

**AFRICA RISK CONSULTING****Mozambique Monthly Briefing May 2018**

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**Mozambique Summary 31 May 2018**

*Opposition Resistência Nacional Moçambicana (Renamo) leader Afonso Dhlakama dies, leaving the viability of peace talks in question. Alleged Islamic militants carry out deadly attacks in Ulumbe and Monjane, both in Cabo Delgado Province, close to offshore oil deposits on the Afungi peninsula. Japan-based trading house Mitsui & Co. plans to invest \$1.5 billion into a liquefied natural gas (LNG) project in Mozambique, which is expected to be operational in 2023 with an estimated annual output of 12 million tonnes of LNG per year.*

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**Renamo leader Afonso Dhlakama dies**

Opposition **Resistência Nacional Moçambicana (Renamo)** leader **Afonso Dhlakama** died from diabetes-related illness on 3 May.<sup>1</sup> Dhlakama's unexpected death has caused uncertainty around the future of peace talks in **Mozambique** and left a leadership vacuum in the main opposition party. Dhlakama died in or near his **Gorongosa** mountain hideout before an evacuation helicopter arrived to fly him to hospital in **Beira**.<sup>2</sup> Foul play was not suspected as he had suffered ill health for some time.

Dhlakama had led Renamo since 1979. Renamo fought as an anti-communist guerrilla movement against the ruling **Frente de Libertação de Moçambique (Frelimo)** government until 1992.<sup>3</sup> Dhlakama continued to lead Renamo after it emerged as a legal political party. However, even after democratic elections in 1994, Dhlakama maintained a Renamo military force under the guise of a presidential guard.<sup>4</sup> After Dhlakama's narrow loss in the 1999 presidential elections, the Frelimo government rallied to decimate Renamo's political opposition, culminating in Renamo's crushing electoral defeat in 2009.<sup>5</sup> The 2009 election resulted in a landslide victory for then president **Armando Emilio Guebuza** (2005-2015), who won about 75% of the vote, with 16.41% for Dhlakama and 8.59% for **Movimento democrático de Moçambique (MDM)** leader **Daviz Simango**.<sup>6</sup> Without meaningful political power, Renamo took up arms in 2013 against Frelimo. Renamo increased its share of the popular vote to 36.61% in the October 2014 elections, with Frelimo's share dropping to 57.03% (see *ARC Briefing Mozambique November 2014*). The **Comissão Nacional de Eleições (CNE)** rejected Renamo's claims that were irregularities in the electoral process.<sup>7</sup>

Renamo's insurgency against the Frelimo-led government ended with a truce in December 2016.<sup>8</sup> Dhlakama and Frelimo leader President **Filipe Nyusi** (2015-present) met in August

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<sup>1</sup> Africa Confidential, 18 May 2018.

<sup>2</sup> Daily Maverick, 4 May 2018.

<sup>3</sup> IOL, 3 May 2018.

<sup>4</sup> Chatham House, 4 May 2018.

<sup>5</sup> Chatham House, 4 May 2018.

<sup>6</sup> "Mozambique's 2009 Elections", Adriano Nuvunga and M A Mohamed Salih, www.eisa.org.za

<sup>7</sup> Source, political analyst, Maputo

<sup>8</sup> Chatham House, 4 May 2018.

2017 and February 2018 to discuss the terms of the peace deal, namely the demobilisation of Renamo's troops and their integration into government security forces.<sup>9</sup> Nyusi announced on 7 February that he planned to introduce changes to the constitution to decentralise power in an effort to increase peace between Frelimo and Renamo (see *ARC Briefing Mozambique February 2018*).<sup>10</sup> With relations between Nyusi and Dhlakama somewhat cordial and peace talks in full swing, Dhlakama's unexpected death has put the peace talks in jeopardy.

Dhlakama's centralised and tight grip on power within Renamo means that the party is weakened without his leadership.<sup>11</sup> Renamo appointed its former secretary general, **Ossufo Momade**, as interim party leader on 5 May.<sup>12</sup> Momade announced on 25 May that Renamo will appoint its new leader through executive processes.<sup>13</sup> Dhlakama's niece, **Ivone Soares**, is reportedly vying for party leadership against opponents including secretary general **Manuel Bissopo**.<sup>14</sup>

Some elements within Frelimo will wish to capitalise on Renamo's current weakness and strive again for complete dominance of Mozambique's political landscape. **Alex Vines**, head of the Africa Programme at **United Kingdom**-based think-tank **Chatham House**, stated that this would be "*a serious tactical mistake for Frelimo, as a lasting deal is so close*".<sup>15</sup>

Although Dhlakama's death threatens to derail peace talks between Renamo and Frelimo, Nyusi appears committed to the peace process. The power to broker peace lies heavily on Nyusi, who is likely to favour peace to ensure the success of his presidential legacy.<sup>16</sup> Nyusi vowed on 18 May not to leave Mozambique until talks with Renamo regarding its demilitarisation are concluded.<sup>17</sup> Nyusi saw through a law on 24 May to grant more autonomy for provinces, allowing provinces to choose their governors, rather than the president. An ARC source said this is a significant indication that Nyusi wants peace even after Dhlakama's death, as Frelimo will inevitably lose several provincial governorships to Renamo in the interests of peace as a result of this legislative reform.<sup>18</sup>

