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Transcript Q&A

Harnessing Mozambique's Mineral Wealth

HE Armando Emílio Guebuza

President of Mozambique

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Alex Vines OBE:

Your Excellency, thank you for explaining your vision for Mozambique on how natural resources can be used as a catalyst for Mozambique's struggle against poverty, and how to reach middle-income status within the next 10 to 15 years.

Excellency, you were exactly on time, I now understand why you got to the rank of General [laughter] during the armed struggle. Please, let's have some questions or comments. There are, I think, some microphones, moving around the room... and so, the lady with the pen there. Please do tell us who you are.

Question 1:

Hello, I am from Help Age International. I would like to thank His Excellency for a very informative speech, for explaining his vision, and congratulate you on the recent finds. I think Mozambique has one of the oldest social protection programmes on the continent in the PSA [Programa de Segurança Alimentar - the Food Security Programme], cash grant for older people, people with disabilities, and their orphan dependants. I wondered if there are any plans for expansion of that programme as a way of achieving the sustainable social transformation? Thank you very much.

Alex Vines OBE:

Thank you, are there any more—

HE Armando Emílio Guebuza:

—I didn't follow that.

Alex Vines OBE:

Mozambique had a social network for protection for people, are there plans to expand it?

Gentleman there, you sir.

Question 2:

Thank you, Your Excellency.

Alex Vines OBE:

There is a microphone, please, and do introduce yourself.

Question 2:

I will talk quietly, because I... I work for the Washington Times, normally in Johannesburg, and a frequent visitor to Mozambique, and a great fan of your country. It is nice to see so much investment, but is there a danger with companies like Vale, the Brazilian investor, who is pumping in at the moment like three times your gross national product into the north, into the coal mines, that people's rights could be trampled over? And I am talking particularly about the removal of people from the coal mining area, as you know, people are very unhappy about that. How are you going to protect your own people from companies that perhaps come in looking, putting big investment – and ten point to Brazil and Vale – but who perhaps are not as sympathetic as [incoherent] has historically been to the rights of the [incoherent], of the citizens. Thank you.

Alex Vines OBE:

Thank you very much. Let me see, any more questions in this corner? No. Your Excellency, maybe you want to answer those two questions and then we will get another round?

HE Armando Emílio Guebuza:

Yes, thank you, thank you very much.

Of course, one of our main concerns is to make sure that as we go beyond poverty our people also benefit from it. And we have on one side the expansion of services, and also the proximity of these services to the people. I was talking here about some universities, for example. I didn't talk about it, but I can refer to it now, secondary schools that are in all districts, all 128 districts. And other services like maternities [sic] that are there, but they are still far from everybody that... all those that make use of that. So, that programme will continue to grow as we have more resources in our budget.

But, of course, also, there are other people that are in difficulties, in orphanage, there are vulnerable people, we are going to look to what extent we can provide in our budget to support those people. But, I think it will still have to take a long time because, as you may know, our budget depends, or

still partially, from foreign sources. At the time... there was a time when we had almost, practically 50% coming from outside donors, and today we are reducing that, we are reducing that, we have much less than that, but it will take time to cover; it is a process.

On the Vale issue: I wouldn't compare the problem with the huge investments that are taking place, and I would not also see the effect that there is a settlement of people who were in that district where we have coal as a bad thing. There is a fact, and the fact is that it is the first time that we are facing the possibility of moving people from one place because something is going to take place there. We did not have any experience before. We had problems of resettling people, but due to calamities, to natural calamities like in Zambezi or Limpoco where people were actually taken to certain places because there are floods or things like that. But, because of economic development, because of this investment, we do not have that much experience. So, we are learning from it. So what is happening is that we are working together with Vale, but more than that we are working with our people to make sure that whatever happens there they can be able to have their voice heard and corrected, whatever wrongs take with.

I was... I visited one of these settlements, for example, in [incoherent] Catembe just some four or five days ago; what I saw there was nice. There were problems with the house, of course, we will never be pleased with what is happening totally, but there are schools that are there, hospitals that are there, some houses that are there, there is a centre of knowledge where people can learn how to make work more productive in agriculture. So, these are good things that must take place.

Alex Vines OBE:

Thank you. Let's get some more questions. We will go over to the gentleman there.

Question 3:

Yes, thank you very much, Your Excellency. I am a tax and customs consultant who has worked with the revenue authority in Tanzania, where we did identify likely particular problems that African Barrick Gold mines... and those problems did arise and were later resolved. My question follows on from that, the control of the resources against criminality is... you mentioned the Kimberley Process, what comments would you have on the criticisms of

the effectiveness of that process, and how Mozambique is going to enforce it in letter and in spirit taking account of its alleged weaknesses? Thank you.

