

## AFRICA RISK CONSULTING

### Monthly briefing - Mozambique

19 August 2014

#### Summary

*The Frente de Libertação de Moçambique (Frelimo) government and main opposition and rebel group Resistencia Nacional Moçambicana (Renamo) are close to a peace agreement. The main stumbling blocks are the integration of Renamo fighters into the Forças Armadas de Defesa de Moçambique (FADM) and attempts to arrange a face-to-face signing ceremony between President Armando Emilio Guebuza (2005 – present) and Renamo leader Afonso Dhlakama. Australia-based Rio Tinto sells its coals assets in Mozambique to India-based Coal Ventures (Pvt) Ltd for \$50m. Maputo City Court sentences four kidnappers to prison terms between eight and 18 years.*

#### 1.1 Renamo and the government are close to a final peace agreement

The **Frente de Libertação de Moçambique (Frelimo)** government and main opposition and rebel group **Resistência Nacional Moçambicana (Renamo)** are close to a final peace agreement, which is expected to end Renamo's low level insurgency (see below). The government and Renamo have concluded significant steps towards a final agreement.

- The **Conselho Constitucional (CC)** (Constitutional Council) confirmed Renamo leader **Afonso Dhlakama's** presidential candidacy for the 15 October elections and "*his picture is on top of the ballot paper*"<sup>1</sup> (see *ARC Mozambique July 2014 Briefing*);
- No military confrontations have occurred since early July (see July briefing);
- Parliament approved an amnesty law under which the government will release from detention all Renamo figures involved in illegal acts during the political crisis;
- There are indications that Dhlakama and President **Armando Emilio Guebuza** (2005 – present) may meet in the near future to close the peace deal and declare a cease-fire.

The Frelimo government and Renamo delegations have negotiated and signed the so-called final

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<sup>1</sup> Source, political analyst, Maputo

declaration which paves the way to a final agreement in the near future.<sup>2</sup> However, there is one pending issue:

*“... the government delegation says Guebuza is ready to meet Dhlakama in **Maputo** to sign the agreement, but Renamo’s delegation says it has power to sign the document and Dhlakama will only declare the cease-fire by phone ... Telephone calls are the only way Dhlakama gives interviews to the media since he was displaced from his base in **Satundjira** in October 2013.”<sup>3</sup>*

Dhlakama recently called the weekly independent newspaper **Savana** and said he will not leave his hiding before a cease-fire is declared, as he fears that government forces will kill him.<sup>4</sup>

*“So, Renamo says the government has two options: either the agreement is sent to Dhlakama at his hiding place – as when he was registered as a presidential candidate – or the agreement is signed by MP **Saimone Macuiana**, the head of the Renamo’s delegation in the negotiations.”<sup>5</sup>*

This goes against public expectations. The public would like to see Guebuza and Dhlakama together and side-by-side to sign the peace agreement, “shake hands and declare the end of war”.<sup>6</sup> The signing of the agreement at high level would add considerable political value to the document.<sup>7</sup> However, some people consider this insignificant.

*“What matters more is that the parties reach an agreement to end the war. It is believed that the parties may find a solution this week.”<sup>8</sup>*

The next hurdle is for the government and Renamo to come to a final agreement on the dismantling of Renamo fighters and their integration into the **Forças Armadas de Defesa de Moçambique (FADM)** (armed forces). Despite Renamo ambushes, mainly in the central **Sofala Province**, there has always been little chance of a return to widespread conflict. A core group of Renamo fighters still exists, but Renamo does not have the arms, capacity or strategic thinking to expand fighting beyond its traditional stronghold and sustain a guerrilla war.<sup>9</sup> However, the government must deal with Renamo’s remaining fighters. The main point of contention is the transfer of what are called the ‘residual forces of Renamo’ into the FADM, **Polícia da República de Moçambique (PRM)** (national police) and the **Serviço de Informações e Segurança do Estado (SISE)** (national intelligence

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<sup>2</sup> Source, political analyst, Maputo

<sup>3</sup> Source, political analyst, Maputo

<sup>4</sup> [allafrica.com](http://allafrica.com), 15 Aug 2014.

<sup>5</sup> Source, political analyst, Maputo

<sup>6</sup> Source, political analyst, Maputo

<sup>7</sup> Source, South African consultant working in the security issues, Maputo

<sup>8</sup> Source, political analyst, Maputo

<sup>9</sup> Source, Political analyst, Maputo

services). Renamo and government military experts are negotiating a final proposal.<sup>10</sup> So far the agreement between the government and Renamo only says how the integration is to take place once the details are finalised through a negotiated process. When Renamo forces are integrated into the FADM, PRM and SISE they are to hand over their weapons. Once all Renamo ‘residual forces’ are integrated, no political party should have any armed elements, *“in other words, there can no longer be a Renamo armed presidential guard”*.<sup>11</sup>

In the long term, Mozambique is unlikely to return to civil war because no one is going to *“bankroll Renamo”*.<sup>12</sup> Dhlakama kept a ‘presidential guard’ after the 1992 peace accord and Renamo still has undeclared arms caches from the war. The presidential guard numbers approximately 500 men who account for almost the entirety of the group’s fighting force.<sup>13</sup> Moreover, most Renamo fighters are older men (40 years and older), with few young recruits. Renamo has some electoral support in rural areas, including Sofala, but not enough influence to force young men to join an armed resistance.<sup>14</sup> Therefore, Renamo poses a challenge to the government only in terms of small-scale destabilisation, particularly in the central regions.<sup>15</sup> Finally, there is little political appetite for a return to conflict, especially at a time when Mozambique is preparing to reap the dividends from its gas and coal deposits.

