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Mozambique: Russian political and economic engagements

Mozambique is one of the poorest countries on the continent. Some predict that its considerable natural resources could fuel growth similar to that of Persian Gulf countries, and that Mozambique could be fast-tracked into becoming one of Africa's most developed economies. However, natural disasters and rapid militarisation in the north of the country raise fears of social and environmental disruption.¹⁴² The choice of international partner in the development of its natural resources, and the government's leaning towards either transparency or corruption, will be critical factors.

In 2010 US company Anadarko found significant offshore gas reserves in Mozambique's Cabo Delgado province. Since then almost all the major foreign energy companies have arrived in Mozambique and are competing for the lucrative contracts. They include Anadarko, Total, ExxonMobil, BP, Shell, China National Petroleum Corporation (CNPC) and Rosneft. In Cabo Delgado, the three largest liquid natural gas (LNG) projects are the Mozambique LNG Project (Total, formerly Anadarko) worth \$20 billion, the Coral FLNG Project (ENI and ExxonMobil) worth \$4.7 billion, and the Rovuma LNG Project (ExxonMobil, ENI and CNPC) worth \$30 billion.¹⁴³

Mozambique used to be one of Russia's closest partners, with a firm military connection to the Soviet Union, but economic cooperation between the two is almost non-existent – or, as Deputy Minister of Energy Augusto Fernando described it, in an 'embryonic stage'.¹⁴⁴

In February 2013 Lavrov visited Algeria, South Africa and Mozambique. Mozambique's minister of foreign affairs called this visit 'historical and fruitful'.¹⁴⁵ The talks focused on the possibility of increasing trade turnover and investments in a geological survey, the ferrous industry, petro-chemistry, agriculture, the energy sector and infrastructure projects.¹⁴⁶ Lavrov also suggested cooperation in fishery, education and personnel training.

In the period after the collapse of the Soviet Union and before Lavrov's visit there were few interactions between the two countries. In December 2009 Mozambique signed an agreement on 30-day visa-free entrance for officials with diplomatic passports, which

142 Ilham Rawoot, "Gas-Rich Mozambique May Be Headed for a Disaster", *Al Jazeera*, February 24, 2020, <https://www.aljazeera.com/opinions/2020/2/24/gas-rich-mozambique-may-be-headed-for-a-disaster/>.

143 Grace Goodrich, "Mozambique Showcases Mega Gas Potential", *Africa Oil & Power*, October 8, 2020, <https://www.africaoilandpower.com/2020/10/08/mozambique-showcases-mega-gas-potential/>.

144 "Mozambique Eyeing Russian Investment in Hydrocarbons, Mining", *Club of Mozambique*, October 23, 2019, <https://clubofmozambique.com/news/mozambique-eyeing-russian-investment-in-hydrocarbons-mining-145287/>.

145 "Russia, Mozambique Seek to Intensify Relations – Lavrov", *TASS*, April 21, 2014, <https://tass.com/russia/728921>.

146 "Russia, Mozambique Seek to".

entered into force in May 2010. In March 2013 an intergovernmental agreement was signed to use Mozambique's debt to Russia (\$144 million) for development projects in Mozambique.

A number of political visits took place between 2013 and 2019 (see Table 3) and a few important agreements were signed. These include an intergovernmental agreement on military-technical cooperation, signed on 22 December 2015. In October 2016 the two countries also signed an agreement on the establishment of an Intergovernmental Commission on Economic and Scientific-Technical Cooperation. The first meeting of this commission took place in 2018.

