

OPPORTUNITIES AND CHALLENGES FOR MOZAMBIQUE FROM THE INDIAN EXPANSION IN AFRICA

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Introduction

Since the end of the Cold War, the international relations have been marked by the arising of new actors called as emergent countries, which have challenged the power and the traditional relationships of Western nations in Africa. One of these countries is India that, since the end of the 90s, has had high and continuous growth rates, what makes it narrow its ties and establish new partnerships in order to satisfy internal and international necessities.

The ties with African countries, more specifically with Mozambique, have taken place since before the arrival of Europeans through maritime trade. The relationships deepened during the Cold War with the Indian support to the national freedom movement and the creation of a diplomatic mission in the capital. With India's economic growth, bilateral agreements took shape through the increase of commercial relationships as well of investments. Contemporarily, India is one of Mozambique's five main partners.

This paper is organized in four main sections. The first one describes the economic relationships between India and Mozambique in the last five years taking into account the bilateral commercial and investment relationships in private and energy sectors. Apart from trade and investments, the first section of this work also presents data on the credit lines opened by India and their allocation in different projects in Mozambique and the donations made by the Indian government.

The second section of the paper analyses the opportunities that India's approximation represents for Mozambique in different areas, since

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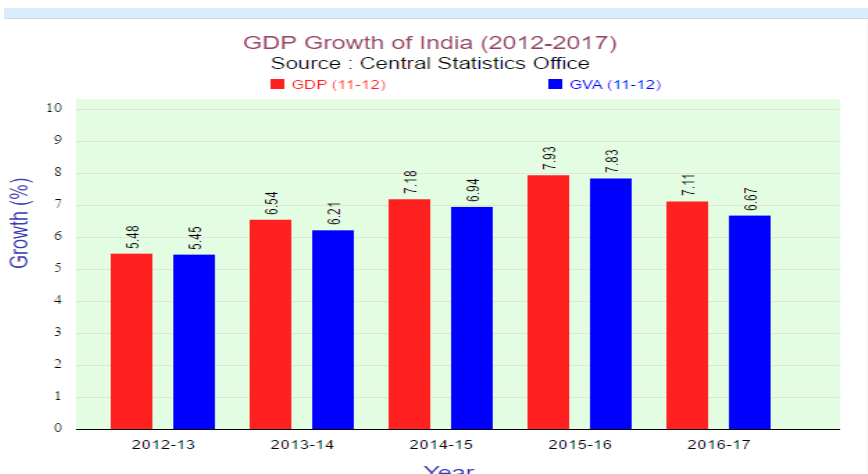
India’s economic growth and its interest in Mozambican resources and location enable cooperation to flourish and the development of strategic areas in Mozambique such as education, health and infrastructure. Even though, the opportunities can only be fully reached when the states become sufficiently prepared with strategic policies and specialized institutions on India. That way, the third section of the paper presents the main challenges that this opportunity represents for the Mozambican State.

With the completion of this article, we hope to answer the following question: what are the opportunities and challenges for Mozambique from the Indian Expansion to Africa?

Economic Relationships between India and Mozambique

India arose, in the 21st century, as an important economic and political actor considered as a strategic partner for many African countries. The relationship between India and Africa is considered as centuries old and is based on trade. The political relationships were strengthened in the 20th century as we can observe through India’s leadership in the Non-Aligned Movement and its support to national freedom movements in Africa. Mozambique has also received India’s support in its liberation struggle and after its independence; India was one of the first countries to open an official representation in Mozambique².

Graphic 1: GDP Growth of India



Source: <http://statisticstimes.com/economy/gdp-growth-of-india.php>

² http://mea.gov.in/Portal/ForeignRelation/India-Mozambique_Relations.pdf

Since the end of World War II, global economy has grown while accompanying changes in trade patterns, what is reflected by changes in the structure of the global economy. These changes include the arise of regional trade blocs, the “deindustrialization” of many advanced economies, the growing role of nations of Eastern Europe and the emergence of India and China (Bussière 2008). Recently industrialized countries, such as India, have increased substantially their share in global trade and in the exports of manufacturing goods. It should be noted that investments have also increased in the last years. Mozambique, in turn, since the signature of the general peace agreement of 1992 between the government and RENAMO (National Resistance of Mozambique), presents a political and economic stability that allows the economic growth in different areas and the economic cooperation with other partners, such as India.

The cooperative relationships between Mozambique and India have been rising in the last years, since a merely diplomatic cooperation turned into economic cooperation, notably through energetic investments (MINEC³ 2007, 3-4). The South-South cooperation, highly fostered by India, can also be mentioned through economic and social projects which are funded by this nation in many developing countries such as Mozambique. We can also remark the active role India has played in the promotion of South-South cooperation and in the technology transfer to Mozambique - for instance, we can mention the formations of Mozambicans⁴ by ITEC/ SCAAP (*Indian Technical and Economic Cooperation Special Commonwealth Assistance for Africa Program*) and the construction of Maluana’s technology park in Marracuene demonstrate the outcomes of this partnership for development⁵.

Even though, nowadays the synergies between India and Mozambique are fostered by the internal change of political and economic factors of both countries, what led to the deepening of their relationship in the last two decades. Besides political cooperation, which entails official visits and the signature of agreements in many key areas for both countries, the economic partnership with India has proved increasingly important for Mozambique. For instance, in the area of trade and investments, Mozambique remains in the leadership in Africa (alongside with Mauricio) as the country which receives more Indian investment amounts (CPI 2015). Indian investment through credit lines has helped to foster small and medium-sized enterprises, the creation of new jobs and job-learning for the inhabitants of the districts.

3 Ministry of Foreign Affairs and Cooperation (2007).

4 Currently, India is the country with the larger number of scholarships for Mozambicans.

5 http://mea.gov.in/Portal/ForeignRelation/India-Mozambique_Relations.pdf

According to IndiaTimes⁶, in 2025 India is going to host the 5th largest consumer market of the world. That way, we can conclude that, besides being a strategic investment partner, India can be an opportunity to foster Mozambican exports to the Asian market. Mozambique is also a strategic partner for India in many features: as a source of energetic resources such as coal and natural gas, access to the Indian Ocean with ports and corridors to SADC's market and partner in multilateral issues.

The trend to expand Indian interests to Africa through India Africa Forum Summit⁷ may represent for Mozambique an opportunity to have a new strategic partnership for investment and the conquest of a new trade area (Asia) to export its goods as well as to counterbalance the presence of other partners such as Western countries and China. In this case, being prepared to cooperate strategically with India with aims of development is going to be a great challenge for Mozambique.

In order to diversify its sources of energetic resources, India signed last year (2016) a memorandum of understanding for the cooperation in gas and oil sectors and the production and marketing of boer-bean. The memorandum envisages a narrower cooperation between the investigation centers of both countries, the strengthening of capacity building and creation and intensification of technology⁸.

