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Abstract

After two decades of high growth and increased levels of foreign investments, Mozambique continues to face serious problems in reducing poverty. This article investigates the characteristics of Brazilian investments and aid to Mozambique and scrutinizes how they relate with the Mozambican growth. Combining the literature on the porosity of Mozambican growth with an analysis of the class dynamics of Brazilian accumulation, this article shows the class fractions that sustained Brazilian 'neodevelopmental' attempt and their capital internationalization to Africa. It empirically details their role in giving form to porosity and in promoting private gains at the expense of social losses.

Keywords: Mozambique; Brazil; foreign direct investments; international aid; economic porosity.

Introduction

Foreign investments and development assistance landscapes have been changing fast in recent years in Africa, bringing major shifts to once aid-dependent countries like Mozambique. Because of the extraordinary expansion in natural resources exploitations, notably minerals and gas, Foreign Direct Investments (FDI) surpassed aid levels for the first time in the history of independent Mozambique in 2011. The tendency has continued, and in 2013 the volumes of FDI were 2.5 times larger than aid, representing almost half of Mozambican Gross Domestic Product (GDP). This implies that some major changes may be in place. The first is that the role of aid is changing, in part because new donors such as China, India and Brazil have emerged and also because development assistance tends to become more openly blended with private investments. Secondly, the linkages between domestic and foreign capital have been amplified and have gained strenght, solidifying sectoral and social desarticulations and what the Mozambican economist Castel-Branco caracterizes as a growth pattern with high level of 'economic porosity', leading to few private gains and large social losses (Castel-Branco 2015a).

Mozambican economy has indeed been growing extremely fast but has not retained a part of its surplus domesticly – and whatever it retains, it is highly concentrated. For over two decades, shortly after the end of its civil war, Mozambican economy has been growing on avarage 7.5% a year, one of the fasted rates in Sub-Saharan Africa. And yet poverty levels have not been declining as agricultural production per capita has stagnated and no relevant amount of jobs have been created (Jones and Tarp 2013; Cunguara 2012; Cunguara and Hanlon 2012; AEO 2013). Growth has been pulled by extractive mega-projects in alluminun, coal and gas runned by foreing investors with the support from the Mozambican state. They are capital intensive, rely heavily on imported intermediates, have low rates of reinvestments and high profit repatriation. Furthermore, they create very few jobs and have few linkages to the national industry and even to the public budget due to widespread tax exemptions (Castel-Branco 2014, 2013, 2010; Virtanen and Ehrenpreis 2007).

Brazil occupied a major place in this investment expansion, as Portuguese-speaking countries have traditionaly been the first destination of Brazilian corporate capital in its internationalization to Africa. In 2009, Brazil took the place traditionally occupied by Portugal and neighbor South Africa and became the first country-source of FDI entering

Mozambique, a position it kept for the following three years until 2012. Brazilian development cooperation with Mozambique emerged in such a context marked by intense investment penetration, and some important development programmes were subordinated to this extractive dynamics, offering support to the expansion of foreign corporate business that intensify porosity, as this article will explore. Since 2013, Brazilian role as both an investor and as a donor has very rapidly loosen relevance again as the national economy submerges into a severe political and economic crisis, development cooperation looses resources, and Brazilian companies freeze their internationalization efforts.

This article investigates what are the characteristics of the recent boom of Brazilian investments and aid to Mozambique and scrutinizes how these two relate with the Mozambican accumulation pattern. Combining the recent literature focusing on the porosity of Mozambican economic growth with an analysis of the class dynamics of Brazilian recent capital accumulation, this article shows that the class fractions that sustained Brazilian 'neodevelopmental' attempt were perfectly mirrored into capital internationalization to Africa. It also empirically details their role in giving form to porosity through several mechanisms that take away from the state its capacity to redistribute the surplus value.

Besides this introduction, the article is organized as follows. In the next section, we briefly present the theoretical concept of porosity that guide our understanding of Mozambican accumulation pattern, also offering an overview of foreign (and specifically Brazilian) capital in Mozambique. The subsequent section details the class dynamics of Brazilian 'neodevelopmental' attempt, presenting the tripod that sustained the political front and their relation to the national capital accumulation pattern. Next, we empirically scrutinize the intersections between corporate investments and development cooperation interests in mining, infrastructure and agricultural sectors, pointing to the magnet effect of Brazilian capital and the blending of multiple instruments. We also give empirical examples of how the extraction of surplus has taken place in the form of the social expropriation from the working class, outflow abroad and concentration in the hands of a few. The final section summarizes the main conclusions. This article draws manily on secondary sources, and has benefited from 41 semi-structured interviews and on multi-sited ethnography conducted in the Mozambican provinces of Maputo, Nampula and Niassa (the last two are part of the Nacala Corridor) in March-April and in October 2013.

The economic porosity of Mozambican social system of accumulation

After two decades of presenting fast economic growth and one of the highest rates of FDI in Sub-Saharan Africa, Mozambican economic ‘miracle’ has not improved the living conditions for the vast majority of the population. On the contrary, poverty even increased slightly in the last decade, precisely when economic growth accelerated to around 8% per year. The latest available data, from 2008/09, shows that 54.7% of Mozambicans lived with less than US$ 0.60 per day, compared an official poverty rate of 54.1% in the previous survey (2002/03). Even orthodox multilateral institutions such as the African Development Bank and the OECD agree that ‘the capital-intensive nature of Mozambique's growth has as yet created limited jobs and has had a less-than-desirable impact on poverty reduction’ (AEO, 2014). Such an alarming failure to reduce poverty urges us to understand the ways in which the surplus has been generated, reinvested and appropriated in Mozambique.

