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Financialisation, narrow specialisation of production and capital accumulation in Mozambique

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ABSTRACT

The article argues that the historical conditions under which national capitalism developed in post-independence Mozambique pushed the economy towards growing financialisation and narrower specialisation of production around increasingly basic and simple activities. In post-independence Mozambique, national capitalism rose from the ashes of state-centred accumulation built around the dominant social structures of production inherited from colonialism, under the impulse of neoliberal economic reforms and heavy dependency on inflows of private international finance. The speculative dynamics of accumulation prevented diversification and more complex industrialisation which, in turn, reinforced the role of financialisation as a means to and form of accumulation of capital. The paper argues that changing these dynamics of accumulation requires conscious industrial strategies focused on diversification and articulation of production, which cannot be achieved without challenging the extractive mode of accumulation and the power relationships associated with it.

KEYWORDS
Mozambique; financialisation; narrow specialisation; capital accumulation

Financeirização, especialização afunilada da produção e acumulação de capital em Moçambique

RESUMO

Este artigo argumenta que as condições históricas sob as quais o capitalismo nacional se desenvolveu no pós-independência de Moçambique empurraram a economia para uma crescente financeirização e para uma especialização mais afunilada da produção em torno de atividades cada vez mais básicas e mais simples. No Moçambique pós-independência, o capitalismo nacional surgiu das cinzas do modo de acumulação centrado no Estado qhe havia sido construído em torno das estruturas sociais dominantes de produção herdadas do colonialismo, e sob o impulso das reformas económicas neoliberais e da forte dependência dos fluxos de financiamento privado internacional. As dinâmicas especulativas de acumulação impediram a diversificação e a industrialização mais complexa, o que, por sua vez, reforçou o papel da financeirização como meio e forma de acumulação de capital. O artigo argumenta que mudar essas dinâmicas de acumulação requer estratégias industriais

PALAVRAS-CHAVE
Moçambique; financeirização; especialização afunilada da produção; acumulação de capital

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conscientes focadas na diversificação e articulação da produção, que não podem ser alcançadas sem desafiar o modo extrativista de acumulação e as relações de poder a ele associadas.

Introduction

In post-independence Mozambique, national capitalism developed from the ashes of state-centred accumulation built around the dominant social structures of production that were inherited from colonialism. These very specific historical conditions weighed heavily on the structures of accumulation, which later were subjected to neoliberal economic reforms, becoming heavily dependent on inflows of private international finance and resulting in growing financialisation of the economy and of the state, alongside increasingly narrow specialisation of production. Narrow specialisation, also called primarisation, consists in the reduction of the number of industries, sectors, activities and products; the concentration of production and trade around a smaller range of primary commodities for export; increasingly basic and simple production processes, products and levels of processing and articulation; and fewer options and capabilities to promote linkages. In turn, financialisation and primarisation reinforced each other in an increasingly speculative mode of accumulation. Starting from the specific analysis of the historical logic of the mode of capital accumulation in Mozambique (Castel-Branco 2022), the article will demonstrate the dynamics of financialisation and of the growing primarisation of production, and the connection between the two.

In this article, we define financialisation not only as an increase in expansion and extension of the financial sector, but also as the increasing subordination of real accumulation – the production of surplus value – to fictitious accumulation, which consists in paper claims on surplus value yet to be produced but traded in the financial markets, and the integration of real accumulation into the domain of interest-bearing capital (Marx 1981 [1894]; Hilferding 1981 [1910]; Ashman, Fine and Newman 2011). Real assets such as land, mining concessions, energy resources and infrastructure have been turned into financial assets and negotiated in global financial markets, thus making property and control over those resources, alongside the expectation of future income streams accruing from extraction and the freedom to trade them, the real business of the core extractive economy (Castel-Branco 2017). Corporations invest in these resources and make use of them as a tool to mobilise international finance, and the state tailors its policy priorities to guarantee and protect private property and control of strategic resources, to promote expectations and transactions of claims on resources, and to absorb costs and rescue corporations – or promise to do so – if their business plans fail (Castel-Branco 2020, 2022).

Under these conditions, private corporations follow a narrow path of development focused on high-rent sectors – the minerals–energy core of the economy and finance – in a context where the state's ability to pursue broader social and economic objectives is significantly reduced. In the meantime, international financial markets expand their influence on public and private corporation strategy and policy, encouraging debt in boom periods and preying on the debt crises that follow – speculating against expectations of default, increasing premium rates on debt and on new lending and swapping debt for real assets and for policy benefits (*ibid.*).

The article is organised into three main sections: the analysis of the transition from state-centred to private accumulation of capital, which explores the connections between primarisation and financialisation in Mozambique and how they relate to past creation of the national bourgeoisie following a neoliberal path. The final two sections offer a more specific analysis and empirical evidence of the dynamics of primarisation and financialisation, and discuss how they relate to the waves of expropriation of the state, which were public policy and strategy responses to tensions and crises that emerged in the quest to create the national-capitalist bourgeoisie.

From state-centred to private accumulation of capital

This section provides the historical logic narrative that explains the characteristics of post-independence Mozambican capitalism and its trajectory. At independence, in 1975, Mozambique gave way to a model of state-centred accumulation, as the state tried to become the leading agent and engine of economic development through a combination of ownership and control of productive assets such as land, infrastructure and strategic industries and firms, the management and supervision of private firms in which the state held shares, central planning of production, and trade and price controls. The financial system was nationalised and monetary and financial policies were subordinated to the goals of central planning (Wuyts 1989; Cramer 2001; Castel-Branco 2017).