Alex Vines OBE:

Thank you. There was a hand behind, I think. Yes, you sir.

Question 4:

Good afternoon, Your Excellency. I'm from Dow Jones, the *Wall Street Journal*. I just had a question on the participation that Mozambique is negotiating in the mega projects in the country, specifically the area of gas and potentially liquified natural gas. Have you received any undertakings from Eni [S.p.A.], or potentially from Shell – who I believe has recently completed a transaction to start developing the off-shore gas resources – have you received any kind of undertaking from the companies as to the scale of the projects that they will develop? And if so, could you give me a bit more detail of the participation of that Mozambique has managed to negotiate, or is in the process of negotiating with these companies?

Alex Vines OBE:

Thank you. And there is a gentleman behind the television cameras there...

Question 5:

Yeah, I'm a research fellow at Chatham House. My question concerns how you envision to deal with volatility in commodity markets. So, we are seeing a very volatile price for the resources that you are developing in Mozambique, and in recent months large mining companies have been scaling back their investment programmes considerably, and if the world economic climate worsens we could see much more of that. There have been bad experiences in other countries with a lot of mineral wealth, so how do you envision to deal with that volatility problem? Thank you.

Alex Vines OBE:

Thank you. Excellency, three questions.

HE Armando Emílio Guebuza:

Yeah, well, one thing that I forgot to say at the beginning, I have here my ministers, he [indicating one among them] specializes in that area in particular, so they may come in to contribute more specifically.

We understand that we have problems of control in terms of our tax system, but also it is a fact that we are increasing our revenue because of the system that was established. Today, we are having more revenue that we used to have, and we are always increasing that, and we are creating border posts to control whatever comes in. Of course, we cannot cover the whole country, that is obvious, but our control is growing, these issues are being dealt with and, of course, if you have some sort of information about – specialized on those areas – how to deal better with these situations, you are welcome.

On Shell, yes, we do have information on that, we are working with Shell, and we are working also with that specific programme and we are pleased with what is happening. We believe that what they tell us is true.

Commodity market volatility. Well, this is the problem of not today, it has been all the time like that, and many countries that were dependent only on one product, one commodity, they have suffered in the past, even in Africa. So, what... how to face that is by diversifying our economy, so we have to, and that is what we are doing – struggling to do – to have other operations inside. We take coal, for example, don't export it all, but in Mozambique we have value added so we can develop other industries that are needed in the country. That is how we are going to do that. But again, we need, of course, the support of those who know how to build these industries, so we can make use of these resources in such a way that in a short time we can survive if we have a crisis in commodity prices.

Alex Vines OBE:

Thank you, let's get some more questions. Gentleman right here... there is a microphone coming. Yep.

Question 6:

I am a cross-bench member at the House of Lords. Mr President, it is a great pleasure to have you here, and the fact that you had a packed house at the Oppenheimer Lecture yesterday, and a packed house today shows a huge interest in Mozambique and the huge developments that have taken place in your country since the civil war years.

Mr President, you spoke passionately about the challenges in infrastructure, the challenges in socio-economic developments, and your budgetary constraints.

You also mentioned about corporate social responsibility. What key performance indicators do you have in place to monitor those companies coming into your country as far as their commitment to corporate social responsibility? And, more for the future, you mentioned about job creation, what is being done to promote beneficiation of natural resources in your country?

Alex Vines OBE:

Thank you. Any more questions? The lady just there.

Question 7:

I have a background in international development, I also work very closely with [Archbishop] Desmond Tutu, and I recently wrote an article in the FT [*Financial Times*] about the problems of ethical investments. And, I find, I think on that point, what would be the possibility if someone like you said, 'These are the values that we want for corporate investment, this is what social responsibility means to us'. So you set the rules, basically – would that be possible?

Question 8:

I am from Bloomberg News. I kind of have a follow-on from the last one, I was interested... you said you had been working with Shell already, are they your preferred bidder for Cove Energy, this is a little thing on the gas thing? [Laughter] And as part of that deal, when that goes, can you make any demands of other investment that a large international energy company might make in the country?

Alex Vines OBE:

Thank you. Excellency, if you want to respond to those questions?

HE Armando Emílio Guebuza:

Yeah. Well, to begin with we are waking to an industry which is new in Mozambique, it is new for all of us in Mozambique. So, that means that we are learning from it; fortunately, we are learning fast. Why? Because there are other experiences, and fortunately those other experiences are also at our disposal because we are sending teams to countries, we are going to benefit even from the experience of Great Britain to build with most of these programmes. Meanwhile, we understand that whatever takes place in Mozambique must take into consideration that it should *serve* the people, also, people have to benefit from it. Of course, benefiting our people does not mean that it is creating problems or reducing the profits of those who want to invest in the country.