Carlos Nuno Castel-Branco (2015a, 2013, 2010) characterizes Mozambican dynamics as ‘economic porosity’. Through this conceptual framework, he argues that the current political economy is a result of both a transfer of surplus abroad and of a particular social system of accumulation that expropriates from the state and imposes social austerity and wages below its subsistance costs on the labour class. Mozambican porosity is, thus, characterized by three interlinked processes. The first of these is an effort to maximize the inflow of foreign capital without any conditionality, leaving the channels for the outflow of suprlus abroad wide open. Second, the foreign capital and the formation of a national capitalist class are blended, leading to a drastic concentration of the surplus left nationaly – a process quite evident in the recent surge of millionaires in Mozambique. The third characteristic is a generalized social expropriation of surplus from the working class, as the state imposes strict austerity to compensate for the loss of surplus that goes abroad, promotes the mercantilization of public services and leaves to the rural families part of the responsibility to feed the wage-earning workers (Castel-Branco 2015a).

It should be clear that porosity does not only refer to the outlow of surplus due to the extraction of wealth by multinational companies through licit (fiscal incentives, profit repatriation, non-reinvestment of profits) and illicit means (capital flight), even though they do play a large role. A core element in porosity is its social dynamics. The emerging class of national capitalists are eager to promote a wave of expropriation of the state assets in order to maximize FDI and commercial loans inflows, thus allowing the outlow of surplus value to take place smoothly and, at the same time, engaging with foreign capital in order to have private gains. Mozambican state and its capitalists are promoting a primitive capital accumulation in the form of a rapid privatization of mineral and energy reserves and the related infrastructure, by granting fiscal advantages for large corporations, and by addopting a very liberal stance to capital flows. All in exchange for the creation of a national capitalist class based upon an extractive, porous and narrowly based economy. The social dynamics of the porous economic system explains "the government's preference for social porosity and private appropriation of surplus", suggesting that "the porosity of the economy plays a strategic role in accelerating private capital accumulation, which has become the focus of public policy and its interaction with private capital" (Castel-Branco 2015a, S28).

Economic porosity leads to 'social losses' and 'private gains' (Castel-Branco 2015a). More specifically, it means that the economy faces large deficiencies in retaining uncommitted surplus that could be used for creating public and private producitve linkages and investments. And the state looses its ability to mobilize resources and to pursue broader social and economic goals despite of increases in the available surplus. Studying the Latin American context decades before, Ruy Mauro Marini (2005) called a similar historical process as 'social and sectorial disarticulation', in which the consumption and circulation spheres were separated, the economy did not create sufficient productive linkages, and explotation took place at very high levels at the same time the process of accumualtion did go on. In another terms, the transfer of suprlus from the pherifery to the center and the concentration of what was left at the hands of a few local capitalists led to a 'superexplotation of labour' and to economic disarticulation. Importantly, for Marini, such a process was made possible because the domestic demand was not relevant for the process of national capital accumulation.

The intensification of financial speculation is another consequence of porosity. The global framework under which Mozambican porous dynamics is shapped by financialization, or by the structuring of the real economy in accordance with financial interests and under state's regulatory auspices (Fine 2012). In Mozambique, as the extractive system limits business to a narrow range of activities, the opportunities in the banking market have been concentrated in the extractive system itself, in property speculation, and in public debt bonds (Castel-Branco 2015a, S42). Public debt has been growing way faster than the GDP in the last decade – that is, around 10% a year in the case of foreign public debt and around 30% a year in the case of domestic public debt. Debt is used to subsidise large scale extractive capital and, at the same time, it expands the possibilities for financial speculation as a result of the increasing use of bonds as a means of financing the state. The low cost of private investments (low expropriation costs, indebtedness carried out by the state), combined with the freedom to easily convert gains in the financial market, have also created large space of manouvre to speculate with natural resources. Combined, these issues have increased the vulnerabily of the economy, and to a growing perception that Mozambican growth is accumulating several characteristics of an economic bubble (Castel-Branco 2015b).