Besides the economy, the security area has also been privileged in the bilateral cooperation. Indian maritime navy has been supporting Mozambique in monitoring and protecting its coast since 2003 through the delivery of military ships during many conferences⁹. India's interests concerning the Indic Ocean on maritime piracy and reducing the Chinese "advance" provide a larger background for the cooperation between these two nations.

According to *World Economic Forum* (2017), India is currently one of the ten largest economies in the world despite being a developing economy¹⁰. Indian economic growth requires new markets for exports as well as new zones of investment, since its market already presents some signs of saturation, and raw materials to sustain its industries. Besides the necessity of raw materials, India has currently a very high internal demand

6 http://articles.economicstimes.indiatimes.com/2007-05-04/news/28422084_1_power-parity-middle-consumption

7 The first Forum occurred in 2008, and others in 2011 and 2015.

8 <https://portugaldigital.com.br/mocambique-assina-acordo-de-cooperacao-com-a-india-na-area-de-petroleos-e-gas/>

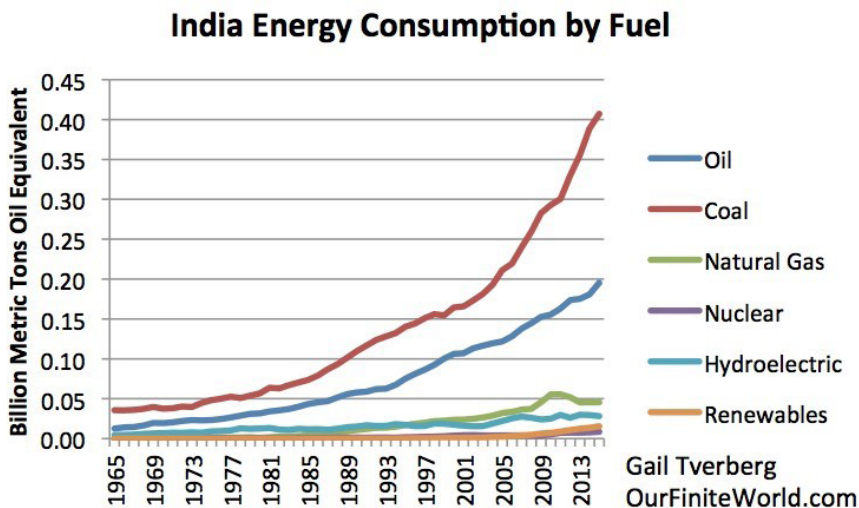
9 Ibid.

10 <https://www.weforum.org/agenda/2017/03/worlds-biggest-economies-in-2017/>

for lentil (*pulses*) - around 7 million tons¹¹.

The consumption of energetic resources in India has grown exponentially, as graphic 1 shows, since coal is at the top of necessities, followed by oil and natural gas. Despite having reserves of coal and natural gas in its territory, India remains importing these resources and launching many strategies in order to cooperate with other countries besides the developed ones, such as African nations. Even though, international competition is increasingly rigorous concerning the search for markets and sources of raw materials due to the presence of other BRICS' countries (Brazil, Russia, India, China and South Africa), that also look for African markets and resources.

Graphic 2: Consumption of Energy in India



Source: World Energy Outlook (2015, 23).

In turn, Mozambique's economy is one of the poorest of the world, although having registered a remarkable growth in the last ten years (with a decrease in the last two years, since 2016)¹². Its economy is not diversified, and there are two main sectors: services and subsistence agriculture, and its exports are concentrated in primary goods. The lack of infrastructure in many key areas such as health, education and transformation industry does not allow improving living conditions of its citizens. The lack of jobs

¹¹ <http://clubofmozambique.com/news/india-mozambique-relations/>

¹² <http://www.worldbank.org/en/country/mozambique/overview>

and social inequalities are realities of the country, where the illiteracy (56% of the population) and malnutrition still have high indices, (*Ibid*). Despite the unfavorable socioeconomic conditions, Mozambique has geostrategic conditions, which stimulate India's interests, remarkably its geographic location, which allows land connection to many countries of Southern Africa, direct access to Indian ocean and the existence of large reserves of gas and coal.

The historic ties that these actors share has left the legacy of the sixth greatest Indian diaspora in Mozambique, with around 25 thousand citizens with Indian origin¹³. This diaspora has contributed to the deepening of political, economic and even security relationships between these two actors, even though, since the forum India Africa took place in 2008 and with the discovery of gas reserves, trade and investment relationships have been deepening significantly. Commercial relationships reached last year (2016) a peak of around two billion dollars, making India the third main export partner and the seventh greatest import partner¹⁴. Concerning the sector of public and private investments on gas, India has already invested around 6 billion dollars until 2016, and the predictions estimate that the same value is going to be invested until 2019¹⁵. The investments are also directed to the sectors of agro-processing, industry, health and technology transfer through credit lines of more than 500 million dollars granted by Indian government.

The above-mentioned partnership between India and Mozambique presents a scenario of exponent and long-lasting growth. Even though, socioeconomic realities between the two nations are quite different considering India's vigorous growth. The cooperation has created several opportunities such as investments and increased domestic production for export as well as the existence of non-traditional partners vis-a-vis the Western countries but also counter balance the presence of China in Mozambique. However, the opportunities also lead to some challenges, such as the necessity of having specific strategies/foreign policies for countries like India and strong economic policies to ensure the benefits for all Mozambicans and to keep strong the cultural system of the country.

Commercial relationships

Commercial relationships between Mozambique and India has

13 <http://clubofmozambique.com/news/india-mozambique-relations/>

14 <https://globaledege.msu.edu/countries/mozambique/tradestat>

15 <http://www.hindustantimes.com/india-news/india-s-21st-century-african-partner-why-mozambique-was- modi-s-first-stop/story-jPwoz4yQQbnWdddIOkvrRAM.html>

faced a remarkable growth in the last years, as the table and graphic below demonstrate. Trade agreements between both countries and the meetings *Business to Business* (B2B) favor this area allowing for flourishing trade on both sides. Currently, there is a regular exchange between the Association of India Industries and the Conference of Economic Associations of Mozambique; furthermore, many companies participate of fairs and other trade events in their countries¹⁶. In 2008, India has launched the *Duty Free tariff Preference* (DFTP) scheme for African countries regarding many goods that India needed, inaugurating a new stage in its commercial relationships with Mozambique. The following table presents the outcomes of commercial relationships between both countries:

Table 1: Bilateral Trade India-Mozambique

YEAR	Exports to India	Imports from India	TOTAL (\$)
2011	87,226,000	570,581,986	657,807,986
2012	155,071,477	888,370,298	1,043,441,775
2013	679,568,019	1,615,537,505	2,295,105,524
2014	387,581,666	1,957,866,296	2,345,447,962
2015	339,036,471	1,476,709,553	1,815,746,024
2016	408,410,289	874,082,277	1,282,492,566