TABLE 3 RUSSIA-ZIMBABWE INTERGOVERNMENTAL COMMISSION FOR ECONOMIC, TRADE, SCIENTIFIC AND TECHNICAL COOPERATION		
Date	Officials involved	Place
February 2013	• Sergei Lavrov, Russian Minister of Foreign Cooperation	Maputo, Mozambique
April 2014	• Oldemiro Baloi, Mozambican Minister of Foreign Affairs and Cooperation	Moscow, Russia
July 2014	• Alberto Vaquina, Prime Minister of Mozambique • Medvedev	Moscow, Russia
July 2015	• Filipe Nyusi, Mozambican President • Mikhail Bogdanov, Deputy Foreign Minister and Special Presidential Representative for the Middle East and Africa	Johannesburg, 25 th AU Summit
February 2016	• IM Umahanov, Deputy Head, Federal Council of Russian Federation	Maputo, Mozambique
May 2016	• Bogdanov • Nyeleti Mondlane, Vice-Minister of Foreign Affairs	Moscow
June 2017	• Carlos Mesquita, Mozambican Minister of Transport and Communication	St Petersburg Economic Forum, Russia
September 2017	• Representatives of United Russia and the Communist Party of Russian Federation • Frelimo	Maputo, Mozambique
November 2017	• Russian Parliamentary Defence and Security Committee	Maputo, Mozambique
5-9 March 2018	• Lavrov	Maputo, Mozambique
28 May 2018	• Jose Condungua Pacheco, Mozambican Minister of Foreign Affairs and Cooperation • Lavrov	Moscow, Russia
August 2019	• Nyusi (official visit)	Moscow, Russia

Source: Compiled by author

Russian companies in Mozambique

VTB

During 2013–2014, around the time when Russia was ‘forgiving’ Mozambican debts, Credit Suisse Group (Credit Suisse) Russia’s VTB Bank (which is 60% state-owned) and BNP provided a loan of \$2 billion to Privinvest, which acted on behalf of the Mozambican Ministry of Defence. The loan was issued without the approval of Mozambique’s Parliament and was in breach of Mozambican legislation.¹⁴⁷ Initially, the loan was meant to finance a tuna-fishing fleet and maritime surveillance project, and to build a wharf. The wharf was never constructed. Further investigations showed that the Mozambican defence ministry established Proindicus in 2012 to buy the military and security equipment necessary to protect gas reserves on the Mozambican coast.¹⁴⁸

In 2016 information about the loan was made public, and the International Monetary Fund imposed punitive measures.¹⁴⁹

The US Federal Bureau of Investigation and Department of Justice, as well as the UK government and the Swiss Financial Market Regulatory Authority, have been investigating the banks for making improper payments and deceiving investors.¹⁵⁰ In addition, Credit Suisse launched an internal investigation, and three former employees acknowledged having received millions in kickbacks.¹⁵¹ Mozambican minister of finance Manuel Chang, who had signed the deal, was arrested in Johannesburg.¹⁵² Yet VTB Bank, which received 7% of the deal (\$35 million) just to administer the loan, did not investigate the case. The total administrative payment to VTB Bank and Credit Suisse, according to an investigation by business intelligence firm Kroll, came to \$200 million.¹⁵³

In 2018, during Lavrov’s visit, VTB and Pacheco confirmed that the parties had agreed on an amicable settlement of the debt.¹⁵⁴ However, on 23 December 2019 VTB launched a case in the British High Court against the Mozambican state and Mozambique Asset Management, claiming a failure to repay debt of \$538 million under state guarantee. VTB had to initiate

147 Aled Williams and Jan Isaksen, “Corruption and State-Backed Debts in Mozambique: What Can External Actors Do?,” *U4* 6 (November 2016).

148 Andrew England, “IMF Halts Mozambique Aid After Finding Undisclosed Debts of \$1bn”, *Financial Times*, April 18, 2016, <https://www.ft.com/content/6c755214-057f-11e6-9b51-0fb5e65703ce>.

149 England, “IMF Halts Mozambique Aid”.

150 Williams and Isaksen, “Corruption and State-Backed”.

151 Patricia Hurtado, “Ex-Credit Suisse Banker Admits Kickbacks in Mozambique Scam”, *Fin24*, July 20, 2019, <https://www.news24.com/fin24/Economy/ex-credit-suisse-banker-admits-kickbacks-in-mozambique-scam-20190720>.