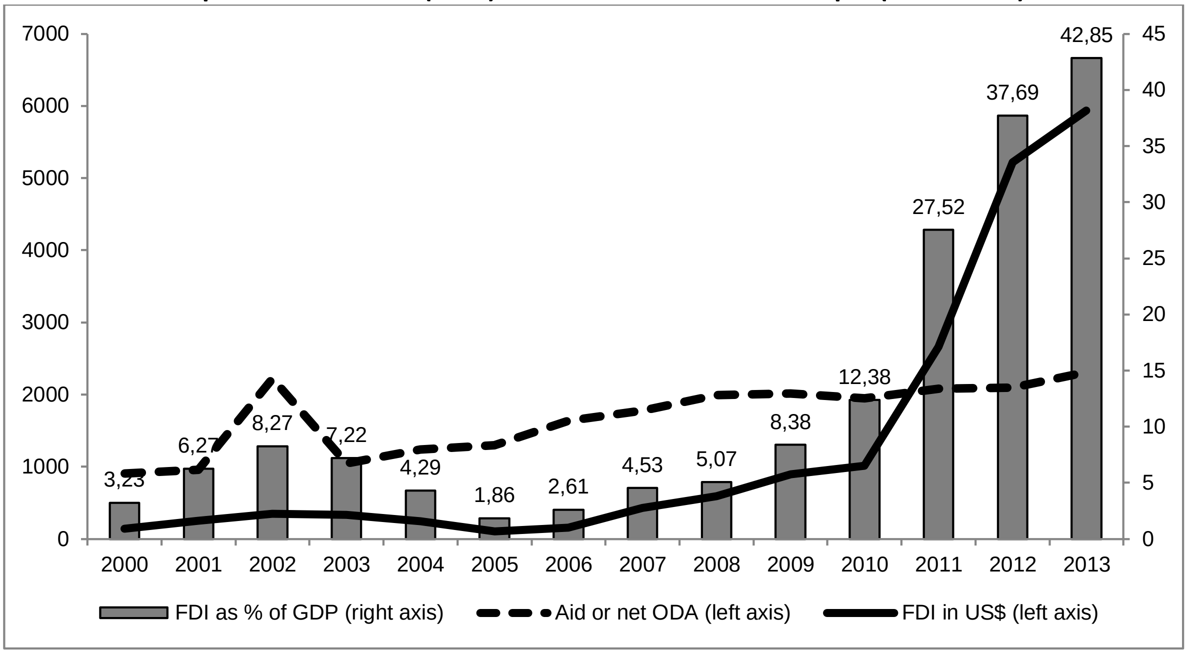
Magnitudes of foreign capital: FDI and aid

Mediated by the state and in connection with local emerging capitalists, multinational financial capital (in the form of FDI in natural resources) has had a crucial role in shapping Mozambique's current accumulation pattern. The FDI that enters Mozambique is characterized by several factors, and one of them is the absolute lack of conditionalities and drastic degrees of freedom, contrary to countries like China where the entrance of foreign capital has been tied to several obligations, such as technological transfer, limits on profit repatriation and capital control, targets for employment generation, geographical and sectoral allocation etc. In Mozambique, the environment for foreign capital is as liberal as possible. Mega-projects enjoy fiscal exemptions, legal shortcuts and operational facilities that no other economic entities have access to (Mosca and Selemane 2011). Because of the lack of capital controls, profit repatriation has become a burden and the main cause of Mozambican's deficits in its capital account. On average, mega-projects reinvest only 3%-5% of their earnings back in Mozambican economy (Castel-Branco 2015a). Illicit capital flight, for its turn, has been calculated to represent something around 5% Mozambican GDP annually (Fjelstad and Heggstad 2011).

Extensive tax exemptions are another key (licit) mechanism for allowing outflow to take place smoothly. It is perverse because of the immediate losses and because of the long-term effects. Between 2008-12, the three oldest mega-projects in Mozambique – Mozal (aluminium), Sasol (natural gas) and Kenmare (heavy mineral sands) – contributed with more than 20% of the GDP and with less than 2% of total fiscal revenue. Castel-Branco (2015a) calculates that the losses of potential revenue caused by incentives and non-taxed speculation in natural resources were equivalent to 13% of public revenue between 2005 and 2013. Once productive linkages are difficult to form due to the technological sophistication of capital-intensive extractive industries, a major mechanism for creating linkages with the domestic economy would be through the fiscal system. Yet, the national government continues to resist, insisting that the society must manage its expectation around the results of mega-projects.

Before the surge in FDI, foreign capital had been present in independent Mozambique mainly through foreign aid. Aid has had its role in the porous system either in the form of mitigating the impact of the state's social austerity or through helping private capital to penetrate more smoothly. Even before the end of the civil war, which finished in 1992, Mozambique was already an aid-dependent country, with foreign assistance reaching as much as two-thirds of its GDP (Plank 1993). But in recent years, while the total volume of so-called Official Development Assistance (ODA), which is aid given by OCDE countries, has stabilized around US$ 2 billion, the volume of foreign investments has boomed. In 2013, ODA summed up to US$ 2.3 billion and FDI reached US$ 5.9 billion, having reached 43% of Mozambican GDP (figure 1).

Figure 1 – Foreign Direct Investiments (FDI) as % of GDP and in million US$, and net Official Development Assistance (ODA) in US$ million to Mozambique (2000-2013)



Sources: OECDstat, UNCTADstat and Banco de Moçambique.

Brazilian investors played a major role in the beginning of this investment escalation. In 2009, Brazil became the largest source of foreign investments into Mozambique for the first time in history, taking the place traditionally occupied by Portugal and South Africa, having invested US$ 375 million, or 42% of total Mozambican FDI influx. For the three following consecutive years, Brazil kept the first place, and its FDI volumes rose to US$ 1.3 billion in 2012, representing 25% of the total. In 2013, such impulse vanished and Brazil dropped to the 17º place (Banco de Moçambique 2009, 2010, 2011, 2012, 2013). Volumes of Brazilian aid have always been much more modest but also experienced some expansion until 2013. There is no public historical account of Brazilian cooperation expenditure by country, but Brazilian Cooperation Agency's (ABC) expenditures with technical cooperation in Mozambique (around 20% of total) can offer a glint: they went from US$ 524 thousand in 2008 to US$ 3 million in 2013 (personal correspondence with ABC staff). But then, just like FDI, they vanished away in 2014 as the political front that sustained Brazilian accumulation pattern and its capital internationalization was dismantled and the country submerged into a political and economic crisis (Pinto et. al, 2016).