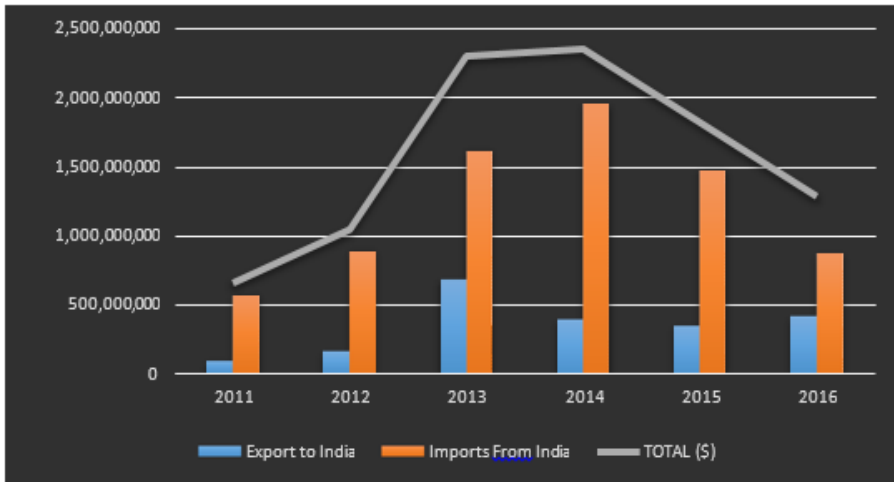
Source: See footnote¹⁷

It was possible, through the examination of the table, to draw the corresponding graphic, which eases the observation of the growth of the bilateral trade. Although trade with India is still deficient on the Mozambican side, the data show the growth of Mozambican exports indicating an increase in domestic production and, consequently, an increase in its income.

¹⁶ https://www.mea.gov.in/Portal/ForeignRelation/Mozambique_July_2016.pdf

¹⁷ Source: <http://comtrade.un.org/db/dqBasicQueryResults.a-px?px=HS&cc=TOTAL&r=508&p=699&rg=2&y=2016,2015,2014,2013,2012,2011&so=8>

Graphic 3: Bilateral Commercial Relationships



Source: Elaborated by the author based on data from INE.

So, we present the table regarding the main exported goods by India to Mozambique. With the accomplishment of *India Africa Forum Summit* since 2008, India was able to open the preferential access of African states such as Mozambique to its market. This access includes the exemption of tax rates for some goods as well as the end of double taxation of Mozambican exporters. The business forums which are promoted by the trade leaders (both public and private sector) in both countries have also allowed the knowledge of markets and the flow of bilateral trade.

Table 2: Main Goods Exported to India

No.	DESCRIPTION OF THE GOODS	1000 (USD)
1.	2704 - Coke and semi-coke of coal, of lignite or of peat	274,671
2.	2614 - Titanium ores and concentrates	20,074
3.	7103 - Precious and semi-precious stones	18,361
4.	0713 - Dried or shelled leguminous vegetables	15,766
5.	2615 - Metals of niobium, tantalum, canadium or zirconium	4,929
6.	7204 - Waste and scrap of cast iron	1,562
7.	2824 - Lead oxides; red lead and orange lead	967

8.	0801 - Cashew nut and coconut	713
9.	7404 - Copper waste and scrap	537
10.	2005 - - Not frozen horticultural products in acid	478

Source: INE¹⁸ (2015)

Concerning India's most imported goods, we can mention medicines, cars, motorcycles and rice. At a global scale, India is in the leadership of countries exporters of generic medicines¹⁹, and accessible medical tourism has attracted many Mozambicans who choose to carry their treatments in India rather than in South Africa.

Table 3: Main goods imported by India

	DESCRIPTION OF THE GOODS	1000 (USD)
2.	3004 - Medicins in doses for retail sales	132,725
3.	8704 - Motor vehicles for the transport of goods	13,114
4.	8712 - Bicycles and other cycles with no motor	11,009
5.	1006 - Rice	7,196
6.	8544 - Insulated conductors for electric use	6,461
7.	3002 - Animal blood, serums for therapeutic uses	6,064
8.	7010 - Big bottles, bottles, covers and similar products	4,568
9.	5407 - Woven fabrics of synthetic filament	4,349
10	6309 - Worn clothing and other worn textile articles	4,293
11	4901 - Printed books, brochures, leaflets and similar printed matter	3,909

Source: INE (2015).

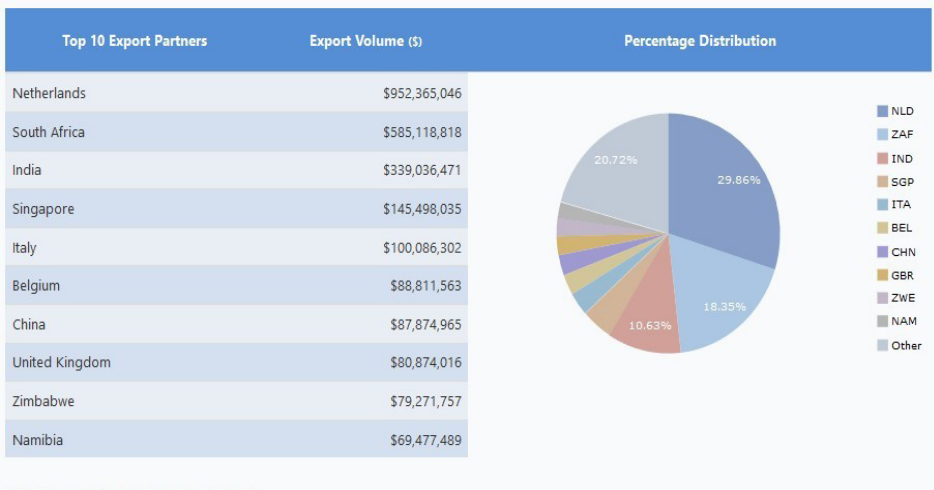
Mozambique's main trade partners

With the growth of bilateral trade, India is already one of Mozambique's ten most important partners in imports and exports, as the following graphics demonstrate.

¹⁸ National Institute of Statistics of Mozambique

¹⁹https://www.ibef.org/IndiaNowMagazine_e-Versions/Vol-3-Issue-6/files/assets/downloads/page0018.pdf

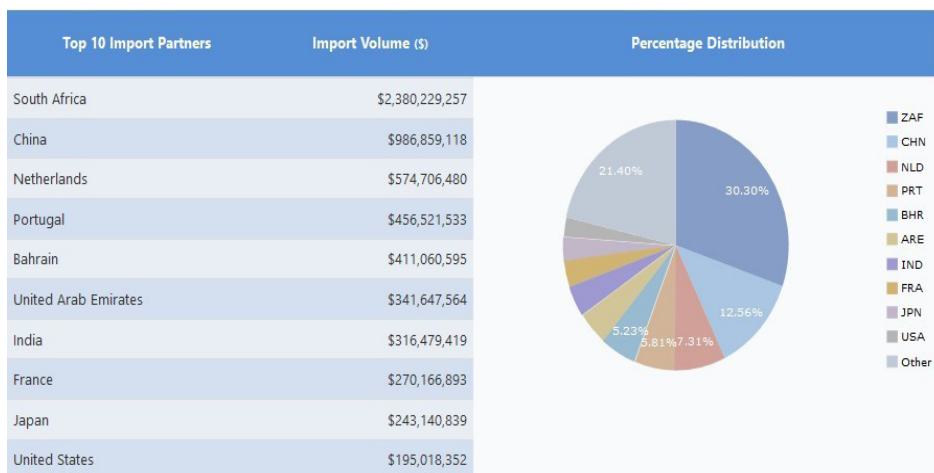
Graphic 4: Mozambique's Main Exporting Partners (2015)



Source: <https://globaledge.msu.edu/countries/mozambique/tradestats>

India is already in the third position of Mozambique's biggest importers, what highlights the eminence of its partnership with the African country. In terms of Mozambique's importing partners, South Africa and China lead the ranking, and India occupies the 7th position.