The transition from state-centred accumulation towards private accumulation began in the late 1980s, in the middle of a deep and extensive economic crisis (*ibid.*) and at the peak of the 16-year destabilisation war fought between Renamo and the Mozambican government. In January 1987, the government approved the Program of Economic Rehabilitation (PRE), formulated under the leadership of the World Bank and of the International Monetary Fund (IMF), to address the economic crisis of the 1980s. The stated objectives were stopping the economic decline by promoting structural adjustment through privatisation and market liberalisation; financial stabilisation, through low and stable inflation and low public deficit; and financial liberalisation (World Bank 1990a, 1990b). A classical Washington Consensus, austerity-focused programme, the PRE followed the main philosophy of the Berg report (Berg et al. 1981) and of its mantra of *getting prices right*.

The official explanation of the 'crisis of the 1980s' blamed the crisis on excessive centralisation and state control over the economy (GoM 1988, 1990; World Bank 1990a, 1985), seen as a key element in the ideological justification for the adoption of the new neoliberal agenda. This explanation left out any consideration of the structures of accumulation, patterns of specialisation and economic and political national and international contexts. On the other hand, over a decade of bureaucratic and authoritarian state control of all aspects of society – including the subordination of the labour movement to the dictates of the party and of its official economic policy, and the dualistic, sometimes violent, approach to the agrarian question and transformation (Bowen 2000; O'Laughlin 1996, 1981; Wuyts 1989, 1981) – prevented the emergence of a heterodox, progressive and viable alternative to the crisis (Castel-Branco 2022).

At the time, domestic capitalist classes were almost non-existent. The state therefore needed to create and nurture them to promote domestic capitalism, as otherwise the shift towards private accumulation would have favoured foreign capitalists and domestic traders or speculators of Asian origin. This possibility was unacceptable for black political elites that had been formed and developed mostly during the decade-long period of state-centred accumulation. The historically specific conditions and characteristics of development of national capitalism in Mozambique required that the state's support to the development of domestic capitalist classes also sponsored expropriation of the state and of its public resources and policy capabilities and instruments. This process occurred through four different waves of expropriation of the state (Castel-Branco 2022, 2017, 2014).

The first wave of state expropriation occurred from the mid 1980s to the mid 1990s. Through a massive privatisation programme, involving about 1500 state-owned companies and state shares in another 1500 private companies, a new social group of national private owners of productive assets was created. This new social group bought about 80% of the privatised assets and benefited from a large informal public subsidy as, on average, buyers paid no more than 20% of the agreed sale prices for the companies without having to face any serious legal implications (Cramer 2001; UTRE 1999, 1996). The simultaneous processes of privatisation, market liberalisation, financial austerity and control of money supply, alongside the withdrawal of state support to development of productive capacities, without consideration for the obsolescence of the majority of privatised assets, prevented the new black bourgeoisie from consolidating, reproducing and accumulating capital. At the same time, the withdrawal of international sanctions against South Africa following the official end of apartheid, in the first half of the 1990s, led to expansion of the more powerful industrial, financial and commercial South African capital through the southern African region, which was devastating for the newly emerging Mozambican capitalists. Not surprisingly, within five years of the privatisation programme, almost half of the privatised enterprises went bankrupt. In the context of neoliberalism, the emergent domestic capitalists were not given a chance of survival, let alone reproduction. Weary of market liberalisation and tight monetary policies, seen as the two main culprits for the crisis in and of accumulation, these groups of emerging capitalists fully supported a shift towards what they called nationalist capitalism, which required the phasing down of market liberalisation – with the exception of the labour market, where further liberalisation weakened any form of organised labour movements – and direct engagement with multinational corporations to access finance and to raise and materialise the financial value of ownership of strategic resources and control of over the ability to influence state policies and priorities (Castel-Branco 2017, 2022). Thus, the crisis of and in capital accumulation, resulting from the first wave of expropriation of the state, led to the second wave, which we can understand as way of circumventing the barriers to capital accumulation that had developed with the first wave.

The second wave of state expropriation, which was meant to attract large foreign capital to reignite the national-capitalist project in Mozambique, occurred in the 2000s. Given the shortcomings of the first wave, the state had to face two issues: how to attract large and internationally established foreign capital, and how to guarantee that domestic capitalists benefited from it. The answer to these questions was to make strategic natural resources (mining, energy, land and forestry) and public infrastructure (such as railways and ports) available to multinational corporations – Eni, Anadarko, ExxonMobil, Sasol, Vale do Rio Doce and Rio Tinto in natural gas and coal, and Gemfields in precious stones – while involving Mozambican capitalists as intermediaries in the transaction, thus giving them access to transaction rents that otherwise would have been appropriated by the state, to shares and to board positions. Multinational capital would not be attracted by the small domestic market, nor would it be interested in developing high-end, sophisticated industrial production in a country lacking skills, scientific and technological infrastructure and adequate financial capabilities. However, high-value strategic natural resources, like fossil fuels, mineral sands, rare minerals and metals and precious stones, can more easily be converted into financial assets and paper claims and traded as such for high, albeit speculative, financial profits. Management and control of public infrastructure reduce the overall cost of investment and operation. Not surprisingly, the second wave of expropriation of the state attracted multinational corporations of various extractive industries.

Strategic natural resources were privatised at very low cost such that the costs of intermediation, or adding a rent to national capitalists, would not price multinationals out of their interest in the business. Redundant and massive fiscal incentives were a price the state was willing to pay to guarantee 20% of the shares in the large projects, which were later redistributed to domestic capitalists. The large size of the concessions enabled multinationals to recapitalise – that is, to recover their initial investment costs and obtain a speculative profit before production had even started – by selling part of their concessions in the stock markets. This possibility of recapitalising by trading ownership claims encouraged a scramble for Mozambique's strategic natural resources and restricted private investment to the core extractive complex – mineral sands, oil and natural gas, coal, forestry, land and a narrow range of other minerals and metals – as well as to a small group of agricultural commodities such as tobacco, bananas, timber and sugar for export, thus resulting in a narrower pattern of economic specialisation. At the same time, it also promoted financialisation of natural resources and infrastructure whose shares and ownership could be traded among multinationals on the stock market for profits without production. Some of the well-known cases of financialisation of resources include the sale to Rio Tinto of 50% of Riversdale shares in coal mining for US$4 billion, which was four times the stock market value of Riversdale prior to acquiring the Benga concession (VCCircle 2011); and the Portos de Cabo Delgado logistics (port and railways) project outsourced to the venture capital fund group Orlean Invest, which had no expertise in ports, railways or natural gas logistics. By 2015, the Tax Authority of Mozambique had registered two dozen similar cases, with a total transaction value on the stock markets in excess of US$30 billion (Castel-Branco 2022, 2020; Catembe.com 2015).

