

MOZAMBIQUE News reports & clippings

518 25 January 2021

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Vale pulling out

This is the end of coal

Vale is pulling out of Tete as part of its climate emergency commitment to end coal production. Several announcements last week set out a complex planned withdrawal.

Vale announced on 20 January that to allow the Japanese company Mitsui to leave the project, buying its 15% of the Moatize coal mine and its 50% of the 900 km railway and port facilities Nacala Logistics Corridor, for \$1. But it will take on Mitsui's \$2.5 bn debt. The new wholly owned company will only mine high quality coking coal, and hopes to mine 15 mn tonnes this year and 18 million tonnes next year. But the announcement stressed that Vale wants to disinvest from all coal production.

On 22 January Reuters reported that Vale has hired Barclays and Standard Chartered to sell the mine, railway and port, probably to China or India. China produces half the world's steel and is anxious to replace Australian coal which has been stopped because of a diplomatic confrontation.

India is the second largest global importer of coal and an Indian ICVL company bought the Rio Tinto mine in Benga in 2014, mainly for coking coal. Another Indian company, Jindal, also has a coal mine in Tete.

To mine coking coal large amounts of cheaper thermal coal must be removed. When these mines opened, the thermal coal could be sold, but now it cannot and will be left in giant piles. Coking coal will have a market for perhaps a decade more.

Why is coking coal still needed?

Coking or metallurgical coal remains essential for steel making. A race is on to develop ways to replace it and production of coal free steel should start in the next five years. So there will remain a market for coking coal for another decade.

Steel-making dates back 2500 years in Anatolia and East Africa, and blast furnaces were developed in China and East Africa. China now produces half of the world's steel. Tanzanian production was stopped by German colonisers who did not want competition with the growing German iron and steel production.

Initially wood was used, but China began using coal in the 11th century. Coal is converted to "coke" by heating it in low oxygen conditions to drive off water and unwanted chemicals. Coke and iron ore is put into a blast furnace to reduce iron ore (Fe_2O_3) into pig iron (2Fe). Coking coal enters the process again in the next step of converting iron to steel, when it provides both energy and carbon for the final alloy.

Under rapid development are methods to replace coking coal at both steps. Hydrogen is becoming an important non-carbon industrial fuel, because it can be produced from electricity, and renewable electricity sources are being rapidly development. Iron can be reduced to pig iron through "direct reduction" processes using hydrogen. Electric arc furnaces now produce 30% of the world's steel (mainly from scrap) and do not need coal for energy, and are increasingly used from production of steel from pig iron, with other sources of the carbon than coking coal. It is predicted that within a decade a coking coal demand will be dropping significantly. But until then, Moatize should have a market for coking coal.

Background: <https://leard.frontlineaction.org/coking-coal-steel-production-alternatives/> and <https://www.letstalkaboutcoal.co.nz/future-of-coal/making-steel-without-coal/>

Comment

As the resource bubble bursts, where will the rents come from?

The "resource curse" occurs when global mining and gas companies share the surplus from resource extraction with a small local elite, and little reaches ordinary people. Economists refer to this as "rent" - income derived from ownership or control over a limited asset or resource. Such income is attained without any expenditure or effort on behalf of the resource holder.

Frelimo has developed an elite and a patronage network based on growing resource rents and the vision of a gas bonanza in coming years. But the bubble has burst. Reversing the climate emergency is putting a rapid end to coal, and is capping the promised growth of natural gas. Vale is abandoning Tete and no new mines will open. There will be no railway to Quelimane. Even if Total continues with its current natural gas project, ExxonMobil and others are unlikely to start their parts, because of war and low gas prices. Global heating is causing an energy shift faster than most people - including Frelimo - expected.

Gemstones, gold, graphite and heavy sands will continue, but they do not provide huge rents. Frelimo thinks that its "blue bag" of cash to hand out will be constantly refilled, but Vale is a harsh reminder that time is over. Some hard thinking is needed about how to manage the fall in resource rents. *jh*

Cyclone Eloise brings flooding

Cyclone Eloise hit Beira and Buzi Saturday morning (23 Jan) with 120 km/h winds. The cyclone passed south-west and is now a tropical storm in South Africa. Six people have been killed.