Graphic 5: Mozambique's Main Importing Partners (2015)



Source: <https://globaledge.msu.edu/countries/mozambique/tradestats>

Although Mozambique still faces a deficit in the trade balance with India, acknowledging that there is a wide disparity in terms of the size of the economy, the outcomes are positive for Mozambique, since they allow the increase of national production, job creation, chain development, access to the international market and its rules and in turn improving competitiveness at national and regional level.

Investment Relationships

Indian investment in Mozambique is eminently made in the area of energetic resources. According to CIP (2016), India is one of the ten countries with larger investments in Mozambique, while China occupies the leadership. India's DFI can be subdivided in two categories; namely, private enterprises and enterprises with state participation. Apart from the energetic resources, other areas which receive investments are agroprocessing, mine industry, infrastructure, transports, science, technology and public works. Investments are made by Exim Bank of India through credit lines, underlining that around 75% of the credit value must be allocated in the purchase of Indian goods. Indian commercial banks such as Punjab National Bank (PNB) and Central Bank of India (CBI) are currently interested in establishing partnerships in order to open a bank in Mozambique with the aim of supporting Indian investments and the bilateral trade (MINEC 2014).

Investment in the energy sector

The main investments are directed to the gas sector, which has already received more than 7 billion dollars from Indian companies in the Rovuma Basin, that is to say 30% of the Rovuma Basin Bloc 1, competing with the American enterprise *Anadarko*. It is expected that more than 6 billion dollars be invested until 2019²⁰, when the first liquefied gas exports to India are expected. The following table makes a distinction regarding investments made in the sectors of coal, gas and other minerals such as gemstones and metals. The following chart presents the main Indian investments in the energy sector.

²⁰<http://www.jornaleconomico.sapo.pt/noticias/mocambique-empresas-indianas-investem-16-mil-milhoes-ate-2019-17449>

Table 4: Indian Companies in the Energy Sector

Coal	Gas	Other Minerals
International Coal Ventures Private Limited (ICVL), investment projection of 500\$ Million ²¹ (Benga (65%) coal mine right of prospection bought from Rio Tinto). Other 35% belong to Tata Steel.	ONGC, (Rovuma, Niassa) with 7.12\$ billion investment ²²	Osho Cimentos Limitada, limestone, Nacala, Nampula;
JSPL Mozambique, Natural Resources Mozambique, Coal, Iron and associated minerals. Mutarara, Tete;	BPRL, (Rovuma, Niassa) \$500 million investment ²⁴ .	Osho Minerals Limitada, Base Metals and Precious Metals Zumbo, Tete;
US\$180 million ²³		
Osho Gremach Mining Lda, Moatize, Província de Tete	Videocon (Rovuma, Niassa) ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL) have completed the acquisition of Videocon Group's 10 per cent stake ²⁵ .	Osho Diamantes Limitada, Base Metals and Precious Metals, Tsangano, Tete;

Source: Elaborated by the author based on data from MIREM²¹²²²³²⁴²⁵

Indian Investment in the Private Sector

21<http://www.mining-technology.com/news/newsicvl-to-invest-500m-in-mozambique-coal-mine-projects-4417591>

22http://zeenews.india.com/business/news/companies/ongc-to-invest-3-bn-more-in-mozambique-gas-field_95436.html

23<http://www.mozahub.com/en/mozambique-news/1775-mozambican-mining-companies-forecast-combined-production-of-75-million-tons-of-coal>

24<http://www.thehindubusinessline.com/companies/mozambique-gas-to-fuel-bpcls-next-growth-phase/article6228790.ece>

25<http://businesstoday.intoday.in/story/ovl-oil-complete-videocon-stake-acquisition-mozambique-gas-field/1/202137.html>

Indian investment in the private sector has occurred in several sectors of the Mozambican economy, enabling the growth of small and medium-sized companies in the district areas²⁶. The main areas of Indian investment are industry, agrobusiness, construction industry and agriculture. The following table presents some data concerning the Indian investments from 2010 until 2015 and indicates how many jobs have been created.

Table: 5 Indian Investments /Number of Jobs

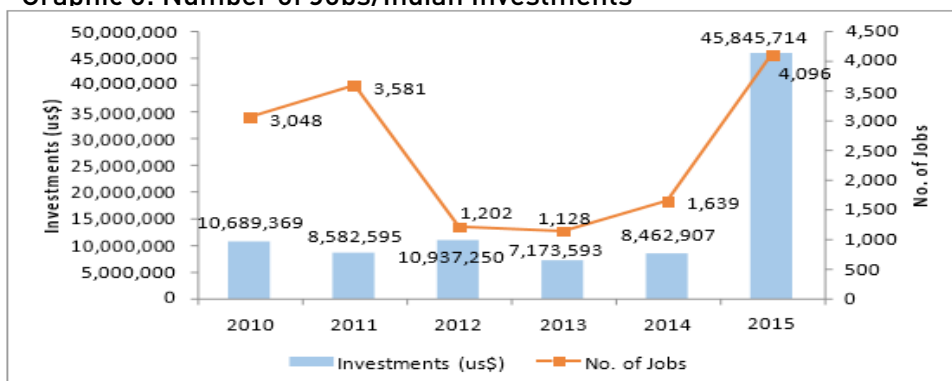
Year	Investments (US\$)	Number of Jobs
2010	10,689,369	3,048
2011	8,582,595	3,581
2012	10,937,250	1,202
2013	7,173,593	1,128
2014	8,462,907	1,639
2015	45,845,714	4,096

Source: Centro de Promoção de Investimentos, Mozambique (2015).

The investments in sectors such as industry and agrobusiness enable the growth of small and medium-sized enterprises in Mozambique as well as human capital formation and the creation of jobs at the level of cities and communities.

In order to comprehend the table above, we present the following graphic:

Graphic 6: Number of Jobs/Indian Investments



Source: CPI (2015)

²⁶ For more details, see the table referred to Indian investments in the private sector.

The number of jobs created corresponds to the level of investments made by India, what demonstrates the positive data for the Mozambican market. Apart from the technology and know-how transfers, the installation of different infrastructures allows the boosting of rural zones.