152 Peter Fabricius, “Manuel Chang About-Turn: Is SA Finally Putting the Law Above Politics?”, *Daily Maverick*, July 18, 2019, <https://www.dailymaverick.co.za/article/2019-07-18-manuel-chang-about-turn-is-sa-finally-putting-the-law-above-politics/>.

153 US Department of Justice, “Mozambique’s Former Finance Minister Indicted Alongside Other Former Mozambican Officials, Business Executives, and Investment Bankers in Alleged \$2 Billion Fraud and Money Laundering Scheme that Victimized US Investors,” March 7, 2019, <https://www.justice.gov/opa/pr/mozambique-s-former-finance-minister-indicted-alongside-other-former-mozambican-officials>.

154 “Mozambique Has Reached Agreement with VTB Bank on Hidden Debt – Minister Pacheco”, *Club of Mozambique*, March 8, 2018, <https://clubofmozambique.com/news/mozambique-has-reached-agreement-with-vtb-bank-on-hidden-debt-minister-pacheco/>.

the court case as a result of legal requirements to receive insurance payments.¹⁵⁵ The deadline for this action was the end of 2019, which explains the timing of the court case. A major portion of the loan from Credit Suisse and VTB was restructured into a Eurobond. The country is trying to challenge the guarantee on a \$622 million loan from Credit Suisse, also in a London court.

Lavrov's outreach was followed by a visit by Mozambican Prime Minister Alberto Vaquina to Moscow from 24–26 July 2014, where he met with his Russian counterpart, Medvedev. The two discussed the potential involvement of Russian companies in the exploration of Mozambican energy resources. The following year Rosneft, in collaboration with Exxon Mobil, won a bid for three hydrocarbon exploration blocks in the fifth licence round organised by Instituto Nacional de Petróleo (INP).

Rosneft

Rosneft entered the Mozambican hydrocarbons market when many other companies were already well established. After RN-Exploration (a subsidiary of Rosneft Oil) and a subsidiary of ExxonMobil won the bid for the hydrocarbon exploration blocks, they received licences for blocks A5-B in the Angoche Basin, and Z5-C and Z5-D in the Zambezi Delta.

In October 2018 the consortium signed concession agreements for the exploration and production of hydrocarbons in these three areas with the government of Mozambique. Rosneft holds 20% of the consortium and ExxonMobil 50%, while Mozambique's National Hydrocarbon Company (ENH) holds 20% and Qatar Petroleum 10%.

As the relationship between Nyusi and Putin became closer, more opportunities opened up for Russia. In August 2019 Nyusi met with the Gazprombank vice-president. Gazprombank was interested in funding ENH's activities in the Rovuma Basin Area 1 project led by Anadarko (and before that by Total), which has an estimated overall value of more than \$25 billion. It also wanted to fund ENH's 15% share of the Area 1 project, called Mozambique LNG.¹⁵⁶

During the same visit, Rosneft signed agreements with ENH and INP (see Table 4) that would allow Rosneft to conduct geological surveys in various offshore and onshore blocks to examine their potential for development and investment.

155 "Interview with Andrei Kostin, President of VTB", *Reuters*, November 19, 2019, <https://www.reuters.com/article/idUSKBNIXT14H>.

156 Francisco Mandlate, "Russian Bank Available to Finance ENH in Gas Business", *Club of Mozambique*, August 22, 2019, <https://clubofmozambique.com/news/russian-bank-available-to-finance-enh-in-gas-business-report-139959/>.