The third wave of state expropriation, from about 2005 to 2015, was an outcome of the second and resulted from the necessity to sustain Mozambique's engagement with multinational corporations and international financial markets over time. In this phase, we witnessed the overexploitation of the sovereign debt space that had been created during the first two decades of financial austerity and stabilisation. As foreign investment increased exponentially, so too did the private debt of the investing corporations, which the government decided to guarantee in order to facilitate access to international finance. The demand for investment in costly infrastructure also increased. To bypass increasing financial cost as a barrier to further capital accumulation, the government adopted a combination of policy actions, namely even more generous fiscal incentives for large capital, public–private partnerships and direct public investment. Furthermore, the government guaranteed or subsidised the debt of domestic private corporations that were helped to become privileged suppliers in an increasingly privately outsourced universe of key public services, such as the outsourcing to domestic private companies and the subsequent financialisation of strategic areas of national defence and security, and corresponding logistics associated with the protection of multinational corporations operating the offshore natural gas projects. These resulted in an exponential growth of commercial public debt, which between 2010 and 2016 grew four times faster than gross domestic product (GDP), became dominantly commercial and reached 120% of GDP. From this ensued the severe debt crisis that has affected Mozambique for the last five years (*ibid.*).

The same strategies that led to the debt crisis have concomitantly consolidated the pattern of primarisation in direct ways, given the amount of private and public resources allocated to the core of the extractive economy, and also in indirect ways, as they have caused a scarcity of resources available to pursue broader economic and social development. Additionally, financing these levels of public debt by borrowing in the domestic financial market made the domestic financial system more speculative. Therefore, small and medium companies and non-extractive activities have been priced out of the financial market (*ibid.*).

The fourth wave of state expropriation is not chronologically defined, but rather appeared in the aftermath of every crisis experienced in Mozambique. Consistent with the adoption of a neoliberal economic agenda, the fourth wave revolves around a principle which is expected to stabilise the economy when a crisis occurs, to reallocate social surplus towards higher-income groups and more basic, narrow and extractive patterns of production, and to protect financial assets, even at the cost of short- and long-term social reproduction of labour and of capital. The fourth wave is austerity politics, which rather than solving a crisis simply shifts it from one sector to another, from one social group to another, and by so doing forwards it to the future, setting the contours of the next crisis. Austerity politics, in the form of cutting public expenditure, outsourcing public services and functions to the private sector with public money, pursuing a single-goal monetary policy, which is deflation, has helped to create an unproductive, narrow-based and speculative mode of accumulation and has strengthened the grip of international financial markets on the Mozambican economy and on options for policy and strategy (*ibid.*; Harvey 2015).

In the following sections, we will analyse the two major structural characteristics of the Mozambican capitalist economy, namely its increasingly narrow pattern of specialisation of production and the rising financialisation of the economy.

Increasingly narrow specialisation of production

As is the case of almost all other African economies, the Mozambican economy was shaped by colonialism as a producer and exporter of primary commodities, with only the processing deemed necessary to reduce transport costs and preserve the use value of the commodity. During the colonial period, this approach dominated the production of cashew nuts, cashew nutshell liquid (CNSL), sugar, cotton, sisal, tea, copra and sea products. The world markets and world prices for these commodities are notoriously volatile. This extreme dependency on volatile export earnings from primary products constrains the ability of the economy to pursue sustained structural change and grow faster, as the volatile earnings from commodity exports are the ultimate resource constraint faced by any development strategy. Any sudden and very significant acceleration of investment in structural change would inevitably build the momentum of a crisis of and in accumulation.

In the first seven years after independence, economic policy in Mozambique aimed to overcome this structural limitation. The short-lived, highly ambitious Prospective Indicative Plan (PPI) for the decade 1980–1990 was approved with the specific goal of overcoming underdevelopment and building the basis of advanced socialism. Three years after implementation of the PPI had started, it had become clear that the plan was bound to fail, and for this reason the government abandoned it halfway through the time frame. The official and Bretton Woods explanation blamed this failure on excessive state-centred management of the economy, and this narrative built the momentum for the triumph of the ideological argument for the neoliberal structural adjustment and stabilisation programme to be adopted from 1987. In contrast with this narrative, heterodox economists argue that the financing of the plan was too reliant on export earnings from volatile and shrinking markets for commodity exports, the very structural problem that the PPI was meant to address (Castel-Branco 2022).

The adoption of the Washington Consensus agenda was supposed to solve this problem through market-conforming structural change, as liberalisation is expected to reveal comparative advantages, privatisation supposedly creates efficiency and dynamism because of profit incentives and entrepreneurial spirit, and the combination of the two moves the economy along a path of successive marginal changes towards broader and more diversified economic structures.

This section demonstrates that, instead, the neoliberal programme led to a narrower pattern of specialisation of the economy characterised by the reduction in the number of industries, sectors, activities and products; the concentration of production and trade around a smaller range of primary commodities for export; increasingly basic and simpler production processes, products and levels of processing and articulation; and fewer options and capabilities to promote linkages. We will demonstrate this by looking at the evolution of private investment, production, trade and economic growth.