Special Economic Zones (SEZ)

In Mozambique, the investments in Special Economic Zones (SEZ) are led by Brazil, and India occupies the 6th position. The production allowed by the investments in the SEZ are important for both national and international markets, yet it is still impossible to present outcomes on Indian reinvestments, since they are still benefited of tax exemptions. Furthermore, enclaves between India and Mozambique are important for the attraction of Indian investments in Mozambique and create opportunities for Mozambican private sector.

One of the factors which most benefit Mozambique in investments in SEZs are the energetic resources needed by India and the geographic location with direct access to the ocean. These investments promote Mozambique's image in the international field and the possibility to attract investments from other countries.

Table 6: Indian Investments in Special Economic Zones

Year	Projects	Province	Regime	People employed	FDI (US\$)
2009	2 (Simba Steel,S.A e Damodar Ferro, Limitada)	Nampula (Nacala)	ZEE	562	2.804.597,00
2010	2 (Sesame Cleaning Machine E Agroprocessors & Exporters, Limitada)	Nampula (Nacala)	ZEE	88	2.856.753,00
2011	0				0,00
2012	1 (Gravita, Ltd)	Maputo (Cidade da Matola)	ZFI	85	1.621.060,00
2013	1 (MMI Integrated Steel Mills)	Nampula (Nacala)	ZEE	225	30.680.000,00
Total	6			960	37.962.410,00

Source: GAZEDA (2013, I-4).

Lines of Credits

India has extended two lines of credits (LOCs) worth 140 million dollars for many infrastructure projects, agriculture as well as energy before 2010, and another 500 million dollars for Mozambique²⁷. Below we present two tables referring to the projects financed by India on the basis of the two lines of credits. The tables present the data about the projects and the recipient zones.

Table 7: First line of credit (139.5 million dollars)

Sector	Project	Location		Value ²⁸	End Date	Status
		Province	District			
Agriculture	Production and integral exploitation of coconut	Zambézia	Quelimane	2.00		Projects concluded until May 2013
	Development of rural water (STEP 1)	Zambézia e Nampula		8.00		
Public Works and Habitation	Development of rural water (STEP 2)	Zambézia e Nampula	{Zambézia ²⁹ } e Moma, Mogovolas, Memba, Monapo, Eráti, Meconta (Nampula).	20.00	March 2012	
	Electrification of High Zambézia	Zambézia		10.00		
Energy	Rural electrification	Gaza	Massingir, Mabalane	19.50	October 2012	
		Inhambane, Nampula e Zambézia	Mabote, Funhaloro, Mongicual e lalaua, Chinde e Lugela.	30.00	May 2013	

²⁷ <http://www.hicomind-maputo.org/maputo.php?id=Development%20Assistance>

Science and Technology	Creation of a Science and Technology Park in Maluana	Maputo	Manhiça	25.00	November 2014	In course
Energy	Electrification of the provinces of Niassa and Manica	Manica Niassa	Machaze Muembe, Mavago, Ngauma, Majune, Manimba, Lichinga	25.00	December 2013	
Total				139.5		

Source: Mozambican Government (2014).^{28,29}

Projects benefiting from the credit lines reflect important sectors such as rural electrification and irrigation water drilling in different districts of the country allowing for inclusive growth. Most of the population has no access to potable water and electricity, what creates many constraints to rural development, such as agricultural mechanization and the installation of agroprocessing industries.

Tabela 8: Second Line of Credit (500 Million Dollars)

Sector	Project	Location		Value ³⁰	Request Date	Status
		Province	District			
Energy/ FUNAE	Construction of a factory for Solar Photovoltaic Modules ³¹	Maputo	Boane	13.00	during the joint committee of 2009	Concluded (November 2013)
Science and Technology	Increase of productivity of rice, wheat and corn in Mozambique	Gaza	Manjacaze	20.00	05/13/2011	In course
		Tete	Tsangano Angonia			
		Manica	Messica-Nhacondja, Bárue-Catandica			
		Sofala	Caia			
		Nampula	Moma, Angoche			

²⁸ Millions of US Dollars.

²⁹ Morrumbala, Maganja da Costa, Ile, Alto Molócue, Gurue, Gilé, Lugela, Milange, Mocuba, Mopeia, Nmacurra, Namarroi, Nicoadala e Pebane.

Energy/ EDM	Quality improvement of water supply	Maputo	Boane, Moamba, Matutuine, Manhiça e Namaacha	250.00	02/25/11	In the launch phase / conclusion of competitions
			Cidade de Maputo			
Public Works and Habitation	Development of rura water (step III)	Zambézia	All Districts	19.72	03/09/11	
		Nampula				
		Manica				
		Sofala				
	Construction of the road Tica-Buzi (New Sofala)	Sofala	Tica-Buzi	149.72	03/22/11	
	Construction of 1200 houses	Zambézia (400 houses)	Nicoadala	47.00	02/25 /11	
Tete (400 houses)		Municipality of Tete				
Cabo Delegado (400 houses)		Municipality of Pemba				
Total				499.44		

Source: Mozambican Government (2014)³⁰³¹.

The second line of credit has already demonstrated the progress in other areas of the Indian investment application, such as the construction of the technology park, factories of solar panels, roads and rural electricity. At the level of public works and habitation, India is the second biggest Mozambican partner (China is the biggest). Mozambique presents remarkable outcomes of its cooperation with India, differently from its cooperation with western nations. The lines of credits allow the supply and transference of drilling machines, equipment, accessories, water and oil tanks, electric equipment for many strategic areas of development such as agriculture and industry and for rural zones, which are the most deprived in infrastructural terms.

Donations

Over the last few years, Mozambique has been benefited from donations from the Republic of India, such as:

³⁰ Millions of US Dollars

³¹ Photovoltaic technology is a technology that converts solar radiation into electricity (<http://www.sapa-solar.com/portugal/fotovoltaias/>).

Table 9: Donations to Mozambique from the Indian Government

2006	Offering of a cashew nut processing factory (145.000 dollars) for the District of Nangade in the province of Cabo Delegado ³² .
2007	Installation of computers in public schools at the Districts of Mocuma and Chibuto in the provinces of Zambézia and Gaza respectively
2008	Concession of a donation for the installment of a Project designated as “ <i>Hole in the Wall</i> ” ³³ and financing of a project called “ <i>pan-African Network</i> ” ³⁴ ”
2009	Offering of 1 million dollars for projects in the area of agriculture, namely agro processing and commercial agriculture
2009	Offering of 700.000 dollars for the Centro de Transferência de Chókwe
2009	Offering of 300.000 dollars for the promoting of small-scale cotton processing
2010	Donation of 4.500.000 dollars for the Polícia da República de Moçambique
	Offering of 2 institutes; i) Formation of coal sector workers; ii) planning of the coal industry in Mozambique
2012	Financing of the Project of Reabilitação da Barragem of Chipembe and of Regadio de Nguri at the province of Cabo Delgado at the cost of 10.000.000 dollars

Source: MINEC (2014).³²³³³⁴

The relationship between India and Mozambique has always been friendly and we can state that in some moments it may be characterized as “altruistic” because of the support that India has offered in the fight for liberation, even in the context of the cold war through the Non-Aligned Movement. Nowadays, in the context of the South-South cooperation, India continues to lead the support towards Mozambique in the matters of technological transference and know-how, as we can see in the previously

32 The factory was inaugurated on April 24th, 2013. http://www.rm.co.mz/index.php?option=com_content&view=article&id=8923:nangade-guebuza-inaugura-fabrica-de-processamento-da-castanha-de-caju&catid=1:ultimas&Itemid=50

33 Establishment of computers for children in the Districts of Chibuto and Mocuba.

34 In Mozambique the VSAT (Very Small Aperture Terminal) are located in the Maputo Central Hospital (Tele-Medicine site), in the UEM (tele-education site) and in the Presidency of the Republic (between India and the 12 African Chiefs of State).

shown table.