Renamo appears willing and cooperative in the peace process. Soares stated that Renamo "*urgently wants to move forward with military issues*", advocating for Renamo fighters to be integrated into the **Forças Armadas de Defesa de Moçambique (FADM)** (Mozambique defence forces).<sup>19</sup> However, it is likely that Frelimo will stand fast on its demand for Renamo to demilitarise.<sup>20</sup> Appealing to Renamo to make concessions, **Margarida Telapa**, Frelimo's leader in parliament, stated that "*peace is a coin, with decentralisation and demilitarisation as its two sides*."<sup>21</sup> ARC's source stated that although Dhlakama and Nyusi had been "*close to a*

<sup>9</sup> Chatham House, 4 May 2018.

<sup>10</sup> ENCA, 7 Feb 2018.

<sup>11</sup> Club of Mozambique, 15 May 2018.

<sup>12</sup> Club of Mozambique, 8 May 2018.

<sup>13</sup> Club of Mozambique, 25 May 2018.

<sup>14</sup> Africa Confidential, 18 May 2018.

<sup>15</sup> Alex Vines quoted at Chatham House, 4 May 2018.

<sup>16</sup> Africa Confidential, 18 May 2018.

<sup>17</sup> Club of Mozambique, 18 May 2018.

<sup>18</sup> Source, analyst, South Africa.

<sup>19</sup> Club of Mozambique, 24 May 2018.

<sup>20</sup> Source, analyst, South Africa.

<sup>21</sup> Club of Mozambique, 24 May 2018.

*deal” on this issue, Dhlakama’s death means that “demilitarisation is likely to be the sticking point of whether peace continues in Mozambique.”<sup>22</sup>*

### **Alleged Islamic militants carry out two attacks in Cabo Delgado Province**

An attack on 26 May in **Ulumbi, Palma District (Cabo Delgado Province)** is thought to have killed between five and seven people, after 10 were kidnapped.<sup>23</sup> An attack the following day on the village of **Monjane** in the same district was believed to have killed 10 people by beheading.<sup>24</sup> It is believed that Islamic militant group as “**Al-Sunnah**” or “**Al-Shabaab**” carried out the attacks as part of an insurgency in the Cabo Delgado Province that began in October.<sup>25</sup> The attacks not only pose a serious security threat in Cabo Delgado, but are also likely to affect commercial activity in Cabo Delgado Province.<sup>26</sup> Both attacks occurred close to offshore oil deposits on the **Afungi** peninsula, where foreign oil and gas companies have discovered vast amounts of natural gas reserves (see previous *ARC Briefing Mozambique*). Ulumbi is the site of an onshore oil and gas concession belonging to **Canada-based Wentworth Resources** which, along with state-owned **Empresa Nacional de Hidrocarbonetos (ENH)**, is conducting exploratory drilling. The village was also attacked on 22 October (see *ARC Briefing Mozambique November 2017*).<sup>27</sup>

The motives of the armed group are not entirely clear. Although the group has no manifesto, a recent research document cited by news agency **Lusa** posits that social exclusion among youth in the Cabo Delgado region could be a major factor behind the group’s existence and activities.<sup>28</sup> Despite holding much of Mozambique’s natural wealth, Cabo Delgado is the country’s poorest province. Lusa’s report alleges the **Polícia da República de Moçambique (PRM)** (Republic of Mozambique police) abuse many members of its relatively high Muslim population.<sup>29</sup> The document also argues that the group’s multi-million dollar finances come from illicit sources such as timber and gemstones.<sup>30</sup> This affords the combatants an above-average income, which may explain the group’s relative success.<sup>31</sup>

A PRM spokesman attempted to downplay fears about the capacity of the militant group, suggesting the previous efforts by Mozambique’s defence and security forces have “*greatly weakened*” the group’s capabilities.<sup>32</sup> The PRM released figures to show that since the start of the insurgency in October, they have detained over 300 suspected combatants.<sup>33</sup> However, the Islamist insurgency appears more robust than police would like to believe. State-owned **Chinese** news agency **Xinhua** reported that fighters are well trained by ex-police officers and are linked to other Islamist militant groups across **East Africa** and the **Great Lakes** region.<sup>34</sup> The group’s “*guerrilla tactics*” also make it difficult for security forces to target the “*scattered cells*” into which it breaks.<sup>35</sup>

<sup>22</sup> Source, analyst, South Africa

<sup>23</sup> Club of Mozambique, 29 May 2018.

<sup>24</sup> Club of Mozambique, 29 May 2018.

<sup>25</sup> Club of Mozambique, 29 May 2018.

<sup>26</sup> Club of Mozambique, 30 May 2018.

<sup>27</sup> AIM, 25 Oct 2017.