Going abroad: the class dynamics of Brazilian internationalization in the 2000's

Brazilian capital in lusophone Africa is not a novelty. In the 1970's, when Brazilian foreign policy pended towards 'autonomy through diversification' (Vigevani and Cepaluni 2007), searching for South-South alliances that could reduce the North-South asymmetries, Africa was one of Brazil's priorities. Indeed, Brazilian government recognized the independence of lusophone Africa even before Portugal, and was thus granted a privileged access to the Angolan oil fields and its construction sector (Saraiva 2002, Nogueira and Virtanen 2015). Just like all historical examples, the expansion of Brazilian capital to Africa in the 2000's, in the form of FDI, took place under state support. This time also the high commodity prices gave Brazilian extractive companies a new impulse to go abroad. This section details the class-structured dynamics of Brazilian accumulation during the 2000's and highlights the specific political economy that underlay the Workers' Party (Partido dos Trabalhadores, PT) administration and that induced capital expansion abroad and into Mozambique.

The Workers' Party gave explicit support to the opening of new markets and to the penetration of Brazilian investments into emerging countries. The foreign policy of Lula's government (2003-2010), and some of its spillovers during Dilma Rousseff's first term (2011-2014), have been claimed to invert the subservient neoliberal logic of its predecessor and to search for South-South alliances that would help to shape a multipolar world. These policies had several contradictions, such as a conservative economic agenda combined with an increasingly 'neodevelopmentalist' foreign policy (Barbosa, Narciso and Biancalana 2009). Yet, some clear incentives for the internationalization of Brazilian capitalists could be easily detected. In addition to several new embassies and presidential missions in Africa, each mixing diplomacy with business interests, a novelty in the recent state activism was to blend investments with aid, or to use state-sponsored development cooperation projects for facilitating the penetration of Brazilian capitalists and technology, as will be discussed. Also, the national development bank (BNDES) offered funding with generous interest rates to 'national champions', hence supporting the consolidation of large national groups and stimulating their expansion abroad.

Foreign policy, nevertheless, was the result of the interests of the dominant sectors (power bloc) of the 'neodevelopmental' front (Boito Jr and Berringer 2013). For this, it is important to identify the political forces that sustained Brazilian accumulation dynamics under the Workers' Party before the crisis began in 2013. One political front was formed by the capital-intensive industrial commodity sector (centrally the mining company Vale), the agricultural commodity sector (those involved in the soya complex, including meat producers) and the construction sector (Odebrecht, Camargo Corrêa, Andrade Gutierrez, Queiroz Galvão, OAS). These are the very same Brazilian companies that have internationalized into Mozambique. Their capital accumulation was intense under the Workers' Party 'neodevelopmental' age. The profit rate of the largest 500 non-financial companies increased to 11,0% during Lula's government (2003-2010), against 3,5% between 1997-2002. The profitability of the six largest construction groups increased from 10,2% between 1997-2002 to 15,9% in the Lula's second term (2007-2010). It is not a coincidence that the non-financial segments that most increased their economic and political power under Lula were the industrial commodity bourgeois, the grand agribusiness bourgeois and civil construction - segments that strongly contributed to Lula's electoral campaign (Teixeira and Pinto 2012).

Labour unions and social movements formed the second pillar of the Workers' Party political front (Boito Jr. 2012). Their support was assured through credit expansion for families, real wages increases to the labour class, and minimum income schemes for those excluded from the formal labour market. As a result, domestic demand largely increased, poverty was rapidly reduced, and income distribution improved – although we do not have the data on the richest 1% to securely assure a consistent improvement in the national distribution. Curiously enough, the Workers' Party kept the banking-finance fraction - the third pillar of its political front - intact in its 'neodevelopmental' dynamics of accumulation. Under Lula, the banking-finance fraction kept its hegemonic position in conducting macroeconomic policy, in guaranteeing its very high rates of profitability, and in conducting a general process of financialization that opened possibilities for other fractions to follow the dynamics of fictitious capital (Boito Jr. 2012, Teixeira and Pinto 2012).

This tripod composed by fractions of the national bourgeois, with political support from the labour class and under hegemonic control of the banking-finance fraction, was made possible by virtue of certain specific external conditions. The increase of commodity prices, the improvement in the terms of trade for Brazilian exports, and the international liquidity due to low interest rates in central economies vitally reduced Brazilian external and fiscal restrictions. They allowed a fast expansion of domestic demand without relevant structural transformation in the productive sector or in the orthodox macroeconomic management of the country. During Lula's government, interest rates were kept at extremely high levels, thus increasing profitability of the banking-finance fraction. Combined with the high interest rates, the overvaluation of the currency that was used to curb inflation effectively inhibited the national industry from innovating. It is thus not a surprise that such political front did not last. And this is not only because the external conditions have radically changed. Once Dilma's government tried to confront the established banking-finance fraction (from mid-2011 until the beginning of 2013), a neoliberal front constituted by the financial capital, the national industrial bourgeoisie and the middle class rapidly took shape and dismantled the 'neodevelopmental' arrangement (Pinto et. al 2016; Singer 2015). As the old political front melted away, the banking-finance fraction kept its hegemonic position – and high profit rates – amid the severe economic and political crisis.