Opportunities for Mozambique

The historical partnership between Mozambique and India demonstrates the existence of a trust and growing relationship between both states taking into account the existing cooperation in miscellaneous sectors over time. Both countries have accompanied the progress of each other and have maintained permanent diplomatic relations. Despite being economically quite distant, both countries have similarities in tropical climate, developing countries, a large part of their territories is bathed by the Indian Ocean. The similarities allow not only the approach but also the exchange of information, experience and formation of strategic alliances when necessary. India's economic growth and its approach towards Mozambique presents opportunities in a plethora of fields for Mozambique – in particular, the attraction of Indian IDE for strategic sectors, the growth in Mozambique's exports to India, modernization of agriculture also provides cooperation in the areas of information technology, maritime security, development in infrastructure, natural gas industry, transfer of technology and know-how.

The Indian diaspora also weights in the maintenance of political economic and cultural relationships between both countries. The majority of the diaspora can be found in the commerce and service sector and, with the political stability enjoyed by Mozambique since the signature of the General Peace Agreement in 1992, there has been a growth in the diaspora – which could create the basis for an even deeper cooperation.

India's position as one of the 10 biggest economies in the world is strategic, such is its presence in International Organizations such as the UN, IORA, WTO, the World Bank, IMF and the Commonwealth that Mozambique also enjoys membership. This position can serve as a mechanism to create synergy for deepening relations and to take advantage of other Mozambican projects through the exploration of new bilateral and multilateral cooperation platforms. With the discovery of energetic resources in Mozambique, the economic partnership may also help the Mozambican state in the improvement of its negotiation when we take into account the change in the *balance of power* in the international system with the emergence of developing countries such as India. It is also worth mentioning that the western powers are increasingly challenged by the BRICS' presence in Africa and the internal competition inside the BRICS is increasingly harder. In this context, the partnerships must be thoroughly enjoyed with the due zeal. The growth of commercial relations taking into account *Duty Free*

Tariff Preference and the agreements over the elimination of the double fee for national producers creates not only opportunities for access in the Asian market, improvements in the competitiveness of the national enterprises at the national and regional level but also the opportunity of modernizing the agriculture with the goal of maximizing the productivity.

The Indian growth has its positives outcomes, not only because of the investment in the energetic sector of coal and natural gas, but also in the expansion of private enterprises in various sectors that acknowledge Mozambique through the investment of the Indian government and transforming Mozambique in a new investment route in Africa. 14.000 jobs were created between 2010 and 2015 through small and medium sized enterprises' investment all around Mozambique, making possible the development of rural zones by the means of investment in agriculture and agro-processing, construction and industry.

Nowadays, India occupies the top of the list of countries that export IT services in the world³⁵. The technological cooperation with Mozambique already shows tangible results and represents a platform for a strategic partnership that can open opportunities for the Mozambican state regarding the transfer of technology and know-how accessible and that adapts the climatic and geographical conditions of the rural population well such as strengthening government institutions. Also in the reinforcement of the governmental institutions. As an example, we have the funding of the technological complex's project in Maluana and Chokwe in the province of Maputo that comprehended the construction of buildings, the installation of an incubator, the center of research and learning, and the administrative simplicity may contribute to the technological advances. In this context, the technical-professional formation of the public and private sector workers may be useful in the cooperation with India when contributing to the construction of important infrastructure with the means of legitimizing the presence of the Mozambican state.

The formation of human capital can be created by transferring low cost technology mostly for the rural population. The congruency in climates may make adaption easier and the population may handle and repair it without big problems.

The theme of *Blue Economy* has been thoroughly debated in India not only because of its interest in protecting the Indic Ocean in the objectives of controlling the commercial routes and the access to the African market, but also with the objectives of using the economic resources existing in the

35<http://www.financialexpress.com/economy/global-innovation-index-2017-india-continues-success-streak-ranked-world-no-1-in-export-of-ict-services-no-2-in-innovation-quality/722178/>

sea. The cooperation with India has already show some advances in the area of maritime security but the opportunities in the economic maritime cooperation may also be another way. The use of sustainable resources are extremely important because it may sustain the food and nutritional security in Mozambique, creating jobs in the coastal population. In the context of the Indian investments in the natural gas sector, India has already forwarded the idea of helping Mozambique in the upstream and downstream development of gas exploration. The IORA may also serve as a platform of important cooperation in the Blue Economy quest for both countries to enhance its knowledge and experiences.

The lines of credits allow the development of relevant infrastructure for Mozambique. In the level of public works and habitation, India is sought as the second biggest Mozambican partner after China. Mozambique may also enjoy concrete results in the cooperation with India in contrast with its western partners that focus its financing to conditions of good governance and democracy. The lines of credits allow for the access and transference of technology of water drilling machinery, equipment, accessories, water and fuel tanks and electric equipment for the most diverse strategic areas of development such as agriculture and industry.

It is also noticeable the importance of the Electric Project, as well the technology transference and the deep water drilling equipment that can contribute with the growth in productivity in the agriculture sector and in the growth in manufacturing industry. With the new factory of solar panels, the cost of solar panels³⁶ used by the National Fund for Energy (FUNAE) for the electrification of villages, localities, schools and health centers in the rural area may meaningfully drop down, generating a big impact in the use of electrical energy in the rural areas. With the installation of the factory, the prices of the solar panels tend to reduce allowing their acquisition more and more by the population of the rural areas³⁷.

The imports in medicine finds itself in the top of the list of imports from India, creating a new market of cheaper medicines, not only supplying the economy with quantity, but also with variety. Mozambique does not yet possess quality treatment for some chronic diseases and the health services do not have the necessary capacity being it one of the poorest countries in the world, fact that make many Mozambicans look for those services in the neighboring South Africa. Having in account this need, India is already issuing one-day health visas that allow the population to enjoy accessible

³⁶<http://www.jornaldomingo.co.mz/index.php/nacional/2373-mocambique-inaugura-fabrica-de-paineis-solares>

³⁷<http://greensavers.sapo.mz/2013/11/26/primeira-fabrica-de-paineis-solares-de-mocambique-foi-financiada-pela-india/>

health tourism.

