

INTERNATIONAL
DEVELOPMENT
AND INNOVATION



SEMINAR SERIES

Wednesday 12 January 2022

12:30 – 14:00 GMT

Presenter: Joseph Hanlon, Visiting OU Senior
Research Fellow

**Mozambique's resource curse is a success of donor actions to
create oligarchs**

Discussant: Thomas Selemene, PhD researcher at University of the
Witwatersrand, Johannesburg

Chair: Lorena Lombardozi, Senior Lecturer in Economics at The Open
University

The civil war in northern Mozambique is a classic case of resource curse. The discovery in Cabo Delgado province of rubies and then one of the largest natural gas reserves in Africa failed to bring prosperity to most people. The resources were grabbed by the elites of the ruling party Frelimo in alliance with transnational corporations. In 2017 marginalised groups launched a local civil war, which has now killed more than 3000 people and delayed the development of the gas. The Mozambique government has brought in 2000 Rwandan troops to defeat its own peasants and allow TotalEnergies to resume its \$30 bn gas development.

These powerful elites are oligarchs, just like those in the former Soviet Union, and their creation was a conscious policy of the victors in the Cold War. In Mozambique, a mix of local and Maputo-based oligarchs gained control of the legal and illegal economy of Cabo Delgado and built links with international capital, while marginalising the majority of the population, pushing them deeper into poverty.

In this seminar we will argue that the creation of the oligarch system was intentional, and the success of their policy is that there are huge profits for the oligarchs and foreign investors. In the seminar, we will detail how this outcome was organised.

It is first necessary to look at the former Soviet Union itself. In the mid-1990s, at the end of the Cold War, the West, through the World Bank, IMF and aid imposed what it called "shock therapy" on the former Soviet Union. The idea was to transform communists into capitalists as quickly as possible. To do this the existing communist elite was targeted because it already had power and though that party power had access to resources it could use quickly to create major businesses, which would then be developed with links to Western capital. Each country was different, but oligarchs created by "shock therapy" continue to be politically and economically dominant in much of Eastern Europe and Central Asia.

On the periphery, Mozambique was one of a few African country on which the West imposed shock therapy. In Mozambique the World Bank played a key role through 1500 privatisations - mostly to key people in Frelimo - and forcing the state out of most economic sectors. In the 1990s and early 2000s, Mozambique was not seen as a resource country, so Mozambique had "baby oligarchs" dependent on state contracts and links to foreign companies. Illegal trade and then the discovery of mineral resources turned them into real oligarchs linked to international resource companies.

In the seminar we will show aid and international finance agencies quite openly and blatantly backed "shock therapy" and the transformation of some of the Frelimo elite into oligarchs who continue to control the Frelimo party. It was a post Cold War victory. But Mozambique's resource curse is only a curse for ordinary Mozambicans, and not for the oligarchs and foreign investors.

Bio

Joseph Hanlon is both a journalist and a development researcher which he has combined in more than a dozen books on southern Africa and on aid and development. He has been writing about Mozambique since 1978. He has been the editor of the *Mozambique Political Process Bulletin* since 1992 and has had reporting teams for all of Mozambique's multiparty elections. He also edits the newsletter Mozambique News Reports and Clippings which has reported extensively on the Cabo Delgado civil war. (Subscribe free on <https://bit.ly/Moz-sub>)

His four most recent books are:

- Bangladesh Confronts Climate Change: Keeping our Heads Above Water (2017)
- Chickens and beer: A recipe for agricultural growth in Mozambique (2014)
- Zimbabwe Takes Back Its Land (2013)
- Just Give Money to the Poor (2010)

He is also co-editor of *Civil War, Civil Peace* (2006)

External guests can [register on Eventbrite](#), or <https://bit.ly/jh-res-tic>