis, which are relevant for the description and framing of the agrarian transformation.
- There is, therefore, an organic and dynamic relationship between the “agrarian question and transformation” and the “social system of accumulation” approaches, which go well beyond the limits of intersectoral linkages.

## Policy statements, inconsistencies and tensions between options

- Policy documents in Mozambique generally define, explicitly or implicitly, five roles for agriculture:
  - Social protection, in the form of fallback position for the “excluded from markets”, through guaranteed access to land, food and some sort of an opportunity for self-employment. Very little is said about proletarianization and semi-proletarianization, about links between the components of livelihood strategies (for example, between production of own food and wage labour), and about any perspective of transformation. This is social protection without a sustainable framework or a transformative perspective.
  - Food production, particularly for own consumption, as food security is often implicitly defined as the ability to produce one’s own food. Very little, if anything, is said about commercial production of food for the domestic market in a context of proletarianization and semi-proletarianization – how food production for the domestic market feeds in the process of creation of industrial labour and expansion of industrialization.



# Policy statements, inconsistencies and tensions between options

- Incubator for small and medium domestic entrepreneurship, based on smallholders, with the state playing a key role in the provision of public services (directly or through outsourcing), namely:
  - Access to markets, finance and inputs (particularly seeds, irrigation, agro-chemicals and extension services),
  - Human capital (education, skills, health and sanitation) and
  - Climate change and land management
- Focus for private sector development, particularly of foreign investors in commodities for export.
- More rarely, there is also a mention to wage labour, though the dominant ideology, quite blind to real processes of production and extraction of surplus value, argues that wage labour is of marginal importance.

# Policy statements, inconsistencies and tensions between options

- The assumptions (explicit or implicit) of the policy documents, behind the five roles defined, are that:
  - These are different and self contained roles, meaning that the opportunity cost of any of them relative to the others is close to zero (no linkages, no costs, no constraints, no conflicts necessarily accruing from one to the other)
  - This means that there is no competition between the different roles of agriculture – about labour, resources (land, water, finance), infrastructures and institutions, including policies, macroeconomic impacts (including on relative prices), systems of production, services, or between large scale promotion of self-employment and own food production and production for the market, and so on.
  - Therefore, there is no preferred mode of production and surplus extraction or options, as all are possible simultaneously.
  - Hence, all the roles can be part of the same shopping list and there is no need to make choices or define priorities on a selective basis.
  - And what is needed is “the right” system of incentives in place.

# Policy statements, inconsistencies and tensions between options

- How consistent is this “everything is possible simultaneously” approach?
  - The first question to ask about consistency is how consistent the approach is with respect to the questions/goals asked of agricultural development within the context of the general agrarian question and social system of accumulation. The problem is that this approach does not ask questions in these terms. The only question asked of agriculture seems to be how to increase production and productivity, and the questions asked of the broader “agrarian question” is how to make producers more productive. (The social system of accumulation is not even interrogated by this approach). The answer to both questions seems to be “by improving technology and technological adoption”, which requires identification and selection, for support, of producers with entrepreneurial spirit or experience. Finance, markets, extension services, inputs and so on are just aspects of this answer.

## Policy statements, inconsistencies and tensions between options

But who are the producers who utilize/not utilize more advanced technology and why? Although official statistics show that only 5% of producers utilize more advanced technologies (meaning traction and agro-chemicals), disaggregated statistics show that almost all of those that make meaningful utilization of more advanced technologies are involved in some sort of contract farming (or other forms of guaranteed markets) with guaranteed finance, inputs, extension and markets, which invariably are export markets for commodities. Is there a connection between technology adoption and the system of production and markets? Or are these producers more “entrepreneurial” by nature, intrinsically, than those that do not utilize more advanced technologies?

In other words, why would a producer produce more and with higher fixed costs (potentially to achieve higher productivity and lower unit costs) if not, under capitalist conditions, for some market? What are, and how are, the market dynamics (including the logistics, labour, finance and price systems) that merit such increases in production and productivity by increasing fixed costs?

# Policy statements, inconsistencies and tensions between options

The same questions can apply to finance (the question is not that finance is not directed at smallholders, but where finance is going and why); labour, access to which defines the possibilities in terms of scale and rate of expansion of productive capacity, markets and investment; land and water; extension services, and so on.

- The second question is how consistent one option is with another – as long as each one of them has a real and substantial impact, they ought to compete against each other (for example, agriculture as fallback point, or social protection, may compete against the “freeing” of labour for both small scale and large scale capitalism and development of markets).