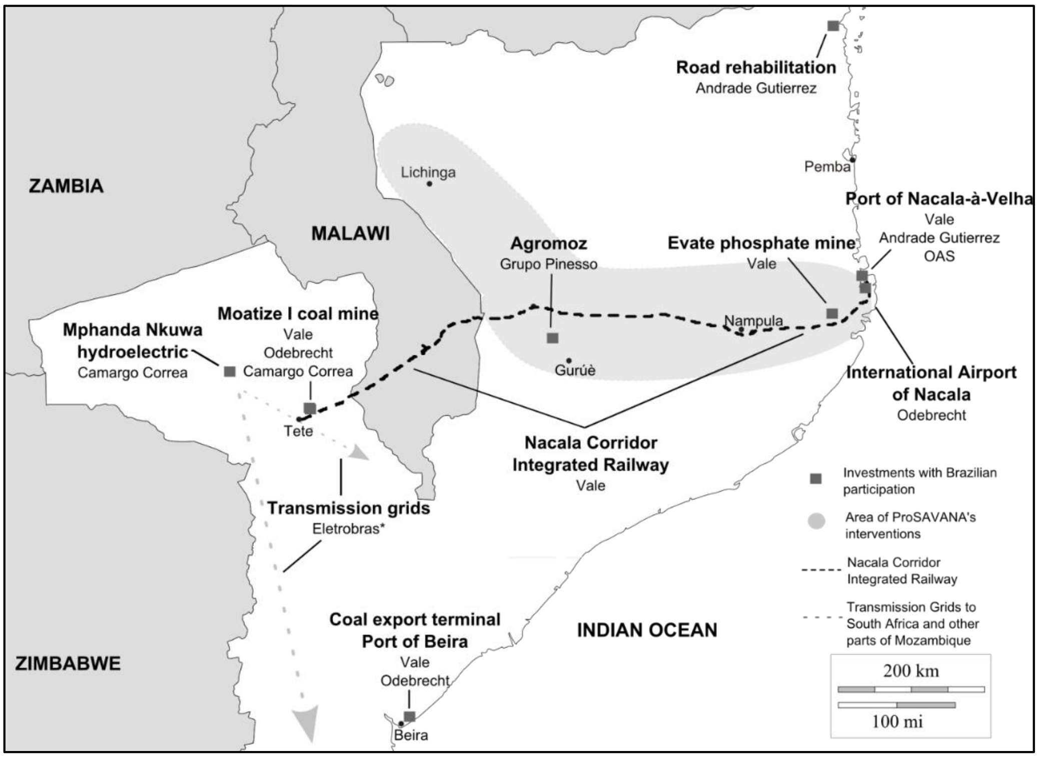
Brazilian capital in Mozambique: accumulation, porosity and the state

This section empirically scrutinizes the expansion of Brazilian capitalists during its 'neodevelopmental' period, characterizing their particular behaviour once consolidating their presence in Mozambique and tracing the linkages to Mozambican economic porosity. We illustrate the magnet effect of corporate capital and Brazilian state support to the internationalization of its national capitalists. We also show how Brazilian capital is linked to Mozambican porous dynamics - through its capacity to send the surplus abroad, through its links with national bourgeoisie and through social expropriation from resettled communities.

Brazilian capital in Mozambique: strategically interconnected and an instrument for porosity

The mining company Vale was a major catalytic force of attraction, having established a Brazilian pole of investments around its vast operations of mining and logistics in Northern Mozambique. The group's local subsidiary explores the Moatize coal mine and controls, in a partnership with the Japanese Mitsui, the Integrated Logistic Corridor of Nacala, one of the three main development corridors defined by the Mozambican government. Vale calls its activities in Mozambique as 'integrated mine-plant-railway-port coal operations' (Vale 2014, 1), synthesizing the centrality of logistics. Such export-oriented infrastructure could also be of great use for other extractive industries and for agribusiness corporate investors, consolidating a commodity-induced export baseline. The impressive export-oriented infrastructure being built called the attention of large-scale agribusiness investors during the global commodity boom. In order to offer the institutional and technological support needed for agribusiness expansion, a major technical cooperation programme called ProSAVANA has been attempted in the very same area. Nevertheless, by the end of 2014, only one agribusiness group (AgroMoz) with Brazilian presence (through Grupo Pinesso) was known to have consolidated its presence in this region – and arguably with no support from ProSAVANA (map 1).

Map 1 – Brazilian current and planned* investments in mining, infrastructure and agribusiness in Mozambique: interventions and Brazilian companies involved



*Note: Eletrobras' operations are under negotiations and planned to start in 2015. Vale's operations in Evate do not have a disclosed starting date.
Source: map produced by the authors.

Coal mining has become the fastest growing segment in Mozambique in recent years due to the significant reserves discovered in the interior and Northern province of Tete. These operations synthesize the extractive mega-projects logic that guarantees Mozambique's current high levels of GDP growth: 1. concentration in the production, commercialization and exports of primary products without any processing, 2. weak connections within the domestic economy, and 3. very high level of porosity due to the difficulties in retaining revenue domestically (Castel-Branco 2013).

Vale's activities in Mozambique started in 2004, when the company won the concession to explore Moatize (I and II), estimated to be the fourth biggest coal reserve in the world and the biggest in Africa. Investment for the construction of Moatize phase I totalled US$ 1.6 billion, and production started in 2011, when yearly production capacity was planned to reach 11 million tons in 2013 (phase II should double these figures in 2017) (Vale 2011; Massingue and Muianga 2013; Campbell 2014). However, because of infrastructure bottlenecks, exports were kept below 1/3 of capacity in 2013. Once all the coal extracted is automatically directed to foreign markets, production has been kept well-below potential because of the difficulties to making the commodity reach a sea port with large capacity (Vale 2011; Campbell 2014).