TABLE 4 MAJOR AGREEMENTS SIGNED BETWEEN MOZAMBIQUE AND RUSSIA

Date of signing	Agreement signed
December 2009	Agreement on 30-day visa-free entrance for officials with diplomatic passports
22 December 2015	Five-year defence cooperation agreement that includes training and supply of military equipment
20 September 2016	Intergovernmental committee on cooperation established
6 September 2016	Protocol of Development of Inter-Parliamentary Cooperation between the Council of the Federation and the Assembly of the Republic of Mozambique
January 2017	Five-year agreement prolonging military-technical cooperation that stipulates deliveries of arms and military equipment, as well as other military-oriented products, spare parts and components.
August 2019	<ul style="list-style-type: none"> • Intergovernmental agreement on the mutual protection of classified information • Agreement on cooperation between the ministries of the interior of the Russian Federation and the Republic of Mozambique • Inter RAO Group – Export MoU on cooperation with Electricidade de Moçambique, the national energy company • MoU between Rosneft and Empresa Nacional de Hidrocarbonetos EP (ENH, Mozambique’s national hydrocarbons company) to develop offshore natural gas • Agreement on cooperation between Rosneft and Mozambique’s INP

Source: Compiled by author

Tazetta Resources

In July 2016 Nyusi attended the launch of a joint Russian–Mozambican exploration project for heavy mineral sands in Pebane, in the province of Zambézia, headed by the Russian company Tazetta Resources. The company treats and exports titanium, zirconium and other metals.

Tazetta Resources has been around since 2007, when it was registered as a Mauritian company. A year later it was in a business relationship with Valentina Guebuza, the daughter of former Mozambican president Armando Guebuza. Another relative of Guebuza is a company shareholder.¹⁵⁷ In August 2019 Agostino Vuma from the Association of Economic Cooperation of Mozambique presented Tazetta as ‘an example of what companies in the Russian Federation can do’.¹⁵⁸ According to Vuma, Tazetta Resources planned to make a profit of \$100 million, of which \$5 million would go to social projects. However, the minister of energy told Rádio Moçambique that production was still only ‘at an experimental stage’.¹⁵⁹

157 “Mozambique: Celestino Gule, Russia’s Political and Mining Advocate”, *Africa Intelligence*, January 17, 2020, https://www.africa-intelligence.com/eastern-and-southern-africa_politics/2020/01/17/celestino-gule-russia-s-political-and-mining-advocate,108389887-art.

158 Vuma Agostinho, “Intervenção do Excelentíssimo Senhor Agostinho Vuma Presidente da CTA” (Intervention by His Excellency Mr. Agostinho Vuma President of CTA) (Moscow: Association of Economic Cooperation of Mozambique, 2019).

159 “Mozambique Eyeing Russian Investment”.

According to Fernando, other Russian interests included coal deposits in Niassa province and proposed electricity transmission lines to Angoche and the Salamanca area in Maputo province.

Military cooperation with Mozambique

The SIPRI database lists only two military transactions between Russia and Mozambique from 1970–2019: one in 1999 for \$2 million, and the other in 2019 for \$7 million. As mentioned above, the same is more or less true for Zimbabwe, where only one official deal is listed for the same period, for \$22 million in 1999.¹⁶⁰ This is contradicted by statements by officials and media reports, suggesting that arms transactions are conducted clandestinely. One of the mechanisms through which military equipment can be traded but not recorded can be gleaned from the agreements signed in 2017.

In June 2017 an intergovernmental group on military cooperation between Mozambique and Russia was established. The Russian government followed this up with an agreement on 20 November 2017 to simplify the entrance of Russian military ships into Mozambican ports. According to the agreement, up to seven Russian military ships can dock at Mozambican ports for the time period requested by the Russian government. The ships are allowed to use radiocommunications, and military personnel are exempt from standard visa requirements. The agreement also allows Russian ships to ensure the safety of vessels according to Russian law (for example, by arresting small vessels or conducting military activities in the territorial waters of Mozambique). Another interesting point is that if a member of the crew breaks Mozambican law while during these military activities, the case will be prosecuted according to Russian law. The agreement also allows Russia to send cargo by air without following any customs procedures.

Russian vessels are relatively common visitors to Mozambique. For example, in March 2017¹⁶¹ and October 2018 the Northern Fleet's anti-submarine destroyer 'Severomorsk' called at Maputo on its tour to African countries.

During the press conference following the signing of the agreement, then defence minister Atanásio Salvador Mtumuke (who signed on behalf of Mozambique) expressed interest in hosting a group of Russian military advisors.