Heavy rain of more than 200 mm caused the major problems. On Friday afternoon the cyclone skirted the coast of Zambézia, causing flooding in coastal districts from Quelimane to Chinde. Parts of Beira were flooded and electricity and mobile telephone services were cut for a day, but

are now back on. The only road into Beira, the N6 from Zimbabwe and Chimoio to Beira, remained open.

Three rivers were already high. Flooding has been exacerbated by the heavy rains from Eloise, and flooding will continue for several more days. From south to north:

Save River on the boundary between Inhambane and Sofala was already 1 metre above flood level on Friday (22 Jan), before Eloise, and some riverside villages are flooded. The only bridge crossing the river, on the N1, is closed for repairs, and a temporary bypass bridge built. It was closed on Friday when a section of the temporary bridge was washed out. Water reached 2 m above flood level yesterday, and continued flooding is predicted. It has been possible to open the old under-repair bridge to a single lane of traffic.

Buzi River has been 2 metres above flood level since Tuesday 19 January and we showed film of the flooding on Wednesday in our previous bulletin on <http://bit.ly/BuziFlood1>. Buzi is still flooded and the only road access is still under water. The Public works ministry in its daily Boletim Hidrológico Nacional said roads are flooded in the headwaters of the Buzi river in Manica province.

Pungoe River this morning (25 Jan) was 2.7 metres above flood level and some side roads in Nhamatanda district are flooded, but the main N6 is open. Less Eloise rain fell over the Pungoe basin.

In Buza town hundreds of families were evacuated on Thursday because of flooding. In Beira thousands of people were evacuated from the most flood prone areas and spent Saturday night sleeping in schools. INGD reports that 5082 people were evacuated before Eloise struck. Six people are known to have died, four in Beira when their houses collapsed on top of them, and two in Buzi. So far 2435 houses are known to have been destroyed, and that number will increase.

Elsewhere, the **Limpopo River** is at flood levels and this could increase with the heavy rains in South Africa from Eloise.

INGC has recently been transformed into the National Institute to Manage Disaster Risk Reduction (Instituto Nacional de Gestão Redução do Risco de Desastres) - INGD - <https://www.facebook.com/INGD.Mocambique/> There is as yet no web page.

INGD and OCHA daily reports and Boletim Hidrológico Nacional are posted on <http://bit.ly/Moz-flood21>

The EU Copernicus Emergency Management Service has rainfall and flooding forecasting maps on <https://www.globalfloods.eu/glofas-forecasting/> or <https://www.globalfloods.eu/> and click on Map Viewer.

+ There have been a series of **false videos** alleged to be Eloise damage, but really a US tornado, Australian hailstones, South Africa in 2013, etc.

Further to a comment, from economist Roberto Tibana

No protest from a middle class that feeds off the corrupt elite

The Mozambique "middle class" you are talking about in your Comment last week "Will this [Covid-19 explosion] trigger middle class worries?" (<http://bit.ly/Moz-517>) is not an entrepreneurial middle class that has stakes in the economy and social stability and abhors corruption. It is one that feeds off the corrupt state.

Many doctors, teachers, and engineers in Asian and Latin American upper or middle income countries are middle class with stakes and thus motivation and clout to push for change. Here in Mozambique they live on the verge of poverty, not far above the poverty line, and they can easily

fall below it. They do not have a "subsistence reserve" to sustain the fight. They are nearly as "hand-to-mouth" as the poor (although not as near to the absolutely poor).

Most of those far above the poverty line are corrupt themselves, or servants to the corrupt elite. They do not represent the kind of middle class that can challenge the corrupt elite. They see such fight as undesirable and threatening to their short term interests. Many see those taking on the corrupt establishment as an enemy who threatens the favours they get from their corrupt masters.

I suspect that if any challenge to the corrupt elite will come it will be from the very bottom, when those people who really have nothing to lose (including their own lives!) say: enough is enough! The problem with that is that there will be a dangerous leadership vacuum, no leaders to channel their forces in a constructive direction.

The Pandemic is driving the tolerance of those at the bottom to the breaking point. On the day following the announcement earlier this month of new measures to tighten prevention, there was rioting in Manhiça district, Maputo province. Protesters burned tyres and said they could not take it any more. They wanted to earn their livelihoods; they said they preferred to die of Covid-19 rather than from hunger sitting at home. The demonstration was quickly crushed. But I am not sure this will always be the case. Certainly it could not be sustained when the government fails to pay police salaries.