Investment

By the early 2010s, the Mozambican economy was described by the *Financial Times* (2012) as being ‘at the centre of unprecedented international investor attention’. In May 2014, in her speech to the Africa Rising conference held in Maputo, IMF Managing Director Christine Lagarde highlighted Mozambique’s impressive performance with respect to the attraction of foreign investment and economic growth, attributing it to decades of institution-building and sound macroeconomic management (Orre and Rønning 2017).

Indeed, 2008–2016 was a golden period with respect to the scale of inflows of foreign direct investment (FDI) to the Mozambican economy, with annual average inflows of FDI in those eight years 950% higher than in the previous eight years (Table 1). Whereas the IMF attributed the sharp increase in FDI inflows to institution-building and sound macroeconomic management, we argue that the second and the third waves of expropriation of the state, as described above, were the determinant factors of this acceleration. In fact, the deep sovereign debt crisis of 2016–2022 and the process that led to it, as described

Table 1. Average annual inflows of foreign direct investment (FDI) and total inflows for each period; rates of growth of annual average inflows and proportion of private corporate debt relative to FDI (in percentages).

	2000–2004	2004–2008	2008–2012	2012–2016	2016–2020	2000–2020
Average annual inflows of FDI (US$ millions)	265	438	2708	4673	1999	2017
Rate of growth of average annual inflows of FDI relative to the previous period	-	65%	518%	73%	−57%	-
Total inflows of FDI for the period (US$ millions)	1060	1752	10,832	18,692	7997	40,333
Private corporate debt as proportion of FDI in the period	-	60%	69%	89%	78%	74%

Sources: BoM (2020, 2003–2020, 1995–2020).

in the previous section and in Castel-Branco (2022, 2020, 2017), raise serious doubts about the IMF's wisdom, or lack of it, in qualifying the macroeconomic policy of the period as sound by any standards beyond the obsession with keeping the inflation level at one digit, which, incidentally, was achieved mostly by means of subsidising the currency with foreign reserves and with the IMF financing of the balance of payments, in what has been described as 'anti-riot exchange rate strategy' (*ibid.*).

Quite apart from questioning the soundness of the macroeconomic policy of the period, our argument about correlation and causality between waves two and three of state expropriation and the acceleration of inflows of FDI is based on three observations. First, the acceleration of FDI inflows happened simultaneously with the periods of the second and third waves. Second, during that period in Mozambique, 83% of FDI and 75% of total private investment was allocated to the extractive core of the economy: mining, coal, natural gas and a small number of other primary commodities for export, which is perfectly consistent with the aims of wave two and the strategies of wave three. Indeed, only 4% of FDI was deployed outside of the extractive core and its associated infrastructure and services (Castel-Branco 2022, Table 2, 20). Third, the sharp acceleration of inflows of FDI coincided with the fast accumulation of private corporate debt, as shown in Table 1, and that fact was one of the triggers of the third wave of state expropriation. An analysis of official statistics has shown that the acceleration of inflows of FDI happened simultaneously with the increase in the level of sovereign debt as a proportion of GDP (Castel-Branco 2020, 158; Castel-Branco 2022, Figure 1, 26), pointing out that 70% of the total public commercial debt of Mozambique accumulated during the period was associated with public financing of infrastructure for the extractive core of the economy and with public guarantees for private corporate debt, respectively 31% and 39% of the total.

To conclude, the political and economic processes associated with the second wave of state expropriation attracted narrowly focused FDI which, in turn, created the political and economic conditions for the third wave of state expropriation – financialisation – to take place.

Production and trade

Our analysis of the narrow specialisation of production and trade focus on two aspects of it, namely the long-term trends and the recent growth and trade performance. Primary

Table 2. Growth rates of GDP and of selected main sectors of the economy, 2005–2019.

									Industry	
	GDP	Extractive industries	Financial services and financial intermediation	Construction	Trade in vehicles and vehicle maintenance	Transport, storage and communications	Energy and water	Agriculture and forestry	Including aluminium and natural gas	Excluding aluminium and natural gas
Average annual growth rate for the period	7.4%	23%	16%	11%	10%	6%	6%	3.2%	4.3%	2.5%
Cumulative growth rate for the period	172%	1714%	699%	331%	280%	126%	126%	55%	80%	41%
Ratio of cumulative growth of the sector to cumulative growth of GDP	1	10	4	1.9	1.6	0.73	0.73	0.32	0.47	0.24

Sources: BoM (1995–2020, 2020); INE (1990–2019).