If labour is not “free” – from constraints and from alternatives to selling their labour power – small and medium holder commercial producers may not be able to expand; and domestic markets for consumer goods may not develop. Hence, there is a conflict between the option of encouraging generalised self-employment and production for one’s own consumption, and the option of encouraging small and medium enterprises to develop.

If commercial agriculture expands and consolidates its dominant extractive nature (simple commodities for export), then household’s responsibility for own food production is less contentious as a safety mechanism that allows continuous reproduction of the labour force and capitalism in a low wage, low productivity economy. But if this is the option, then what is the point of wasting rhetoric and resources in (not)trying to broaden the basis of agricultural development?

# Policy statements, inconsistencies and tensions between options

Another example is the conflicting relationship between agriculture wide mix of goals and objectives and what is happening elsewhere in the economy:

- Exchange rate appreciation (as a result of a combination of measures to control money in circulation and inflation, and to minimize the impact of imported food inflation) is harmful for diversification of domestic production for domestic markets because of the costs of domestic finance and direct impact on price competitiveness of domestic production (Castel-Branco, C e R. Ossemane. 2012. Política monetária e redução da pobreza em Moçambique: discussão crítica. In Brito, L., C. Castel-Branco, S. Chichava e A. Francisco (orgs). Desafios para Moçambique 2012. IESE: Maputo).
- New industrial policies “in pipeline” and investment plans for infrastructures are focused on extraction (minerals and other primary commodities) and free economic zones, all for export markets (Fernando, A. 2010. Estratégia Nacional para Industrialização. Ministério da Indústria e Comércio. Conferência sobre Competitividade Industrial (AIMO, 22 de Setembro de 2010). None of these is likely to develop links with domestic markets, except for food. But since none of these industrial options is sufficiently labour intensive, alone they may not create large enough markets for domestic agricultural production.

# Policy statements, inconsistencies and tensions between options

- Without the “freeing” of labour and the development of the food industry for the domestic market, it is unlikely that agriculture will develop significantly beyond commodity for exports. Methodologically, in order to utilise domestic markets is necessary to understand the markets that are an can develop, which requires a serious inquiry into this issue (Woodhouse 2012). One cannot continue to define priorities from a list of products more or less bureaucratically identified from some past experience and path of production, but one needs to look for changes and where changes are happening and can happen (Woodhouse 2012; Castel-Branco, C., N. Massingue and R. Ali. 2010. [http://www.iese.ac.mz/lib/publication/livros/des2010/IESE\\_Des2010\\_7.DesRural.pdf](http://www.iese.ac.mz/lib/publication/livros/des2010/IESE_Des2010_7.DesRural.pdf)).
- Of course, the expansion of the extractive economy, extensive and intensive in the utilisation of natural resources, including land and water, also poses a competition threat with regard to access to resources for an expansion of smallholding agriculture (Castel-Branco, C. e O. Mandlate. 2012. Da economia extractiva à diversificação da base productiva: o que pode o PARP utilizar da análise do modo de acumulação em Moçambique? In Brito, L., C. Castel-Branco, S. Chichava e A. Francisco (orgs). Desafios para Moçambique 2012. IESE: Maputo); Woodhouse 2010 and 2012).

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- The Mozambican economy is at a very particular, critical point, where there is an open and clear conflict between the path of accumulation adopted by the emerging capitalist classes and the path to poverty reduction.
- Over the last 15 years, Mozambique's Gross Domestic Product (GDP) almost trebled (increasing at an average rate of 7.5% per year), GDP *per capita* doubled (increasing at an annual average of 5%), and yet:
  - The proportion of the population living with an income below the poverty line only fell by 15 percentage points (from 69% to 54% of the population) at an average of less than 1% per year, while the actual number of poor people increased;
  - In the last third of the period, the rate of relative poverty slowed down and become far less elastic relative to GDP growth (Castel-Branco 2012 and 2010), despite a slight acceleration in GDP growth rates;
  - The overall dependency of the economy on external flows of capital (private and official) increased, and foreign private capital started to permeate public expenditure via public-private partnerships, external non-concessional loans and domestic public indebtedness;



# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- The pattern of production narrowed significantly due to the dominance of the extractive economy, effective import substitution associated with backward and forward linkages became negligible;
- Exports increased considerably but are dominated by the extractive nature of the economy (aluminium, natural gas, coal, other minerals, electric energy, fishing, timber, sugar, cotton and tobacco)...
- ...but, due to redundant fiscal incentives, weak import substitution, high capital intensity and illegal capital flights, the economy's ability to sustain its own and diversified range of imports is only 5 percentage points or so above the import coverage rate at the end of the war in 1992.
- Despite a steady increase in GDP *pr capita* at an average annual rate of 5%, food production *per capita* fell by 9% over the last decade.
- Despite a steady reduction of overall inflation to one digit (to about 7% or so), inflation of food prices has been systematically higher than overall inflation by 4 percentage points.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Even assuming that income inequality, measured by the Gini coefficient, has not changed (it's high, at 0.42, but *officially* stable), the simple fact that food inflation is so much higher than overall inflation, when combined with the assertion that the poor spend a higher proportion of their income on food, worsens overall real income distribution against the poor.
- High dependency on external capital flows, stagnant or falling aid flows, high economic porosity and high food prices conspire with a monetarist obsession with average inflation to generate a macroeconomic spinoff that is harmful for the prospects of challenging and solving these paradoxes – domestic finance becomes scarce and expensive and the exchange rate appreciates.