In March 2018 Lavrov visited Mozambique. One of the topics on the agenda was military cooperation. According to Lavrov,¹⁶²

Considering the experience of our interaction – which is long, very successful and is positively regarded by both sides – in the sphere of military–technical cooperation,

160 SIPRI, "Importer/Exporter TIV Tables".

161 "Russian Anti-Submarine Warfare Destroyer Makes Call at Namibia", *TASS*, March 25, 2017, <https://tass.com/defense/937501>.

162 "Russia, Mozambique to Step up Military-Technical Cooperation", *TASS*, March 7, 2018, <https://tass.com/defense/993217>.

we stated that the decision to establish a working group on military-technical cooperation that first convened last year would also foster the development of cooperation in this important area. We've got first results here already: an agreement to set up an intergovernmental commission on trade and economic cooperation has been reached, and the first meeting will be held next month in Maputo.

His counterpart, Pacheco, supported the idea, saying that the country needed arms to fight terrorists and extremists. Lavrov added, 'Several hundreds of Mozambican citizens are studying in Russian higher educational institutions for civilian occupational specialities, as well as in educational institutions of the Russian Defence Ministry and the Interior Ministry.'¹⁶³

Pacheco paid a return visit to Moscow in late May 2018. In the press release promoting the visit, the Russian government made it clear that the cooperation was moving beyond the arms trade, and announced plans for space-related collaboration:¹⁶⁴

The Intersputnik International Organisation of Space Communications is negotiating the use of Russian spacecraft resources, including for the exchange of data between Russian and Mozambican education institutions, as well as a project to develop national satellite networks, broadband Internet access and television broadcasting in Mozambique by Russian Satellite Communications Company.

This visit was followed by Nyusi's first official visit to Moscow, in August 2019 – the first visit by a president of Mozambique to Russia since the dissolution of the Soviet Union in 1991. He was accompanied by Mtumuke and Minister of Mineral Resources and Energy Max Tonela, as well as the deputy ministers of foreign affairs and cooperation, of science and technology, and of higher and technical vocational education.

Reportedly, several intergovernmental and interdepartmental documents, as well as business agreements, were signed following the talks. Russian companies, among them Rosneft, UAZ, GAZ, Kamaz, Inter Rao-Export and Gazprombank, had apparently shown 'active interest' in cooperating with Mozambican partners.

Nyusi's visit coincided with his re-election campaign, and Russian support was manifest on election day, 15 October 2019. Although the election was characterised by electoral violence and fraud, as well as a refusal to register observers, representatives of AFRIC claimed they did not encounter any difficulties. They concluded that the elections were free and fair, much like the elections they observed in Zimbabwe.¹⁶⁵ AFRIC reported that it visited¹⁶⁶

163 "Russia, Mozambique to Step".

164 Russian Federation, Ministry of Foreign Affairs, "Comment by the Information and Press Department on Minister of Foreign Affairs and Cooperation of Mozambique Jose Condungua Pacheco's Visit to Russia", May 26, 2018, https://www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/3234797.

165 AFRIC, "AFRIC – Mozambique Observation Mission Press Release", October 1, 2019, <https://afric.online/projects/afric-mozambique-observation-mission-press-rel/>.

166 AFRIC, "AFRIC – Mozambique Observation Mission".

more than 200 polling stations throughout the country across all 10 provinces and the capital city of Maputo, including the specific polling station that was attended by President Filipe Nyusi where we witnessed him casting his vote.