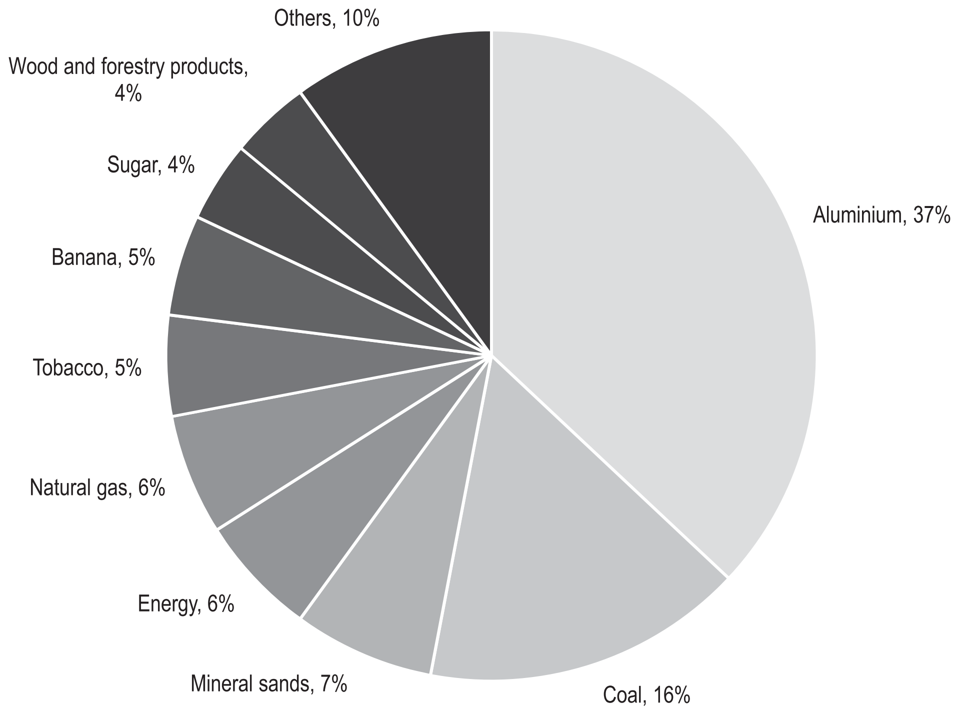

Figure 1. Structure of Mozambique's exports of goods, average 2005–2019 (as percentage of total exports of goods).
Sources: BoM (1995–2020, 2003–2020); INE (1990–2019).

commodity production for exports has been the main driver of the Mozambican economy for almost a century. The colonial regime made some timid attempts at mitigating this pattern, by adopting inward-looking import-substitution industrial strategies, which, with the notable exceptions of textiles, food and beverages, was heavily import dependent. But these attempts were not broad-based and, generally, the new industries and firms were engaged in only the last stages of the production process, as assembly lines, and imported all the machinery, intermediate materials, spare parts and a significant part of the raw materials and of the main components of the final product – and hence were import dependent. Engineering, materials and chemical industries represented less than 7% of total industrial output and were more focused on production of final consumer goods and industrial maintenance than on production of means of production and innovation.

Primary commodity exports earnings set the limit of expansion of the assembly line industries – in practice, if investment in import-dependent industries grew faster than primary commodity import earnings, a crisis of accumulation would ensue in the subsequent years (Castel-Branco 2017, 2002; Brum 1976; Tibana 1991).

After independence, the Mozambican government attempted to address the structural dependency on exports of primary commodities by adopting the PPI and a state-centred mode of accumulation, which resulted in the economic crisis of the 1980s, partly because the overambitious economic strategy was dependent on commodity export earnings, which were affected by the collapse of commodity prices, which occurred at the same time as the implementation of PPI in the 1980s, but also because of the failure of international aid, a substitute or complement for endogenous export earnings, to materialise at the required scale (*ibid.*).

Changes in global technology and market conditions, the destructive power of the 16-year war of destabilisation in Mozambique (1976–1992) and the collapse of almost half of the industrial firms following privatisation under neoliberal conditions during the first wave of state expropriation combined to eliminate most of the firms in the textiles, clothing and food industries, which had developed strong linkages within the domestic economy, and to eradicate the production of tea, copra and sisal for export (Castel-Branco 2002, 2003, 2010).

Overall, during the last 70 years, the level of concentration of industrial production increased significantly. In 1953, the country's top 10 industrial products represented 50% of industrial output but, by 2001, represented more than 80%. Twenty years later one product, aluminium, represents 40% of industrial output. Furthermore, in the last 70 years, the only new industrial products of statistical significance introduced in the Mozambican economy are primary commodities for export – aluminium, natural gas, coal, mineral or heavy sands, a few other minerals and precious stones, tobacco and wood, all requiring very little processing (Castel-Branco 2010, 2017). Finally, in individual industries the number, diversity and complexity of products decreased, and production became concentrated in activities requiring less processing. By 2016, six industrial sectors – food, beverages and tobacco; textiles, clothing and leather products; non-metal minerals; metal engineering; chemicals and oil products; and metallurgy – representing 90% of industrial output, had 70–90% of their output concentrated in four or fewer products (Castel-Branco 2022, Table 1, 19).

The combination of these long-term and structural trends with the narrow focus of private investment is reflected in the structure of GDP growth and in the patterns of trade. Table 2 shows that between 2005 and 2019, the sectors that grew faster than GDP are those associated with the extractive core of the economy and associated infrastructure and services, which received 96% of FDI and 95% of total private investment between 1996 and 2018 (Castel-Branco 2022, Table 2, 20). Whereas extractive industries and financial services and intermediation grew respectively 10 and four times faster than GDP, at the bottom of the scale agriculture and forestry and manufacturing (without aluminium and natural gas) respectively grew at a third and a quarter of the rate of growth of GDP. From the data on industry, we can conclude that aluminium and natural gas jointly account for half of industrial value added, which confirms the long-term trend towards fewer activities requiring less processing. Export data, which we will discuss later, show that agriculture and forestry contribute with 18% of exports, because of dynamic growth in tobacco, banana, sugar and wood and forestry products. However, per capita food production for the domestic market has stagnated or fallen marginally (INE 1990–2019), and received less than 1% of total private investment in the period 1995–2017 (CPI n.d.). Aggregate agriculture and forestry growth is sluggish, but there is a dynamic and expanding export commodity base, contrasting with poor performance of food production for local consumption. This contrast is a good representation of the economy, which is focused on the development of national-capitalist classes and high-value primary commodities, while neglecting the basic conditions of social labour reproduction, like food production. Another interesting statistic from Table 2 is the weight of trade in motor vehicles and maintenance services: while some of these are machines associated with mining and construction, and trucks for transportation of merchandise, there is a significant fraction of this item that represents consumption of individual vehicles by the small middle and capitalist classes (Castel-Branco 2017, 2020).