<sup>28</sup> Xinhua, 23 May 2018.

<sup>29</sup> The Telegraph, 29 May 2018.

<sup>30</sup> Xinhua, 23 May 2018.

<sup>31</sup> Xinhua, 23 May 2018.

<sup>32</sup> Deutsche Welle, 30 May 2018.

<sup>33</sup> Deutsche Welle, 30 May 2018.

<sup>34</sup> Xinhua, 23 May 2018.

<sup>35</sup> Deutsche Welle, 30 May 2018.

The government's success in defeating this insurgency will depend on the political willingness to commit resources to the battle. Given the large natural gas reserves situated close to the sites of these recent attacks, there should be strong political will to put an end to the violence. However, the extent of dissatisfaction amongst the youth of Cabo Delgado and the armed group's successful financial model suggest that Mozambican state forces will struggle to remove this threat with ease.

### Japan-based Mitsui & Co. to invest \$1.5 billion into liquefied natural gas project

Japan-based trading house **Mitsui & Co.** plans to invest \$1.5 billion into a liquefied natural gas (LNG) project in Mozambique.<sup>36</sup> The project would see Mitsui & Co. work alongside **United States**-based **Anadarko Petroleum** and ENH, among others, to develop one of the world's largest gas fields.<sup>37</sup>

Mitsui & Co expects the gas field to be operational in 2023 and have an estimated annual output of 12 million tonnes of LNG per year.<sup>38</sup> The trading house is already securing buyers five years in advance.<sup>39</sup> Mitsui & Co. plans to provide **Asian** markets with LNG, and has a potential long-term contract to supply LNG to Japan-based oil company **Tohoku Electric Power**.<sup>40</sup> Mitsui & Co. are also considering clients in **Thailand** and **China**.<sup>41</sup> The trading house has entrusted the LNG plant's design to an engineering consortium including Japan-based **Chiyoda**, further demonstrating Mitsui & Co's Asian focus.<sup>42</sup>

The rising global price of oil played a large role in facilitating the investment. It has taken a decade for Mitsui & Co. to decide to invest.<sup>43</sup> With the production of two gas liquefaction plants and a floating LNG project proposed to be built (estimated at \$40 billion), it is no surprise that the companies involved have taken time to ensure a robust legislative framework for their investment.<sup>44</sup> A glut in LNG projects worldwide also means that *"the Mozambique onshore projects have basically gone on ice"*.<sup>45</sup>

Although a long time in the making, the development of Mozambique's gas fields appears to be gathering pace. To add to the sales price of the gas fields and future tax revenues, the Mozambique government is to take a 15% stake in the project through ENH.<sup>46</sup> These factors should, in time, provide all-important national income in the face of serious national debt issues.

<sup>36</sup> Nikkei Asian Review, 30 May 2018.

<sup>37</sup> Nikkei Asian Review, 30 May 2018.

<sup>38</sup> Nikkei Asian Review, 30 May 2018.

<sup>39</sup> Nikkei Asian Review, 30 May 2018.

<sup>40</sup> Nikkei Asian Review, 30 May 2018.

<sup>41</sup> Nikkei Asian Review, 30 May 2018.

<sup>42</sup> Nikkei Asian Review, 30 May 2018.

<sup>43</sup> Nikkei Asian Review, 30 May 2018.

<sup>44</sup> Giles Ferrer of **Wood Mackenzie** energy consultancy quoted in FT, 9 Nov 2017.

<sup>45</sup> Giles Ferrer of **Wood Mackenzie** energy consultancy quoted in FT, 9 Nov 2017.

<sup>46</sup> FT, 9 Nov 2017.

## Planner

15 October 2018: municipal elections

15 October 2019: presidential, legislative, and provincial elections

## Chronology

30 May 2018 (**Mozambique**) *Nikkei Asian Review*. **Japan**-based trading house **Mitsui & Co.** plans to invest \$1.5 billion into liquefied natural gas project in Mozambique;

27 May 2018 **Monjane (Mozambique)** *Club of Mozambique*. Alleged Islamic militant attack kills 10 people by beheading;

27 May 2018 **Ulumbi (Mozambique)** *Club of Mozambique*. Alleged Islamic militant attack kills between five and seven people after 10 were kidnapped;

7 May 2018 **Maputo (Mozambique)** *Club of Mozambique*. **Ana Caonai**, chairperson of the **Instituto de Gestão das Participações do Estado (IGEPE)**, states that 20 mainly state-owned companies are in financial crisis;

3 May 2018 **Gorongosa (Mozambique)** *Al Jazeera*. **Afonso Dhlakama**, long-time leader of opposition party **Renamo** and former rebel leader, dies;

30 Apr 2018 (**Mozambique**) *Club of Mozambique*. Government plan to circumcise 100,000 men to combat the incidence of sexually-transmitted diseases;

25 Apr 2018 (**Mozambique**) *Club of Mozambique*. Attorney General **Beatriz Buchili** defends the decision of her office not to publish the full audit of **Ematum, Proindicus** and **Mozambique Asset Management**;

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