In order to overcome the infrastructure bottlenecks, Vale has been investing heavily in the Integrated Logistic Corridor of Nacala, a combined railway and port system. The transport corridor consists of 912 km of railways, out of which 230 km are new construction and 682 km are rehabilitation. The corridor will allow the coal leaving from Moatize to cross Malawi and reach the coveted Port of Nacala, the deepest natural portion the East coast of Africa. Around this port area, Vale is working on the construction of the maritime terminal Nacala-à-Velha, a large-scale export terminal for coal. Since 2012, Vale controls the whole railway system in Malawi through the Central East African Railways (CEAR) and the railway system in the Nacala Corridor through the North Development Corridor (CDN) in Mozambique. The Nacala Corridor will have a transport capacity of 18 million tons of coal per year, four times than that of the Beira Corridor, the current export channel. Total investment for this integrated logistic is estimated at US$ 4.4 billion (Vale 2012). In the end of 2014, due to falling prices of commodities, Vale made an agreement with Mitsui, Japanese second-largest trading house, for equity infusion. Vale sold 15% of its stake in Moatize, now reduced to 80%, and half of its stake in the Nacala Corridor infrastructure, reducing it to 35%. Vale now shares the control of the Nacala Corridor logistic system with Mitsui and continues to be by large the controller of the Moatize mine (Humber and Spinetto 2014).

Just like all foreign mega-investors, Vale enjoys several tax benefits that lead to 'social losses'. Profit repatriation and dividends are not subject to any taxation. The mining company benefits from a 15 basis point reduction in Mozambican corporate income tax (from 32% to 17%) in its first ten years of coal extraction (2011-2021). It has also benefited from a 50% discount on the purchase tax on real estate. Vale was also exempted from seven other taxes or duties, such as customs and stamp duties and even value added taxes (VAT). This means that all the acquisitions of services related to drilling, exploration and construction of infrastructures (including international acquisitions) are exempted from VAT. Foreign employees working for Vale also do not have to pay income tax (Mosca and Selemane 2011; KPMG 2013).

Brazilian biggest construction companies – Odebrecht, Andrade Gutierrez-Zagope, Camargo Corrêa and OAS – have rapidly expanded their activities in Northern Mozambique favoured by Vale's operation in Moatize and by its logistic system. Odebrecht led the consortium (which also included Camargo Corrêa) responsible for building Moatize I, constructed the coal terminal in the Port of Beira, and was awarded a contract from the Mozambican government for converting an old military base into the International Airport of Nacala (both funded by BNDES). The building of the Port of Nacala-à-Velha for Vale is being undertaken by Andrade Gutierrez-Zagope in a partnership with OAS, an investment estimated in US$ 1.6 billion. In the Southern Province of Maputo, the company leads the consortium that has been granted the contract for the construction of the Moamba Major dam, another infrastructure project that receives a large part of its funding from BNDES (Mozambique 2011; Zagope 2011).

The political connections of Brazilian investors with Mozambican elites and the export-oriented purpose are also clear in another large-scale investment that should take place soon in Tete province and close to Moatize. Camargo Corrêa has a share of 40% in the Brazilian-Mozambican consortium that will develop and implement the Mphanda Nkuwa hydroelectric power plant in the Zambezi River, expected to become the second biggest hydroelectric plant in Mozambique by 2017. The consortium is also formed by EdM (Eletricidade de Moçambique, 20% share) and Insitec (40%), an investment group owned by the Mozambican ex-president Armando Guebuza, who stepped out of office in 2014 but continues to have enormous political power. Construction works were planned to start in 2015, and investment is estimated in US$ 4.2 billion. Although part of the energy produced may be used in Mozambique, the first goal of Mphanda Nkuwa hydroelectric was to export energy from Tete to South Africa. The Brazilian state company Eletrobras also is negotiating the acquisition of shareholding in the Mphanda Nkuwa hydroelectric and the construction of the transmissions grids that should supply internal market and take the energy from Northern Mozambique to South Africa (Isaacman and Morton 2012; Macauhub 2015).

Brazilian capital penetration, specially around Vale's operations, was followed by intense 'social expropriation' and by severe conflicts with local communities. The displacement process carried out by Vale, which resettled 1,365 households between 2009 and 2010, was done under extremely poor conditions. According to a Human Rights Watch's report, in Cateme, one of the resettlement sites provided by Vale, farmland is ‘unproductive, unsuitable for growing their staple crops of maize and sorghum, and unable to support their typical second harvest of vegetables’, besides presenting ‘serious problems with the availability and accessibility of water for both domestic and agricultural use’ (HRW 2013, 8 and 17). In a second resettlement site, an urban village called 25 de Setembro, households have to rely on non-agricultural livelihoods, as they did not receive any farmland as part of their compensation, even if they had farmed previously. The long-term sustainability of the village is being put under question, once jobs generated by Vale during the construction phase were largely short-term contracts (idem, 16-17). The general background of the resettlement process is one of very limited democratic participation, in a context marked by ‘insufficient communication between the government and the mining companies with resettled communities’ (ibidem, 6). Between 2012-13, conflicts have culminated with at least three community blockages of the railway that transport the coal extracted by Vale, all followed by police repression.