## 1.2 Rio Tinto sells assets in Mozambique

Australia-based mining company **Rio Tinto** announced on 30 July its intention to sell its coal assets in Mozambique to **India-based Coal Ventures (Pvt) Limited (ICVL)** for \$50m.

*“Many people are wondering whether Rio Tinto is really selling its assets at that price and there are fears that that may not be the real price at stake. The main reason for this is the fact that Rio Tinto bought the very same assets from the Australian mining company **Riversdale** for \$3.7 billion in 2011 and a lot of investment has been made since then. The truth behind this is that the mining sector is in crisis.”*<sup>16</sup>

In June **Brazilian** mining company **Vale** requested the **Autoridade Tributaria de Moçambique (ATM)** (Mozambique tax authority) to reduce the tax burden on the mining sector on the grounds that

<sup>10</sup> Mozambique News Reports & Clippings, UE 269, 19 Aug 2014.

<sup>11</sup> Mozambique News Reports & Clippings, UE 269, 19 Aug 2014.

<sup>12</sup> Source, Political analyst, Maputo

<sup>13</sup> AFP, 24 Oct 2013

<sup>14</sup> Source, senior academic, Maputo

<sup>15</sup> Source, senior political analyst, Maputo

<sup>16</sup> Source, political analyst, Maputo

the price of coal on the international markets has dropped and the cost of carrying coal from **Moatize** to the **Port of Beira** is reported to be high (see July briefing). Like Vale,

*“Rio Tinto has been unhappy with the Mozambican market situation for long. The company raised its concerns to the **British** deputy prime minister **Nick Clegg** when he came to Mozambique in February 2013, which included political tension, security issues, poor infrastructure and lack of progress in the development of infrastructure.”<sup>17</sup>*

In November 2013 Rio Tinto began to evacuate its expatriate workers to their countries of origin or to third countries on the grounds of lack of security. The evacuation coincided with the escalation of a wave of kidnaps mainly in Maputo and **Matola** (see below).

*“It seems that the government was not expecting this business between Rio Tinto and ICVL. Right after the news became public, the minerals resources minister said that this was a normal business deal in the sector, but then other government officials said they did not recognise the \$50m offer and will ask for clarification on the deal.”<sup>18</sup>*

A technical team comprising officials from the minerals resources ministry, the finance ministry, the ATM and **Banco de Mocambique (BdM)** was recently set up to clarify the deal between Rio Tinto and ICVL.<sup>19</sup>

*“The other story behind this is the fact that the ATM is still seeking tax gains to be paid either by Rio Tinto or by Riversdale resulting from the selling of these same assets in the 2011 \$3.7 billion operation. A source said negotiations were at a very advanced stage and the ATM was awaiting a final say from Rio Tinto when the announcement on the \$50m deal was made.”<sup>20</sup>*

### 1.3 Maputo court sentences kidnappers

The government continues to address kidnap for ransom concerns which have elevated Maputo’s risk and “spooked”<sup>21</sup> some foreign investors since 2011. On 12 August, the **Maputo City Court (MCC)** sentenced four kidnappers – **Remane Abdul Remane, Gipson Carlos, Jafar Malache** and **Momad Amobe** – to prison terms of between eight and 18 years for the abduction of two local businessmen in 2012.<sup>22</sup> The four men were charged with kidnapping **Jose Moreira Alves**, owner of the building

<sup>17</sup> Source, political analyst working in a diplomatic mission, Maputo

<sup>18</sup> Source, political analyst, Maputo

<sup>19</sup> Source, political analyst, Maputo

<sup>20</sup> Source, senior ATM official, Maputo

<sup>21</sup> Source, western diplomat, Mozambique

<sup>22</sup> AIM, 12 Aug 2014.

company **Jomofi Constru ções**, and **Jainudin Norudini Dali**, owner of the **Lafoes Bakery**. The kidnappers kept Alves prisoner in the Maputo neighbourhood of **Magoanine** and demanded a ransom of \$2m from his family. As for Dali, the kidnappers stole \$1,000 and demanded a ransom of a million dollars from his family.<sup>23</sup>

A wave of kidnapping and ransom operations occurred in Mozambique in 2013 (see *ARC Mozambique May 2014 Briefing*). Maputo courts have recently sentenced 17 kidnappers to prison terms of between two and 24 years, and ordered them to pay compensation to their victims.<sup>24</sup>

## 2 Implications

A peace agreement between the Frelimo government and Renamo was inevitable. Renamo does not have the capabilities to conduct a full-scale guerilla war and the Frelimo government could not afford continued violence, which had started to damage Mozambique's economy, international reputation and the legitimacy of the upcoming elections. Prior to the peace agreement, both Renamo and Frelimo informally agreed that elections were the best way forward – Renamo believes it can win a free and fair election and Frelimo believes Renamo will lose a free and fair election.

Lower international coal prices, due to depressed demand and over supply, have had a negative impact on the profitability of coal projects in Mozambique and may delay the timing of major railway and port infrastructure projects, which are important aspects of the long term viability and competitiveness of Mozambique's coal sector.

Kidnap for ransom threats remain a concern, particularly in Maputo and Matola. Foreign investors and visitors alike are advised to take extra security precautions when travelling in these areas.

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<sup>23</sup> AIM, 12 Aug 2014.

<sup>24</sup> AIM, 16 Apr 2014.