So, who sets the rules? We are going to set the rules. We are setting the rules, we are going to continue to do that, to make sure. And, for example, the experience of Vale, the experience of Rio Tinto also, in resettlement, is a source of learning for us, which will make it possible for us to define more clearly what we want exactly, and how do we want things to be done. So, that people will become more able to respond to the new challenges. Somebody who was living, who is living in [incoherent], in a town, and all of a sudden goes to a rural area and have to have...to depend on his shamba, in fields, what do you call? His shamba...

Alex Vines OBE:

Shamba, yes.

HE Armando Emílio Guebuza:

That means that he has changed his way of life, so we are following that, and learning from it.

Alex Vines OBE:

Okay... question right here.

Question 9:

Thank you very much for putting together this very fantastic programme, Chatham House, and thank you very much, Your Excellency. My two

questions are: Following your vision for the next ten years, what are you doing towards diversifying your economy, and addressing the accompanying environmental challenges that comes with growth in the mining industry? Thank you.

Alex Vines OBE:

Okay, and there is a question just there.

Question 10:

Thank you, Your Excellency. Oil and gas are also being discovered further up the coast in in Somalia, Somali land. What advice would you give to those countries as they try and exploit their resources?

HE Armando Emílio Guebuza:

What?

Alex Vines OBE:

What advice would you give other countries that are beginning to discover oil and gas?

We have a gentleman [laughs]...we will, we will have one more round, don't worry. Gentleman there, it is the proximity of the microphones.

Question 11:

Thank you very much, Your Excellency, for a great presentation. My question is, I have been to a lot of Africa events for the last two weeks, and my question is what is the role of the diaspora? It looks like Africa always looks outside. There are a lot of Africans in the diaspora, and I don't know what your government would be doing because I think... Africa for so long has been looking outside for the solutions, isn't the appropriate solution an African solution. There are Mozambicans here in the UK, I don't know what your government is doing towards tapping them back to help in development. Thank you.

Alex Vines OBE:

Okay, and there is a fan club here for you...so the microphone comes straight here, right down in the front, here, please.

Question 12:

Your Excellency, I'm from the Zimbabwe Human Rights Forum. We are your next-door neighbours and your loyal fan, and we have visited your country many times. You mentioned diamonds and the Kimberley Process, and you know that we also found diamonds in Zimbabwe. Your Excellency, I don't know whether we have any lessons to learn from what has taken place in Zimbabwe?

And I just also wanted to mention that our borders, Your Excellency, are quite porous, especially around Manica, and we have had many press reports, quite disturbing press reports about diamonds being smuggled over the border and traded in Villa Dominica [sic], I wondered if you had any comments?

Alex Vines OBE:

Thank you. If you would like to answer those questions?

HE Armando Emílio Guebuza:

Sure. Well, about diversifying our economy, we said that we are going to industrialize oil and gas, coal, but at the same time as we build infrastructures, that also will bring new ways of occupying people properly, but also of making connections between the different regions easier, and also of stimulating other industries: agriculture, tourism, *et cetera*. At this moment we are having, we are *planning* to have railway lines... I don't know whether you can picture Mozambique but it is that long [indicates with his hands] – it is a Y [meaning shape] – very long along the coast. Tete is somewhere in the interior... it makes these borders with Zimbabwe, Zambia, and Malawi, and it is something like 500km away from Beira, and probably the same from Nacala, Nacala is more, more than 700 km.

So, as we expect to be exporting things like 100 million tons per year, and Beira cannot handle that alone, and Nacala cannot handle that alone. So, a new port will be coming up, Deporta, in Zambezi, and the railways must go

also through Mozambique to reach those areas. This is to just explain one of the things we are... how we will diversify our economy and services.

So, what advice to those who just received natural resources, I mean discovered natural resources? I will say, well, 'Congratulations' [laughter]. But, join us in trying to understand the business and industry. We are trying to understand the business, and because we are trying to understand the business, I think we are going to learn *fast*. So, join us, and let us learn fast how to deal with this new business. It is not seen as a curse because many people want to see this as a curse, it is not, it is not, it is not. Having oil is not a curse, having gas is *not* a curse. If we consider it is a curse, that means that we prefer to live poor. I don't know any country, or any people, that will say that their aim is to be poor. If there is something that can take them out of poverty soon, then let us make use of it. With all problems, but the fact is that it is not a curse

Also, the diaspora. As we are working with companies involved, and one of the emphases is on human capacity, these companies are working supporting the government, and with the government, to mobilise those Mozambicans who are in the diaspora. So, Lisbon, I think that also here will be contacted, and there are many people who have gone back home or they are having some training with their other Mozambicans in universities and as well as in other centres of production of those companies.