State support through loans and technical cooperation

The Brazilian national development bank (BNDES) was active in offering loans to the Mozambican government in projects conducted by fractions of the power bloc. In a media interview, the bank revealed that up to 2014 it had a portfolio of US$ 800 millions reserved for operations in Mozambican in the form of loans approved, contracted and under analysis for projects carried out by Brazilian companies (Góes 2014). In the case of International Airport of Nacala, a total investment of US$ 200 millions executed by Odebrecht, US$ 125 millions were financed by BNDES. Odebrecht also benefited from credit lines worth US$ 80 million in order to finance imports from Brazil needed for the construction process of the coal terminal in the Port of Beira and of the airport itself (Góes 2014; Odebrecht 2013). For the construction of the Moamba Major dam, carried out by Andrade Gutierrez-Zagope, the BNDES was expected to finance US$ 350 millions of a total US$ 460 million project, which would be its largest loan to Mozambique (Góes 2014).

A second type of support from Brazilian state was given in the form of development cooperation projects, or aid. Some commentators have argued that Brazil and other emerging donors often mix aid with other fluxes, thus ‘blending of’ various instruments and designing development programmes that, from the beginning, integrate technical cooperation with investments and trade (Mawdsley, 2012, 135-136). In recent years, mixing aid, liberal investments frameworks and trade seem to be promoted as a desirable practice by the club of donors since the investment boom took over Africa, as it has been synthesized in the 2011 Busan High Level Meeting as ‘development effectiveness’ (Nogueira and Virtanen 2015). But it must be said that the behaviour of Brazil as a donor is extremely diverse, and not all programmes are blended with private initiatives. This reflects Brazil’s own political economy and the tensions within the power bloc that oriented foreign policy under the Workers’ Party.

The biggest cooperation initiative with Brazilian involvement nowadays in Mozambique is ProSAVANA, a 20 years long agricultural development programme in the Nacala Corridor. It is a trilateral initiative carried out by the governments of Mozambique, Brazil and Japan that aims to rapidly increase agricultural productivity and to establish associated agro-industrial plants, notably through a large technological and modernization effort. It has a total budget for the first phase (8 years) of around US$ 36 million. Integration of small local producers with large-scale investors should be done through contract farming, a business model in which a large plantation or agroprocessor (usually foreigner) buys a certain commodity from out-growers in the terms previously defined in a contract. As a development strategy, contract farming implies a series of risks and disruptions to local communities and food security, most of them ignored by ProSAVANA project documents (Nogueira 2014).

Mining and agribusiness investors have converging interests in Mozambique, notably through the establishment and use of an export-oriented infrastructure that facilitates their access to Asian markets and through the creation of demand and supply for certain products such as chemical fertilizers. In this context, ProSAVANA emerged as a development cooperation programme that facilitates the technological and institutional environment necessary for the entrance and expansion of agribusiness investors. In an interview with one of the authors, a former director of ABC left clear the centrality of foreign investors for ProSAVANA’s approach:

> The three of us, Mozambique, Brazil and Japan, we had discussed that we would stimulate the entrance of investors in a certain point. They would use

> the knowledge that was being transferred to a great extend with this aim: to transform the Mozambican agriculture into a productive agriculture. It was important that the private sector from the three countries, or who wants to, would enter the project (…). It [the aim] was to transfer applicable knowledge that wouldn't just stay in the laboratory (interview with ABC staff on 04/03/2013).

Vale's connection with ProSAVANA started in 2010, before the programme was formally launched. The company sponsored the first agro-climatic zoning that aimed to assess the agricultural potential of different regions in Mozambique. These studies were requested by the Brazilian Ministry of Foreign Affairs, sponsored by Vale, and executed by a team from FGV Projetos, the same consulting company that later became responsible for preparing Brazil's share in the ProSAVANA Master Plan (interviews with FGV Projetos staff on 18/03/2013 and on 03/06/2013). Early draft documents from the Brazilian Ministry of Foreign Affairs and from ProSAVANA emphasize the benefits of the railway infrastructure being constructed, once 'the Nacala port has advantage of its natural depth and location close to Asia', indicating the export bias of ProSAVANA (MRE 2010 36; ProSAVANA-PD 2013 4-26). Another of Vale's investments that should benefit from the establishment of an agribusiness base in the Nacala Corridor is the Evate mine, the largest phosphate deposit in Mozambique, a raw material needed for fertilizer production. Vale has the mine concession and has been considering the construction of a complex in the neighbouring district of Nacala-à-Velha for the production of fertilizers (Schlesinger 2013).

Agribusiness relations with ProSAVANA, for its turn, are multiple. When the programme was launched, an investment seminar was organized in São Paulo to 'sensitise investors' about investment opportunities in Mozambique. Both ABC and agribusiness representatives gave keynote speeches (Schlesinger 2013, 34; Clements and Fernandes 2013). In its Investment Guide for Mozambique, the Brazilian Ministry of Foreign Affairs puts 'commercial agriculture' in first place in its lists of 'significant commercial opportunities for the Brazilian business community'. According to the guide, studies conducted by Embrapa for ProSAVANA 'have confirmed the availability of land with good potential' (MRE 2013, 35-36). The coordinator of the Brazilian Agricultural Research Corporation (Embrapa) in Maputo, the research institution responsible for the technological component of ProSAVANA, confirmed that Brazilian contribution is to test and transfer their 'first class' technology that will be employed most of all by Mozambican entrepreneurial and foreign corporate investors that are entering the Nacala Corridor:

> We are testing here the best materials, technologies that make intensive use of inputs, first class technology, mechanized. We believe there will be growing demand for this technology once there is a growing movement of Mozambican, South African, Brazilian, Chinese producers going there and they want to produce with advanced technology, of high productivity (…). Our position is to help Mozambicans because we understand that helping them we will also have gains. We openly talk about building a win-win relationship (interview with Embrapa staff on 14/03/2013).