The funding of scholarships for Mozambicans has also been growing, making India the country that provides the most scholarships for Mozambican students. Also in the context of south-south cooperation, the Indian Government has been offering training in India for Mozambican Government Officials year after year proposing an ample plethora of courses under the tutelage of the *Assistência indiana de Cooperação Técnica e Económica (ITEC³⁸)* and special assistance from the Commonwealth for the *Programa de África (SCAAP³⁹)*. Nowadays the number of vacancies in the formation for Mozambique in the program ITEC / SCAAP is 41 each year⁴⁰.

The cut in funding for the budget by the Western partners in the aftermath of the discovery of the “*dívidas ocultas*” has not interfered in the bilateral relationship with India nor in its financial support towards Mozambique. This moment evidences even more the compromise of the historical and continuous relationships between India and Mozambique.

Challenges for Mozambique

India is an emerging country considered an economic giant with strong political and economic capacities and leverage. Mozambique has energetic resources, national market with a geo-strategic localization in Southern Africa and direct access to the Indic Ocean – a very important space for India, which also gives advantage for Mozambique to negotiate. In this sense, it is up to Mozambique to create strategies/policies to have a cooperation that seeks determinating goals and paths to follow in order to best use its assets so that it can generate a *Win-Win* relationship and ensure its national interests.

Mozambique needs to pay attention to the interests of the emerging powers, in this case of India so that this partnership does not become a neo-colonization and that the commercial relations not only be based in the exports of energetic resources and imports of manufactured goods in Mozambique’s side. Politic and economic strategy must be created to guarantee the best use of the technological advances reached in India and benefit from this partner to create new spaces in the Asian market as well.

The graphics focused in bilateral commerce demonstrate that the commercial relations are still in deficit for the Mozambican side and

³⁸ *Indian Technical and Economic Cooperation.*

³⁹ *Special Commonwealth Assistance for Africa Program.*

⁴⁰ http://mea.gov.in/Portal/ForeignRelation/India-Mozambique_Relations.pdf

that exports are mostly raw goods such as coal and, in some year liquid gas. It is perceived the needs to create mechanisms/policies that diversify Mozambican exports towards India to avoid the risk of becoming a partnership that mirrors the western one. The model of *Duty Free Tariff Preference* launched by India in 2008 must be widely advertised in the context of the national producers, the original rules that the model purposes to allow the access to the Indian Market and full benefits from the model, not only through the growth of already exported products as well. Also in this context it will be needed the effort from the competitive capacity of the Mozambican enterprises because the small and medium enterprises are finding a hard time to compete in the international level.

The Indic Ocean shore is extremely important for both India and Mozambique in energetic resources, maritime safety and sustainable growth of the maritime resources. Mozambique shall know how to use this opportunity to create synergy towards the best advantage of this relationship and ensure its national interests. The Indic Ocean constitutes a huge space of opportunity but also a huge space of challenges, mostly in the areas of defense and security so that it may be used to its advantage. The cooperation with India in the maritime security level may be crucial but also a challenge so the latter does not become the dictator of the cooperation politics.

The growth in maritime piracy at the horn of Africa and the instability in the Middle East makes the commercial routes turn themselves to the southern region of Africa and with this, the maritime Piracy shows signs of projecting itself towards the south of the African Horn, therefore becoming a growing threat to the coast of Mozambique. In this case, the fall in the traffic of ships may negatively affect the revenue of the ports and the use of the latter by the conveyors. This question flashes the need of cooperation in the protection and maritime safety level with India.

India's presence in Africa is centuries old, just like Chinas, however in the last few decades China was able to surpass the western countries in volume of commerce and investments in Africa by means of infrastructure building, investments in natural and energetic resources and the growth in commercial relations. India is currently in an effort to "stanch" the advance of Chinese influence in Africa (*String of Pearls*⁴¹) through the "*Varuna Tringle*" that encompasses the African states located in the shore of the Indic Ocean, the Horn of Africa reaching also the Cape of Good Hope (including islands located in the Indic, namely Seychelles, Mauritius and Madagascar. The strategy covers naval diplomacy and the placement of listening posts

41 The strategy of the String of Pearls includes the establishment of a series of outposts with military and economic powers in various regions. Each outpost is considered as a pearl incrementing the power of the nation that sets the outpost. Such as in Annex 3.

(*Postos de Escuta Militar*), with the goal of detecting and listen to enemy movements and keep the safety of the Indian external commerce. This conflict of interests between India and China must be a point of attention by Mozambique with the objective of avoiding possible conflicts in its relationships with both emerging powers - and to take advantage of the competition.

Mozambique must be ready to enjoy the interests/competition of the great powers, mostly India, to guarantee its integration in the world economy and to develop its economy by exchanging experience and building infrastructure. However, it must be cautious with the massive opening of lines of credits made available by India because, even if the lines of credits have a low and attractive interest rate, it might take Mozambique to its old position of owing without being able to pay its debts.

Even though the lines of credits are focused in infrastructure, the latter are not totally advantageous once they possess conditions. One of those refers to the fact that 75% of the lines of credits must be used to the acquisition of India-produced materials and the rest of the value used in the implementation of the project. This pre-condition limits Mozambique in the option to acquire material convenient from other competitive partner in the international market and creates space for India to export its manufactured goods and keep the *status quo* of the commercial relationship.

The discovery of energetic resources, such as gas, its geographic position at the southern Africa and the direct access to the sea through the corridor and ports makes Mozambique a strategic partner in Southern Africa and brings the challenge to Mozambique in reference of its institutional, policy and personnel readiness to deal with India. The engaging of India must show concrete positive results in terms of sharing of knowledge and the fall of costs to capacitate the youth from different parts of the country with the goal to contribute to the Mozambican national production.

India's interest are clear in Mozambique and it will be needed to *know how* to negotiate to get the most of the latter, such as the exploration of natural resources for the national economy, development of infrastructure, development of small and medium business, investment in public companies. If these goals are not accomplished, there may be a risk of the relationship between Mozambique and India to become a replica of the dependence relationship with the Western countries.

The imports of manufactured products from India although being cheaper may become a hindrance for the national competition (mostly in small and medium companies) because the competition's level of Indian enterprises is really strong and aggressive, not to mention the subsidies

that those receive from the national government for its national and international expansion. It will be needed to protect the national industry of Mozambique, particularly the incipient one. An option would be the creation of manufacture in Mozambique through deals with India to enjoy their know-how and technology, creation of jobs for the Mozambicans and growth of exports. The exchange and the stage may be yet another challenge to move forward with sights of reaping benefits of the knowledge, already advanced in India, of agro processing and manufacture industries.

The exclusive economic zones (EEZ) attract multinational enterprises but do not contribute immediately to the countries revenue because of its period of exemption of taxes. Therefore, it will be needed to create mechanisms to guarantee the permanence of those enterprises that invest in the EEZ with the goal to contribute with the national wealth and in the attraction of other investments from India. Still in this context, it would be important to establish entrepreneurial relations from Mozambique in India, with the goal of attracting more investments, gain knowledge of the Indian and Asian market, conquer strategically the Indian business and expand the Mozambican investment in India.