The structures and dynamics of production are reflected in the patterns of trade. The Mozambican economy produces what it does not consume, but exports; and imports what it needs to sustain production and livelihoods. Figure 1 shows that five primary products from the minerals–energy complex and four agricultural commodities account for 90% of all exports of goods, thus providing further evidence for the narrow specialisation of the Mozambican economy. Despite being at the forefront as a receiver of FDI in sub-Saharan Africa for eight years, during which about US$30 billion was invested in Mozambique (Table 1), the structure of production and export is as dominated by primary commodities as before. There is a change in the ranking of primary commodities, with some new entries such as aluminium, coal, mineral sands and natural gas, while others have disappeared from the top spots – namely cashew nuts and cotton. Also, the scale of production and exports increased significantly, and production became more capital intensive as it moved towards extractive industries. However, the essence of the structure of production and trade remains unchanged, adding further evidence to the arguments that it was the easy access to strategic natural resources, and hence the impact of the second and third waves of state expropriation, that made the Mozambican economy appealing to international financial markets, and that this strategy, which is meant to support the development of national-capitalist classes, has not helped to ease the fundamental structural problems of accumulation and reproduction in Mozambique.

The structure of imports also reflects the patterns of production and social reproduction, because 68% of goods imports – machinery and spare parts, metal products, minerals, building materials, fuels and heavy vehicles – is directly related to the minerals–energy complex and other spheres of production, as is 71% of imports of services – construction, transport and business consultancies (BoM 1995–2020, 2003–2020; INE 1990–2019). On the other hand, 17% of imports of goods comprises basic food products, reflecting the inability of the system of accumulation to mobilise resources and the interest of economic agents for production of a item crucial for social reproduction of labour. Furthermore, 13% of imports of goods and 24% of imports of services are associated with the consumption of durable goods (housing and motor vehicles) by higher-income groups (*ibid.*). Again, the data reveal trends that are consistent with an economy focused on advancing an extractive mode of accumulation that supports the development of national-capitalist classes, their mode of accumulation and patterns of consumption, and neglects the basic conditions for the social reproduction of labour. As shown by Marx (1976 [1867], 1978 [1885]), these dynamics generate irreconcilable tensions and systemic crises of accumulation.

Table 3 offers a perspective on the Mozambican economic structures that is different from the traditional GDP sectoral and unconnected data. In this table we observe the main components of the system of social reproduction and accumulation and how they relate to each other and, in so doing, we reveal some of the fundamental tensions of the system. For example, while the extractive core of the economy absorbs three-quarters of private investment, contributes to half of the rate of growth of GDP and 90% of the exports, it only employs 7% of the formal labour force. Expanding this analysis to the

Table 3. A non-sectoral perspective of the structures of production, reproduction and accumulation in Mozambique in the 21st century, articulated around the extractive core (main components of the system of accumulation only) (average for 2005–2019).

	Share of private investment				Share of employment			
	Foreign %	Domestic %	Total %	Contribution to GDP growth (% of the total rate of growth) %	Formal labour force %	Active population %	Share of exports %	Role of the activity in system of social reproduction and accumulation of capital
Extractive core of the economy (minerals, fossil fuels, agricultural commodities for export)	75	61	75	50% (of the rate of growth)	7	0.6	90	Core of the system of reproduction and accumulation of capital. Attracts foreign private finance. Provides base for speculation and financialisation (high yield, real assets).
Infrastructure and services associated with the extractive core and real estate	17	23	20	15	8	0.7	5	Enables the working of the extractive core. Another key centre for reproduction and accumulation of capital.
Total for the extractive economy (excluding finance)	92	84	90	65	15	1.3	95	
Finance	5	10	6	5	4	0.2	-	Links economic activities, takes advantage and reproduces a speculative economy with an extractive core.
Household agriculture	-	3	1	3	7	50+	5	Critical for social reproduction of labour – food, social security and reproduction of reserves of cheap labour.
Import-dependent industry	3	3	3	5	7	0.6	-	Application of capital, jobs, weak upstream linkages with suppliers, not sufficiently competitive and diversified to take full advantage of downstream linkages to the extractive core. In crisis of primarisation.

Source: conceptualised by the authors, with data from BoM (1995–2020) and INE (1990–2019).

broader extractive economy, finance and import-dependent manufacturing, 90% of private investment generates two-thirds of the rate of growth of GDP and 95% of exports, employing only 25% of formal labour. Given this broader picture, it is legitimate to ask what happens to all the Mozambicans who are part of the reserve army of wage labour, and what are the broader effects of the disarticulation between production, the accumulation of capital and social reproduction.

Financialisation and the financial system

To analyse the historical logic of the mode of capital accumulation in Mozambique four aspects of financialisation are important: the financialisation of the state by means of overcommitting sovereign debt space to guarantee private capital accumulation, the conversion of real assets into financial assets as a means of generating speculative profits by trading them, over and over again, in global stock markets, and the impacts of these two aspects on two other aspects, the domestic financial system and the position of the economy in international financial markets. The first two aspects of financialisation have been discussed earlier in conjunction with the analysis of the patterns of specialisation (Castel-Branco 2022, 2020, 2017). Here, we focus on the other two aspects of financialisation, which are consequences of the first two: the impacts on the domestic financial system and on the position of Mozambique's economy in international financial markets. We also argue that what happens in the domestic and international financial markets, albeit partly resulting from the financialisation of the state and of the strategic real assets, may have a more direct and lasting impact on the structures of production.

A speculative domestic financial system

From 2010 to about 2017, a period of rapid expansion of private investment and of public debt, the commercial financial sector adjusted and took advantage of the economy's dynamics for its own benefit. The spread between commercial, nominal interest rates and inflation was kept high – always above 8% – with an annual average of 15% and was insensitive to monetary policy when reference rates fell, i.e. commercial interest rates were sticky. This means that the financial system crowded out small and medium businesses that operate outside the extractive core of the economy. This had a significant impact because it prevented the diversification of the productive base, as most of the non-extractive business had to rely on domestic credit, which became too expensive, and large multinationals had access to external financial markets, where real interest rates were a lot lower, so that they were not affected by the speculative nature of the domestic financial system (Massarongo 2013, 2017; BoM 1995–2020, 2020). Why did the domestic, commercial financial system prefer not to lend to small and medium business, rather than lowering their interest rates?