Brazilian investors would not have been the only beneficiaries of the ProSAVANA interventions, but they were thought to be a main groups. The Mozambican focal point in Nampula reported that 'Brazilian investors are the ones that come in larger numbers within the scope of ProSAVANA' (interview with ProSAVANA focal point in Nampula on 21/03/2013). At least three Brazilian agribusiness companies were waiting for the approval of their DUAT, the state-granted land use right, by mid-2013 (interview with official from the Mozambican Ministry of Agriculture on 09/04/2013). Nevertheless, by the end of 2014, only one Brazilian company was identified in ProSAVANA target area (Clements 2014). Grupo Pinesso, the second biggest soya producer in Brazil, formed a partnership with Grupo Américo Amorin (Portugal) and Intelec, the same holding owned by the Mozambican ex-president Guebuza that already has a partnership with Camargo Corrêa. They produce soya, corn and cotton in 10,000 hectares in the district of Gúruè (Clements 2014; Hanlon and Smart 2012).

The technological and institutional support given by ProSAVANA is also linked to financial investors. The Nacala Fund, an investment fund elaborated by the Brazilian consulting company FGV Projetos, was marketed as offering 'investments with low risk and high return', once risks should be minimized by ProSAVANA's 'institutional package' (FGV Projetos 2012, 58). Registered in Luxembourg, the Nacala Fund aims to raise US$ 2 billion in 10 years to finance agribusiness investors along the corridor (initially soya, corn and cotton). It has selected 10 Brazilian agribusiness that should, each of them, work in cooperation with four medium-sized Mozambican agricultural producers (interview with FGV Projetos staff on 03/06/2013).

But ProSAVANA also became by far the most contested Brazilian development cooperation programme by Mozambican civil society due to fears related to land grabbing, resettlements, reduced food security and growing inequality. For the first time in the history of Mozambique, 23 national and 42 international organizations addressed an open letter demanding an 'immediate suspension' of all activities of the development programme. The letter was addressed to the Mozambican president and to the two donors' (Brazil and Japan) heads of state. The collective document was a culmination of a series of public denouncements made individually by Mozambican civil society against ProSAVANA, which they see as having 'defects' in design and implementation, such as 'irregularities in the alleged process of public consultation and participation; serious and imminent threat of usurpation of rural populations' lands and forced removal of communities from areas that they currently occupy' (Open Letter 2013).

As a reaction to heavy criticism against ProSAVANA's export-oriented emphasis and social movements' claims of land grabbing, social exclusion and food insecurity, ProSAVANA has made attempts to deny its relations to corporate investors and to emphasize local smallholders integration into future value chains. Public talks and documents make some important rhetoric changes. Sound contestation coupled with Brazilian retreat from development cooperation have led to the apparent paralysation of the programme and to a general sense of failure. At this point, it is difficult to foresee if the ProSAVANA will ever take forward any relevant intervention. And it seems that the Mozambican government is already trying to disseminate the emergence of new development initiatives for the region, all carrying the same extractive logic (UNAC and Grain 2015).

Conclusions

Foreign capital has been a structural force in shaping Mozambican extractive growth pattern. This article has investigated the role of the investment boom and an attached technical cooperation programme taken forward by Brazil until 2013 and their relations with Mozambican accumulation pattern. We have shown that the three fractions of the national bourgeoisie that constituted the productive dimension of Brazilian 'neodevelopmental' attempt - the capital-intensive industrial commodity, agribusiness and construction sector - were the same fractions that promoted capital expansion into Mozambique. In the same way they behave in their own country, they formed strategic alliances and functioned as magnets, attracting each other around their operations in mining, construction, electricity and agricultural sectors around the Nacala Corridor. They received state support to their internationalization efforts in the form of loans, diplomatic activism and technical cooperation. And were highly capitalized due to their dominance in Brazilian accumulation dynamics in the 2000's and due to the commodity boom.

Brazilian capital reinforced Mozambican economic and social porosity through the transfer of surplus abroad (in the form of several tax benefits, an export-oriented infrastructure, and few national links), political connections (explicit in the case of AgroMoz and Mphanda Nkuwa) and correlated wealth and income concentrations, and general expropriation from the labour class (including in the form of resettlements in very poor conditions). Mozambican social mobilization against Brazilian investments and against its major development cooperation programme, ProSAVANA, has been sound, including through severe social conflicts. But as Brazilian presence cools down, Mozambican state seems to be searching for alternatives to both capital and technical cooperation following the very same porous logic.

The collapse in commodity prices and the crisis of Brazilian accumulation, including the rupture in the 'neodevelopmental' political front, led to a complete paralysation of Brazilian capital expansion in Mozambique. All the signs indicate that such paralysis will continue for a long period as political reorganization may take some time to take form – and once it does, it is likely that the forces from the right will be even more dominant. Brazilian case sheds important light into the limits and contradictions of financialized and non-radical 'neodevelopmental' attempts. They are seriously limited in their capacity to promote structural changes in their national political economy and closely aligned with the porous accumulation dynamics of other peripheral countries.

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