(For a detailed analysis of these arguments, refer to Castel-Branco 2010 and 2012 [http://www.iese.ac.mz/lib/noticias/2012/EconMocParadoxos\\_Agenda2025\\_v2\\_revCNCB.pdf](http://www.iese.ac.mz/lib/noticias/2012/EconMocParadoxos_Agenda2025_v2_revCNCB.pdf), Castel-Branco and Ossemane 2012, Wuyts 2011).

## Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Not surprisingly, in 2008 (February) and 2010 (September) street riots took place in the major cities in Mozambique, with the epicentre in Maputo, triggered by the raising prices of food, domestic fuel and transports and limited employment opportunities with decent wages.
- How can it be that an economy that has been growing at an annual average rate of 7.5% for two decades cannot create enough decent jobs, feed its people, import substitute, and generate enough surplus for its own reproduction?

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Thus, Mozambique is at this critical crossing road when the formation of emerging capitalist classes and the social legitimacy of the state power that has been utilised to facilitate such a process of private accumulation are in open conflict with each other.
- It is, thus, necessary to do something that protects the legitimacy of the very state power that is required and has been utilised to facilitate the emergence of domestic capitalist classes associated with the global interests of multinationals.
- The interests of domestic economic and political elites, and of public policy, have globalized and their focus has turned to their relationship and dependence with multinational capital and finance (Roberts, S. 2000. *The Internationalisation of production, government policy and industrial development in South Africa. Unpublished PhD Thesis. Birkbeck College (University of London): London; Castel-Branco e Mandlate 2012*). But growth, alone, cannot deliver the necessary social sustainability of power to ensure long term reproduction and accumulation of capital.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- It seems to be current the dilemma that has led to the emergence of a dual policy system, under which policy documents are in conflict with each other and with reality, are incapable of setting directions and priorities in a clear manner, and some policies are more for rhetoric than for implementation.
- It is clear where the economy is going – its extractive nature is being consolidated and is expanding. But this, alone, weakens social and political support for the dominant elites, which cannot simply turn to repression (because of historical and capability reasons, that need to be better studied). It is this historical and political relationship and dependency of the elites relative to a broader social basis that forces them to negotiate in an inconsistent manner.
- Hence, the question “why do the elites need to negotiate and cannot simply turn to repression?” is an important one to understand the need and terms of negotiation. So, growth, alone, is not a long term solution if attention is not paid to the patterns of growth.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- The dual policy process has been presented, by some, as simply a negotiation between the government and donors to attract aid. While this type of negotiation is clearly part of the package, it is however simplistic and quite wrong to confine the process of negotiation to a relationship between donors and the government of Mozambique. There are at least three reasons to reject this argument:
  - First, increasingly the economic and political relationships are far more complex than traditional donor government, international capital has become dominant and domestic pressures are more important (as we will see below).
  - Second, there are several elements in the policy package that go against donor pressure and respond to domestic pressures of labour and capitalist reproduction, instead (as we will see later).
  - Thirdly, donors are rarely very clear about the policy implications of their pressures and ideologies really are.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- It has also been argued that the weakness of opposition political parties in the domestic arena precludes any domestic negotiation at all. Again, while it is true that the lack of formal political parties running with alternative options is a problem, it is quite wrong to conclude that therefore there is no need for domestic negotiation. There are a several reasons to reject the argument that domestic negotiation is irrelevant:
  - First, Frelimo, the party in power, is not class homogeneous and come from a historical tradition of left wing politics. While its current elite and leadership dominates, or is core part of, the policy negotiation with multinational capital around natural resources and energy, the popular basis of the party has not benefitted from this process of concentration and centralisation of capital in the process of reorganization of control and ownership of resources.
  - Second, the elite of the party is not homogeneous either, and fight around policies and options (about genuine change), or around access to “slices (or the size of the slices) of the stolen cake”.
  - Third, street riots are important in the balance of power within the party, both because they strengthen the relative position of one faction against another, and because they have shown the widespread discontent amongst ordinary party members about issues like high food prices and lack of employment opportunities to the youth and everybody else.

## Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Fourth, the fact that organized and/or articulated political opposition of significance does not exist does not mean that it cannot be developed. And a climate of widespread discontent is fertile for such development to take place.
- Fifth, the image of stability that the Mozambican government tries to promote, and which is important for large scale, multinational capital to continue to flow, which is the basis for accumulation of the national elites, is not consistent with widespread discontent and riots.

Hence, the domestic elites are sensitive to domestic pressures beyond what is normally assumed to be the case. Clashes of ideologies, historical traditions, conflicting interest and loyalties within the party, riots and other demonstrations of popular discontent and the need for an image of stability are all part of the formation of that sensitivity, which may vary in degree over time, but does not disappear.



# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Two interesting examples of this complex process of negotiation, combined with rhetoric and manipulation, are the land and the tax issues:
  - Despite ferocious and prolonged donor pressure, the government has maintained land as a public good in the constitution and in the common law. While this is important psychologically to the left and the assumed left-related constituencies and ideals (because at least the principle that the state protects the poor and the national interest is still available as an option), it is also important to the right and the right –related constituencies and ideals in the process of accumulation based on natural resources (because accumulation of land is cheap and easy). For domestic and international capital this principle makes sense because it gives domestic capitalists a boost in their negotiation with multinational capital; and because land is cheap. Although large commercial, land-intensive projects pay land taxes above those of smallholders, the difference is negligible – land taxes for large commercial projects is still around US\$ 0.4 (forty cents of a US dollar) *per* hectare. The land issue has been utilised as a symbol of the ability of the party to unite the nation – the rich and the poor, capitalists and peasants – around political and historical traditions, policies and goals of “national interest”. This is a clear example of resistance against donor pressure, with success.

It is clear that land has been given away to large capital in larger quantities, and with land come water and infrastructures, but it is also true that without conflicting pressures the same process could have been pursued differently and resistance against donors could have been weaker.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- Taxation is another interesting example. National resistance and IMF pressure against huge fiscal benefits for multinationals has led to changes in the law for investment incentives, such that incentives were lowered. However, contracts with very large companies are still secret and their fiscal status has not been released, and there are many other ways to give them rents that can afterwards be shared by domestic capitalists – negligible land taxes and surface taxes, no interest in developing the institutional and human capacity to evaluate, monitor and tax the projects at a rate at least equivalent to the speed at which new natural resources have been made available to new multinational contractors; etc. But, above all, the government has not renegotiated the contracts allocated prior to the revision of the investment incentives law (Castel-Branco e Mandlate 2012; Ossemane 2011. [http://www.iese.ac.mz/lib/publication/livros/des2011/IESE\\_Des2011\\_6.ExpRec.pdf](http://www.iese.ac.mz/lib/publication/livros/des2011/IESE_Des2011_6.ExpRec.pdf); and Ossemane 2012). IMF advise to renegotiate and go deeper in the tax reform has only been partially met, and domestic pressure has only been partially considered. The alliance of domestic and large foreign capital dominates the terms of the negotiation, but does not have a blank license to expropriate without any social responsibility.

# Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- In any particular case, it is not always clear who is more influential in the negotiation process. Furthermore, interests do not simply exist – each group is not born as such and definitely is not born with well defined and clearly understood interests they fight about, like dogs over bones. Interests emerge, are defined and are fought about within historically specific relationships between social groups. The state is an arena of social and political conflict.
- Hence, it is very likely that any policy reflects a combination of pressures, interests, challenges, manipulation, and so on, that reflect the state of political conflict and the realm of economic and political possibilities the political conflict operates in.
- This is not the same as saying that there are no alternatives to established policies. Not at all. All that has been argued is that the dual policy system reflects conflict over the process of social reproduction and accumulation, the relationship between the state, capital and labour and between different fractions of capital, and the real dilemmas, pressures and challenges they face.

## Paradoxes of the Mozambican economy, conflicting options and dualistic policy processes

- The historical roots of the Mozambican emerging capitalist classes may be both their strength and their weakness. Their strength because it gives them some historical leverage linked with the national struggle and consolidation of national identity. Weakness, because makes them multiple dependent and this increases the costs of negotiation and the cost of non-negotiation, muddles the focus of policy and lowers the pay-offs that accrue to the dominant economic elites – even if they still get by far the larger share of the cake.
- Can this process of dual policies, that combines some real negotiation with a lot of diversion of attention from the real issues of social reproduction accumulation, go on and on? Probably not.
- But this process of dual policies and diversion, and the terms of social negotiation, will not change by itself, without articulated, organized and sustained political struggle.