At the time, the government was selling, annually, between US$300 and US$400 million in public debt bonds to commercial banks, at premium rates above the reference rates of the Bank of Mozambique, which was equivalent to about 15% and 20% of all savings deposits in the commercial financial system in Mozambique (Massarongo 2013, 2017). The impact of the public debt bond trading was, therefore, very significant for the profitability of the banks, giving them an incentive to disregard small and medium business and, instead, speculate with government debt.

Furthermore, the pattern of expansion of capitalism in Mozambique created a sizeable group of 'new rich': Mozambican oligarchs, capitalists, senior managers and senior technocrats, alongside a less visible but equally profitable underworld of illicit businesspeople active in money-laundering, foreign exchange speculation, drug dealing and the like. According to Trading Economics (2020) and New World Wealth (2019), inequality of income distribution significantly increased in this period, with the Gini coefficient jumping from 0.47 to 0.54 between 2002 and 2016, and, in the short period between 2010 and 2015, the number of Mozambican millionaires and multimillionaires more than doubled. These changes in income distribution and appropriation influence patterns of consumption, with these higher-income groups shifting towards durable goods such as new motor vehicles and new housing. This shift in consumption patterns is also registered in the banks' portfolios, as demand for consumer credit of durables increases.

Table 4 shows these impacts, represented by a sharp increase in the share of the banks' portfolios of credit and other financial transactions allocated to consumer credit for durables and government bonds, and an equally stark reduction in the share of the banks' portfolios allocated to productive sectors and trade. If we combine figures in Table 4 with those of Table 3, which shows that 84% of domestic private investment is absorbed within the boundaries of the extractive economy, it is clear how the financialisation of the state, here represented by the conversion of government debt into financial assets sold at high premiums, exacerbated the speculative nature of the domestic financial system, which in turn priced possibilities to diversify the pattern of production out of domestic credit system.

International financial markets

The economic growth bubble in Mozambique burst in 2016, when it was discovered that the government of Mozambique had illicitly contracted external commercial debt equivalent to 15% of the country's GDP at the time, without permission from the parliament. International financial markets adopted their famous two-face strategy: during the growth bubble, they encourage private and public debt by any means, as managing and profiting from debt is the single most important business of banks; however, when the subsequent crisis ensues, banks and speculators act as birds of prey fighting over the corpse of the economy. Financial markets punish the culprits by raising interest rates, which prices them out of new finance and creates a debt trap; they force negotiations of debt swaps and other forms of appropriating real assets, converting them into debt claims; they speculate against the prospects of the economy going into full default mode; they use international rating agencies to put a price on the prospects of default by the debtor country, and squeeze as much as they can out of the debtor economy.

Table 5 shows how the major credit rating agencies reacted to the revelation of Mozambique's illicit debt in 2016. For 12 years, which included six years of fast and accelerating sovereign debt growth, encouraged and praised by the international financial establishment as a sign of success in institutional reform and macroeconomic policy, the ratings of the creditworthiness of the Mozambique economy were stable. In a matter of weeks after the illicit debt scandal was revealed, Mozambique was downgraded from risky to

Table 4. Evolution of the allocation of credit and other financial transactions by domestic commercial banks in Mozambique, by large groups of consumers of financial resources (as percentage), 2010–2017.

	Productive sector (a)		Trade (b)		Individual consumption of durable goods (c)		Government debt bonds (d)	
	Sector share of total commercial credit portfolio %	Rate of change of the share %	Sector share of total commercial credit portfolio %	Rate of change of the share %	Sector share of total commercial credit portfolio %	Rate of change of the share %	Sector share of total commercial credit portfolio %	Rate of change of the share %
2010	41	-	16	-	17	-	26	-
2011	38	−7	16	0	20	18	26	0
2012	37	−3	13	−19	22	10	28	8
2013	36	−3	12	−8	23	5	29	4
2014	36	0	11	−8	21	9	32	10
2015	34	−6	11	0	22	5	34	6
2016	32	−6	11	0	22	0	35	3
2017	29	−9	11	0	22	0	38	9
Average for the period	35	-	13	-	21	-	31	-
Cumulative in the period	-	−14	-	−21	-	24	-	19

Source: BoM 1995–2020.

Notes: (a) the productive sector includes manufacturing, agriculture, housing and tourism, transport and communications, construction, and others; (b) trade includes retail and wholesale; (c) consumption of durable goods refers mostly to individual luxury housing and individual motor vehicles; (d) government debt bonds sold by the government of Mozambique in the domestic financial system to finance the growing government debt.

Table 5. Annual risk and credit ratings of major rating agencies for the Mozambican economy.

	2003–2015	2016	2017–2018	2019
Moody's	B2 (risky)	Caa3 (highly speculative, high risk of default)	No rating	Caa2 (highly speculative and high risk of default)
Fitch	B (risky)	CC (very substantial risk of default)	RD (default)	CCC (highly risky and serious probability of default)
S&P	B– (highly speculatve economy)	CC (highly risky with a strong probability of default)	SD (default)	CCC+ (very high vulnerability)

Source: Trading Economics (2020).

default and declared a rogue economy by the same international financial establishment that had praised the extraordinary volumes of debt the country was accumulating.

The action of the rating agencies created three immediate effects. First, it became a lot more difficult and more expensive to mobilise international private finance to Mozambique. Second, the value of the Mozambican external debt increased fast because the country was being punished with interest rates higher than market rates. Third, the premium of Mozambique eurobonds increased, and its level remained volatile for a while, until it stabilised at a record high of 23% (Figure 2), exponentially increasing not just the cost of debt for Mozambique, but also the gains for the financial markets and international speculators, and the risk that an international financial predator could be interested in buying out the Mozambique debt and utilising it as leverage to be exchanged, at low cost, with real assets, such as natural gas and coal, or other concessions.