In the run-up to the elections, AFRIC conducted a poll that suggested Nyusi would win. The organisation was seemingly unaware that, in Mozambique, the publication of election polls is illegal during the campaign period. The poll was published on the website of International Anticrisis Center, a Russian NGO linked to Prigozhin, a powerful Putin ally who has been accused of meddling in the US midterm elections.¹⁶⁷ The poll ended up being widely shared across social media in Mozambique. In October 2019 Stanford Internet Observatory cooperated with Facebook in targeting and eventually taking down networks of Prigozhin-related Facebook pages and websites. One of these networks disseminated election-related information in Mozambique. Four identified webpages were created on the same day and were posting disinformation about the opposition Renamo (Resistência Nacional Moçambicana), suggesting that it had signed an agreement with China on radioactive waste disposal in Mozambique, and presenting Nyusi's Frelimo as an organisation that successfully dealt with terrorism.¹⁶⁸

Russian mercenaries in Mozambique

A few weeks after Nyusi's visit to Moscow, news services reported the arrival of Russian mercenaries in Mozambique. Russia is known for using paramilitary organisations in its geopolitical strategy. So-called 'green men' – Russian military personnel without identifying insignia – were used to occupy Crimea. One squad, the Wagner Group, is believed to have been formed to take part in Russian aggression against Ukraine, but was later seen in the Central African Republic and Syria, among others. It is allegedly also linked to Prigozhin.¹⁶⁹

In September 2019 pictures of Slavic-looking military personnel taken in Mozambique were making the rounds on social media. They reportedly were Wagner Group mercenaries, who were to provide training and combat support to government troops in their campaign against jihadists in the Cabo Delgado region.¹⁷⁰

On 29 October 2019 local newspaper *Carta de Moçambique* reported that between five and seven Russian mercenaries had been killed in ambushes in Macomia and Muidumbe. Some had been beheaded.¹⁷¹ The mercenaries were well equipped with drones and the

167 Peter Laurence, "Powerful 'Putin's Chef' Prigozhin Cooks up Murky Deals", *BBC News*, November 4, 2019, <https://www.bbc.com/news/world-europe-50264747>.

168 Grossman, Bush and Diresta, "Evidence of Russia-Linked", 39-40.

169 Jakob Hedenskog, "Russia Is Stepping Up Its Military Cooperation in Africa" (FOI Memo 6604, Swedish Defence Research Agency, Stockholm, December 2018).

170 "De Como Os Mercenários Russos Da Wagner Perderam a Guerra Contra Os Terroristas No Norte de Moçambique" (How Russian Mercenary Group Wagner Lost the War Against Terrorists in Northern Mozambique), *Carta de Moçambique*, May 2020, <https://cartamz.com/index.php/politica/item/4944-de-como-os-mercenarios-russos-da-wagner-perderam-a-guerra-contra-os-terroristas-no-norte-de-mocambique>.

171 "Insurgentes Emboscam e Matam 20 Membros Das FDS e Cinco Russos" (Insurgents Ambush and Kill 20 FDS Members and Five Russians), *Carta de Moçambique*, October 29, 2019, <https://cartamz.com/index.php/politica/item/3469-insurgentes-emboscam-e-matam-20-membros-das-fds-e-cinco-russos>.

latest military equipment, but unprepared for the environment. They also did not have good relationships with their Mozambican partners or the local population. After struggling for a while with logistics and suffering several fatalities, the Russians were unable to adjust to the harsh conditions and left at the end of March 2020.¹⁷² Russia has denied the presence of mercenaries in Mozambique.¹⁷³

In October 2019 Pacheco reportedly confirmed that Russia had provided military equipment to Mozambique to support government forces in fighting the armed groups in Cabo Delgado: 'This one-off support, which takes place within the framework of cooperation with Russia, is related to strengthening our ability to defend the people and maintain public order, security and tranquillity.'¹⁷⁴

Pacheco left a question about the Russian military presence in the region unanswered. He also did not disclose the type and amount of military equipment provided.

172 "De Como Os Mercenários Russos".

173 Dmitry Peskov, "No Russian Military Servicemen in Mozambique, Kremlin Says", *TASS*, October 8, 2019, <https://tass.com/politics/1081988>.

174 Adrian Frey, "Mozambique: Government Announces Military Equipment Reinforcement Supplied by Russia - Report", *Club of Mozambique*, October 4, 2019, <https://clubofmozambique.com/news/mozambique-government-announces-military-equipment-reinforcement-supplied-by-russia-report-143800/>.