To enforce Covid-19 restrictions on 15 January, a brutal and poorly educated police force was unleashed to grab vendors' goods, particularly alcohol, in the "barracas" (informal market stalls) while beating the owners. I know cases where people paid more than equivalent of \$1000 to be taken into the police force. It is a business being in the police force. They would not use that money to pay school fees for their own skills training for other types of occupations. This is known at the highest levels of the command chain. The returns are higher as a policeman/women, not only for the rank-and-file but also for the commanders above them.

But for how long can they deliberately turn the police against the citizens in such a barbaric manner? One day there is going to be nothing in the "barracas" for the police to take. That day will be the day of reckoning for all.

RJT

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Important external links

Covid-19 daily updated data <https://www.facebook.com/miguel.de.brito1> and <https://covid19.ins.gov.mz/documentos-em-pdf/boletins-diarios/>

Daily flood reports - <http://bit.ly/Moz-flood21>

Cyclone trackers, <https://www.cyclocane.com/> and <https://www.metoc.navy.mil/jtwc/jtwc.html>

Cabo Ligado weekly report on civil war <http://bit.ly/CaboLigado>

Previous editions of this newsletter: <http://bit.ly/MozNews2021> and bit.ly/MozNews2020

Downloadable books: <http://bit.ly/Hanlon-books> Election data: <http://bit.ly/MozEIData>

My Mozambique archive: <http://bit.ly/Mozamb>

Cabo Delgado

Archive with reports, detailed maps, and census data <https://bit.ly/Moz-CDg>

Special reports on the war

Evolution of the war: global vs local. 27 Feb 2020 <http://bit.ly/CDelgadoOrigins>

Religion is shaping Cabo Delgado civil war. 30 April 2020 <https://bit.ly/CDelgadoReligion>

Intensifying argument over roots of war. 28 June 2020 <https://bit.ly/Moz-492>

Are the drums of war silencing any hope of peace? 26 July 2020 <http://bit.ly/Moz-496>

A history of violence presages the insurgency. 13 August 2020 <http://bit.ly/Moz-498>

Military & economic intervention. 3 Sept 2020 <https://bit.ly/CDelgadoIntervene>

Mozambique heroin transit trade

English - LSE - 2018 - <http://bit.ly/Moz-heroin>

Portuguese - CIP- 2018 - <http://bit.ly/HeroinaPT>

2001 first article- *Metical* - English and Portuguese <https://bit.ly/MozHeroin2001>

Gas for development?

Gas_for_development_or_just_for_money?_2015 bit.ly/MozGasEng

Gás_para_desenvolvimento_ou_apenas_dinheiro?_2015 bit.ly/MozGasPt

Background reading

Special reports

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: bit.ly/MozPoverty

Minimum wage and exchange rates 1996-2018 -- <http://bit.ly/MinWage18>

\$2bn secret debt - in English

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

In Portuguese:

Parliamentary Report on the Secret Debt (complete) bit.ly/MozAR-debt

2018 Constitution - <http://bit.ly/2KF588T>

Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

Nine books by Joseph Hanlon can be downloaded, free: <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014) is on <https://bit.ly/Chickens-Beer>

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Mozambique and the Great Flood of 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

Apartheid's 2nd Front (1986) <available shortly>

These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

Mozambique media websites, English:

Club of Mozambique (free): <http://clubofmozambique.com/>

Zitamar (paywall): <http://zitamar.com/>

Mozambique media websites, Portuguese (all with partial paywall):

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Carta de Moçambique <https://cartamz.com>

Mozambique think tanks and pressure groups, Portuguese:

Centro de Integridade Pública: CIP <https://cipmoz.org/>

Observatório do Meio Rural: OMR <https://omrmz.org/>

Instituto de Estudos Sociais e Económicos: IESE <https://www.iese.ac.mz/>

Centro Para Democracia e Desenvolvimento CDD <https://cddmoz.org/> (some CDD in English)

Fórum de Monitoria do Orçamento - FMO (the main group following the \$2 bn secret debt - now run by

CDD) <http://www.fmo.org.mz>

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