

Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

Vol. 1: Mozambique

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I am Kenshi Tsunemine of the Marubeni Johannesburg Branch Sub-Sahara Desk. In this special feature I will be introducing and reporting on some of the latest information on countries in sub-Saharan Africa, which is being emphasized as an attractive and important region in our company's mid-term management plan, GC 2015.

The first country I will introduce is Mozambique. Mozambique is located on the east side of the African continent (which is almost at the same latitude as the north part of Australia) and the climate is in the tropical or subtropical zone. It takes one hour by plane from Johannesburg, South Africa to Maputo, the capital of the Republic of Mozambique. So one can travel there and return to Johannesburg in a day.

With a population of about 26 million it is a comparatively large country in sub-Saharan Africa (table 1) and its land area is roughly 800 thousand km² which is around 2.1 times that of Japan. On its long coast of 2,500km, we can find beautiful beaches and the existence of pristine coral reefs.

Table 1: Mozambique Country Information

Basic Data (2013)	
Population	25.86 million
Land Area	799 thousand km ²
Nominal GDP	\$15.3 billion
Per Capital GDP	\$593
Official Language	Portuguese

Source: IMF

When we talk about Mozambique, we should not forget that the country was a colony of the Portuguese until 1975. After gaining its independence from the Portuguese it went through 17 years of civil war until 1992. The civil war was fought between the Front for Liberation of Mozambique (FRELIMO), which had led the fight to achieve independence, and the Mozambique Resistance Movement (RENAMO), which was made up of Portuguese Mozambicans and a wealthy elite who were hostile to and feared the spread of communism. While civil war is not familiar to most Japanese people, it is not a rare occurrence in Africa. (As an aside, during a conversation while taking a taxi in Maputo the taxi driver asked me if Japan had civil war.)

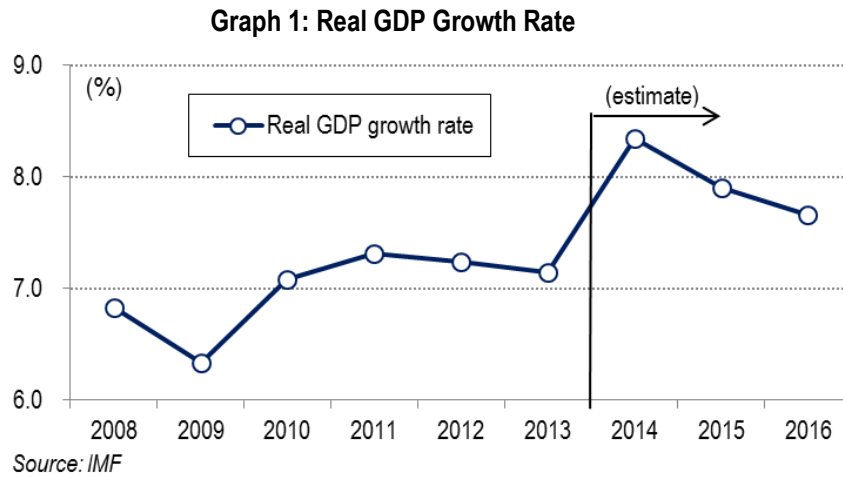
Influenced by the global post-cold war situation, FRELIMO changed its stance and the civil war was concluded with a peace agreement in 1992. Following the civil war, Mozambique achieved over 7% economic growth on average through the 1990s



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

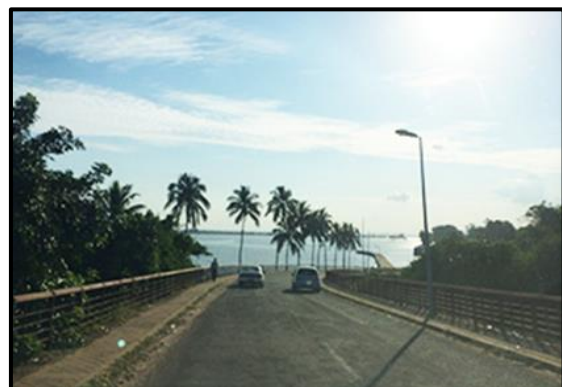
and into the 2000s under the leadership of FRELIMO (graph 1). Incidentally, Japan sent PKO units to Mozambique from 1993 to 1995.