Well, about our neighbour, our good neighbour, Zimbabwe. I think what I can say is that we have a common problem; unfortunately in the common problem you have diamonds, we don't have diamonds. [Laughter] But we have some problems arise because we have diamonds just along the border, and we have places like Chimanimani, which is problematic in terms of mining, which, I think we have to work together and see what we can do, and consider it as common problem. Even though we still do not have diamonds, but this problem will effect us, and *a lot*.

Alex Vines OBE:

Thank you, Excellency. We have time for just one more round of questions. Please, you, sir.

Question 13:

Thank you, Your Excellency. You have, as you have well pointed out there is a lot of investment needed to be spent in Mozambique on harnessing these

resources; my question is, where is that... where do you anticipate that finance coming from? Is it going to be mainly from the private sector, and indeed, what money comes from the government of Mozambique, how the government of Mozambique is going to get that money?

Alex Vines OBE:

Thank you. And, I am going to take just two more questions, so the gentleman there, you sir. A microphone is coming to you...yep, the gentleman just there.

Question 14:

I am formerly of the British Embassy in Maputo, and now with HSBC, I would certainly have an interest in hearing your answer to that question. But mine is more general, what lesson on the basis of its own very successful internal reconciliation experience... offer to other countries that are less further down that road? And do you regard that process is now complete inside Mozambique?

Alex Vines OBE:

So, do you think the peace process is complete now, the reconciliation process after the 20 years?

And the final question, you sir, there. The gentleman here. Microphone?

Question 15:

Your Excellency, I am freelance journalist, I have written about the Moatize coal deposits up north. You have spoken a lot today about harnessing a different or a better share of the nation's mineral wealth. If you can just... if we just focus on the Vale and the Rio Tinto projects up in the north of your country, how much do you think you could raise the tax rate on these projects without it effecting the foreign investment in your country? How far can you go to get more from these companies without it changing or ruining the reputation of your country for foreign investors? Thank you.

Alex Vines OBE:

Thank you. Excellency?

HE Armando Emílio Guebuza:

Yeah... Well, the source of financing is overly... I was laughing because if the Mozambique had money, it would not probably be looking for so much investment, we would have started ourselves doing it with our money, and you would come in and help use that. But financing we considered to be from the private sector, which will combine its strength with the government, but it will be from the private sector.

The lessons of reconciliation, is it complete? The lesson of reconciliation is that...well, the experience of Mozambique is that in 16.5 years we had one million people dead, we had our economy paralysed, and we had many people displaced – 4.5 million – and we had 1.5 [million] Mozambican refugees. So, with that situation, and as we think that we have to explain to people, remind people about the dangers and the problems of a war so that nobody would think in accepting that violence will be something like a war could ever take place in Mozambique [sic]. We are doing that, explaining to people, all Mozambicans. Our press is very active on that, all the time. Whenever there is a threat to peace, who could say... religious leaders, all the press, civil society, government, many political parties all saying 'no' to war.

The second point is that both Frelimo [Liberation Front of Mozambique] and Renamo [Mozambican National Resistance] had understood that there was no reason to continue with that situation, so they were honest in engaging in a peace agreement; that is why we had no problems in those terms along this almost 20 years.

And, thirdly, one of the causes of the war, of a war in the case of Africa, in particular in Mozambique, has to do with poverty. Country is rich; people are poor. Country is rich; people are hopeless, they don't know, they don't expect... they don't know that they can [do to] improve their lives, their livelihoods. So, that is why our objective is to fight, and continue to fight to improve the lives of Mozambicans, fight against poverty. At this stage, we are still very far from what we intend to do, but we are having, creating very strong pillars that will make it possible for us to jump into a situation of, as I was saying here, in 10 to 15 years being a medium-income country.

Is it complete? No, it is not, and I think it will never be. If any country thinks that peace is there, nothing can change the situation of peace, then that country will not be working to harmonize and to protect basic democratic principles of freedoms of peoples *et cetera*, and, of course, people being able to the wealth of the country. So, that is why we consider that we have to continue to work towards harmonising more and more our society. Accepting,

and even encouraging, that all different points of view be represented, even outside parliament – parliament is where we have this – and those are the conditions to make sure that the reconciliation continues to prevail in Mozambique.

Alex Vines OBE:

Your Excellency, thank you very much for coming to present here at Chatham House today. We will continue at this institute to work on Mozambique, we are planning an international conference on 20 years of peace in Mozambique and its significance for this autumn.

I want to thank you for your time, and I would also ask the audience if you could just remain seated while His Excellency goes to his next appointment, but before he leaves, to show the customary appreciation of his time here with us.

[Applause]