The Indian pharmaceutical industry has become a worldwide leader in production and exports of generics and in the imports of accessible products from India brings its advantages for Mozambique, but there is the risk of the entry of fake generics and in this case, there must be tighter institutional control by Mozambique from imports.

The imported products from India may contribute to a new lifestyle in the core of the Mozambicans in terms of food, clothing, music and Indian culture through movies and Indian clothing. The globalization brings the advantages of being able to meet and have access to different cultures but the negative implications must be taken into account, especially in the protection of the identity and culture from Mozambique – even more in the youth, which may be easily influenced.

Conclusion

With the present article, it was possible to create a meticulous pondering of the economic relationship between India and Mozambique in the areas of commercial data and investment. It was possible to verify the result of cooperation and its impact in job creation, the growth in Mozambican exports and the development of key sectors such as infrastructure, health and education with the investments made through lines of credits and the investment projects in the private sector.

The cooperation allows the transference of technology and know-how for Mozambique and even more: the beneficiaries of the investments are also the inhabitants of rural zones contributing to the formation of human capital. It is also noticeable that the opportunities for Mozambique are countless and prosperous regarding India, but it will be needed an institutional and political preparation in Mozambique to defend its interests and negotiate in the best possible way facing the economic possibility that is India.

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Annex

Table 1: Indian Investment in the Private Sector (2013-2015)

2013						
Project Name	Sector	Province	District	Jobs	India	
DASH ENERGY MOZAMBIQUE	Services	Cidade de Maputo	Cidade de Maputo	27	1,000,000	
MOZAMBIQUE OASIS	Industry	Cidade de Maputo	Cidade de Maputo	9	100,000	
ARCILLA	Services	Cidade de Maputo	Cidade de Maputo	5	100,000	
WOOD ALUMINIUM & BOARDS	Industry	Maputo	Matola	17	2,950,222	
NIRMAL SEEDS (MOZAMBIQUE)	Agriculture and Agro-industry	Maputo	Marracuene	165	5,871	
INNOVATIVE	Services	Maputo	Machava	150	1,000,000	
GOLDLINE 2	Industry	Maputo	Matola	100	500,000	
TURBO INDUSTRIES	Industry	Maputo	Boane	52	200,000	
RIZ INDÚSTRIA -MAIZE MILL	Industry	Maputo	Machava	60	17,500	
MOZA-IND AGRICULTURA	Agriculture and Agro-industry	Nampula	Murrupula	21	250,000	
AMARULA FARMS	Agriculture and Agro-industry	Nampula	Monapo	10	100,000	
DELICIA	Industry	Sofala	Beira	50	300,000	
TETE CIMENTOS-PEDRA	Industry	Tete	Tete	22	890,000	
OJES AGRICOLA	Agriculture and Agro-industry	Zambézia	Morrumbala	490	60,000	
Total				1,128	7,173,593	

2014							
Project Name	Sector	Province	District	Jobs (Nat)	Jobs (State)	India	Total
ADVENT CONSTRUCOES	Construction	C.Maputo	C.Maputo	100	8	3750	375,000.00
REAL BOTTLE STORE	Services	Maputo	Boane	20	1	144000	160,000.00
THRIVENI MINERALS MOCAMBIQUE	Industry	Tete	Cidade de Tete	100	8	1455000	1,500,000.00
AKASHGANGA MOCAMBIQUE	Agriculture	Maputo	Namaacha	40	3	135000	150,000.00
MOZ INDIA AGRO PESQUIJA E DESENVOLVIMENTO	Agriculture	Gaza	Xai - Xai	105	2	150000	180,000.00
PHOENIX - COMPANHIA DE SEGUROS DE MOCAMBIQUE	Services	C.Maputo	C.Maputo	50	4	1033333.33	3,099,999.99
CURECHEM MOCAMBIQUE	Industry	Manica	Manica	31	2	2500000	2,500,000.00
ATLANTICA STELL	Industry	Maputo	Matola	30	2	1400000	2,000,000.00
RAJAN EXPORT (MOZAMBIQUE)	Agriculture	Nampula	C.Nampula	50	0	1250000	2,500,000.00
ARCO IRIS INDUSTRIA	Industry	Sofala	C.Beira	40	3	120000	540,000.00
MCZ BEVERAGES	Industry	Maputo	Matola	78	6	50000	2,050,000.00
AARTI GLOBAL STELL & RESOURCES (MOZAMBIQUE)	Industry	Sofala	Dondo	600	30	20000	10,000,000.00
BONITO TEXTEIS	Industry	Manica	C.Chimoio	341	15	20000	3,500,000.00
STARKIDS	Services	C.Maputo	C.Maputo	35	3	100,000	100,000.00
KTB MOCAMBIQUE	Industry	Tete	C.Tete	19	-	81,824	163,647.00
Total				1,639.00	87.00	8,462,906.83	28,818,646.99

2015 (I Semester)									
Project Name	Sector	Province	District	Jobs (Nat)	Jobs (State)	India	Total		
OLAM MOCAMBIQUE-ARROY	Agriculture	Zambezia	Mopeia	3227	60	31,969,183	63,938,366.00		
ANGELIQUE INTERNATIONAL	Services	Maputo	Maracuene	260	13	1,000,000	1,000,000.00		
Total				3,487.00	73.00	32,969,183.00	64,938,366.00		

Table 2: Indian Enterprises in the Energy Sector

Coal	Other Minerals
Midwest Africa, Lda, Maotize, Changara e Mutarra, Tete, exploring coal, Base Metals and Minerals Associates.	Pranay Osho Cimentos Lda, Limestone and Granite Matutuine, Maputo;
Eta Star Mozambique Lda, in association with SOGIR Coal, Moatize,	Vajra Drill, Lda, Base Metals, Silver and Gold Mutarara, Tete.
Essar Recursos Minerais de Moçambique Lda, Coal, Tete	Damodar Ferro Lda, Iron Lalaua, Nampula;
Essar Minas de Moçambique Lda, Coal and associated mineral, Lago Majune e Mandimba, Niassa.	Indo África, Gold, iron, Bauxite, Manica
Tata Holding Moçambique Lda, Coal, Mutarara, Tete.	Osho Cimentos Limitada, limestone, Nacala, Nampula;
Osho Gremach Mining Lda, Moatize, Província de Tete	Osho Minerals Limitada, Base Metals and Precious Metals Zumbo, Tete;

Source: Created by the author using data from MIREM.

ABSTRACT

This article aims to analyse the Indian interests in its expansion to the African countries, more specifically Mozambique. This approach has resulted in an increase in economic relations, more specifically in the growth in the volume of trade and foreign direct investment, including the transfer of technology and know-how to Mozambique, which represent opportunities and challenges for the later.

KEYWORDS

Bilateral Trade; Foreign Direct Investment; Technology; Development.

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