Maputo still retains the scars of civil war, with many old damaged European-style buildings still remaining. However there are many new buildings currently under construction and a very vibrant atmosphere permeates the city. Also, to position the coastal areas well, palm trees have been planted along the roads and have taken on the semblance of a tropical resort.



Picture 1: People gather along the coastline



Picture 2: A road along the coast

Prawns and other seafood are local specialties in Mozambique. One should not leave Mozambique without eating prawns (pictures 3 and 4).



Picture 3: Portuguese seafood rissoto



Picture 4: Fried shrimp

In terms of business and industry, I can say that Mozambique is one of the most notable countries in Africa. The IMF held an international conference titled “Africa Rising” at the end of May in Maputo this year and the international community expressed their high expectations for the stability and growth potential of the country (picture 5.)



Picture 4: Alberto Vaquina, the Mozambique prime minister (second from the left) and Christine Lagarde IMF managing director (center)

Japan's interest in Mozambique has also heated up in light of the investment treaty concluded between Japan and Mozambique in 2013 at the TICAD V conference. In addition to that, Japan's Prime Minister, Shinzo Abe, visited Mozambique in January 2014, the first visit of a Japanese prime minister to the country. A decision was made then to provide 70 billion yen (\$700 million) in financial support to Mozambique for comprehensive development focusing on the Nacara Corridor Development Plan.

Mozambique's share of GDP by industry is 30% agriculture, 50% commerce and services, and 15% manufacturing. However, the industry with the most potential, at this point, is mining, a sector which the Japanese trading firms cannot overlook and which is expected to soon expand.

Related to this, we have to point out that huge reserves of natural gas, among the world's largest, were found off the country's coast. It is estimated that these gas deposits come to 100 trillion cubic feet (Tcf), more than 20 times Japan's annual consumption of natural gas.

Production of this natural gas is expected to start around 2018 or 2019 and with a steady flow of investment, related to this, coming in to Mozambique. The IMF projects that if LNG exports begin around that time, these exports would grow 20% a year from 2020 and would have a significant effect on the economy of Mozambique. Many people expect the effect of developing LNG. Mitsui will be participating in the first stage of exploration.

In other areas of the mining sector, the production of aluminum makes up a major portion and aluminum exports consist of half of Mozambique's total export value. Mitsubishi Corporation is involved in the Mozal aluminum smelter which is a joint venture between Mitsubishi and BHP Billiton. Also, the production of high-quality coal is being carried out inland in Tete Province and is an important mining product for Mozambique with Nippon Steel & Sumitomo Metal Corporation being involved in coal development in Mozambique.

Marubeni signed a Memorandum of Understanding (MoU) with Petromoc, Mozambique's state oil company, in 2014 related to natural gas development and is studying the possibility of cooperation in producing methanol and gasoline.

In addition, there are other opportunities in Mozambique related to the national development plan. These would include the likes of the Nacara Corridor Development Plan and Pro-Savannah Project (see notes.)

Economic development progress often comes about through large-scale development plans and the presidential election in October may act as a boost for these. It is likely these development plans will be strongly promoted under a new president (Mr. Nyussi, the former defense minister and member of FRELIMO, the ruling party, has the advantage). It is important that we continue to pay attention to the trends taking place in Mozambique, a country with great potential.

Note 1: Road construction from the northern port of Nacara to inland areas continues as part of a strategy to position the port as a gateway to Mozambique, large-scale natural resource development is being promoted in Tete Province led by coal, and unused fertile land is to be designated for agriculture use, all as part of Mozambique's comprehensive development plan.

Note 2: Japan, Brazil and Mozambique will cooperate to develop Mozambique's tropical savannah with the aim of improving agricultural production.

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