The combination of these different effects led the government of Mozambique to become more submissive to the demands of large multinationals, particularly in oil and gas, like Total and ExxonMobil, thus consolidating the dominance of international financial capital over the patterns of specialisation, reproduction and accumulation of the Mozambican economy.

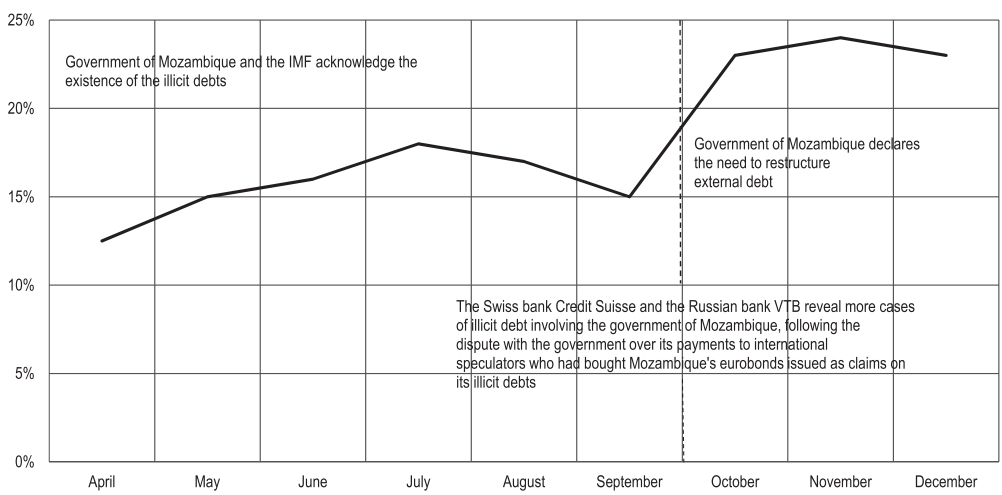

Figure 2. Variation in Mozambican eurobond yields, 2016 (%).
Source: Bloomberg Finance LP (www.bloomberg.com); Strohecker (2019).

Conclusion

We have argued that the increasingly narrow pattern of specialisation of the Mozambican economy and the process of financialisation as a specific form of accumulation of capital are consequences of the mode of capital accumulation and, in particular, of four different waves of expropriation of the state, which are logically related to the process of building national-capitalist classes.

The first section of the paper provided the logic narrative of the historical and class-structured transition from the failed social project of state-centred accumulation towards private accumulation and explained the reasoning behind the strategy of expropriation of the state. Each of the four waves of expropriation of the state was adopted to address the contradiction and crises generated by the previous one, without ever solving the systemic and fundamental contradictions of the process of building national-capitalist classes in Mozambique, in the broader context of global neoliberalism and financialisation. This section showed, theoretically, how, having originated from a common set of tensions in the system of accumulation, narrow specialisation and financialisation reinforced each other.

The second section focused on a more detailed and empirical analysis of the narrow pattern of specialisation and its causes, showing how it emerged from the second wave of expropriation of the state and the barriers that it poses for sustained social reproduction and capital accumulation. The third section analysed two dimensions of financialisation, which were incentivised by the financialisation of the state and of real assets, namely the development of a more speculative domestic financial system and the impact of a dual-faced international financial establishment. The speculative nature of the domestic financial system was stimulated by the narrow base of production, which reduces business opportunities outside of the economic core, by the increasing inequality and concentration of income, which changed consumption patterns towards luxury durable goods, and by the acceleration of the public debt, one of the side effects of the adoption of the third wave of expropriation of the state as an attempt to bypass the barriers for social reproduction and capital accumulation that the narrow pattern of specialisation of production created. The ravenous quest for private finance, entailed by the development strategy as conceptualised in the second wave of expropriation of the state, increased the exposure and vulnerability of the Mozambican economy to the dual-faced behaviour of international financial markets, encouraging debt in the boom periods of the economy and preying on the corpses of the economy when the growth bubble burst. Such behaviour on the part of the the financial establishment is particularly pernicious for an economy based on primary commodity production for exports, which is subjected to the dictates of extreme commodity market volatility.

We found it particularly useful to describe the capitalist dynamics of Mozambique through the illustration of the four waves of expropriation of the state. Quite apart from the fact that, given its specific historical and class-structured conditions, national capitalism in Mozambique is emerging from systematic and continuous expropriation of the state, the four waves describe the dynamics of and dialectic relationship between expansion and crises, as well as the fact that capitalism never solves its crises but tries to circumvent the barriers to social reproduction and capital accumulation created by each crisis and respective solutions. More than a simple chronological account of facts, the four waves of state expropriation, which are specific to the conditions of social reproduction, accumulation and class struggle in Mozambique, work as a logical narrative of the systemic contradictions of capitalism in Mozambique that also reveals clearly that these fundamental contradictions cannot be solved under capitalism.

To conclude, there is a pressing need to investigate alternatives and develop an agenda for change. These alternatives, we argue, need to be rooted in a careful understanding of the logic and working of historical and class patterns, as offered by this analysis which is taking a Marxist political economy approach.

In fact, there are many possible alternatives to the current organisation of economy and society. The difficult questions pertain to issues of strategy and tactics. Which are the most politically urgent priorities? Where should the change start from? Should we first confront the financialisation of the state and its relationship with large capital? Or should we instead focus on fighting austerity and create or incentivise civic and political movements capable of criticising austerity, understanding the systemic contradictions of the Mozambican economy and offering and fighting for just and real alternatives? The way forward lies in reconnecting this analysis to existing social movements and political alliances that need and can fight for change.

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