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The White Gold: The Role of Government and State in Rehabilitating the Sugar Industry in Mozambique

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ABSTRACT *This article examines the rehabilitation of the sugar industry in Mozambique after the General Peace Accord in 1992, engaging primarily and critically with certain aspects of the business-state literature. It explains why the sugar sector was rehabilitated from the perspectives of Mozambican state, government and industry actors. The article argues that support for the industry cannot be identified in singular and one-dimensional terms, but must include a variety of attributes of support that emerged from a post-independence fusion of industry, state and government officials' historical experiences of success and failure in the industry, and pragmatic as well as longer-term ideological stances. This, it is argued, created a 'mediating bureaucracy' that could broker between the diverse interests and aspirations of state/government and industry.*

I. Introduction

This article explores why the sugar industry in Mozambique was rehabilitated after 1996 through foreign direct investment. Like other productive sectors, such as cashew, cotton and tobacco, the sugar industry has received special government treatment since the end of the 1980s. The present form of support to the sugar sector took off in the mid 1990s when a policy and strategy for rehabilitation – *Politica e Estratégias para o Desenvolvimento do Sector Açucareiro* – was approved. However, in contrast to other sectors, state and government support has been pretty steady and has continued well into the new millennium. This article engages with the active role of the Mozambican state and government in the rehabilitation process, or what the introduction to the special issue calls the active processes of industry construction (Ouma and Whitfield, 2012). We argue that the rehabilitation of the sugar industry in Mozambique cannot be understood without including the active role played by the state and government, which worked with and through international capital. At the core of this is the underlying question of why state and government officials have supported the rehabilitation efforts.

At independence in 1975 Mozambique was the eighth most industrialised country in Africa, with 4 per cent of Africa's total industrial production based on a population share of only 2 per cent (Torp, 1979: 7). Fifteen years later this quite diverse industry scenario was destroyed. The reasons were manifold but they included the departure of most Portuguese foreign capital and

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human resources, a socialist and in many ways dogmatic centralised planning experience (Young, 1988: 169–173; Tarp et al., 2002), devastating destabilisation and civil war (Hanlon, 1984), and a series of policy failures for industry rehabilitation and construction, combined with a relatively effective privatisation drive after 1986, when counted as units privatised (Pitcher, 2002). Industrial output was close to zero and industries were almost derelict leading up to the transition to multiparty democracy in 1994. Since the General Peace Accord in 1992, the impressive overall growth figures over the past decade for Mozambique have been dependent largely on a combination of agricultural post-war productive recovery, increasing donor assistance and foreign direct investment-driven mega-projects in energy, minerals and tourism (see Buur and Baloi, 2009; de Brito et al., 2010).

One relative success story straddling agricultural production and agro-processing has been the rehabilitation of the sugar industry. Over the past decade four out of six sugar estates and production facilities have been rehabilitated and continually upgraded by South African and Mauritian, and later South African and French/Brazilian sugar conglomerates, with state co-ownership of most of the sugar estates and industrial plants. Over time around 40,000 jobs have been created, making the sugar industry the single biggest private employee in Mozambique and the second biggest formal sector employer after the state. Crucial export revenues were generated as the industry managed to expand initially slim quotas for preferential markets. Today at least two out of the four estates and industrial plants are competitive compared to similar industrial units in the region (LMC and Intellica, 2010).

In the new millennium, as the sugar sector needed to legitimise its political and social support during the economically difficult years after the devastating floods of 2000 and 2001, sugar was marketed as 'the White Gold' of Mozambique. The metaphor was used by the Sugar Producing Association (APAMO) when promoting the use of Mozambican sugar instead of imported, raw and refined white sugar from primarily South Africa, Zimbabwe and Swaziland. As the gold metaphor suggests, sugar was seen as a prestigious product, and it was looked upon with a certain pride because the re-emergence of a Mozambican product was seen as a considerable achievement.

The article's primary focus is on why the state, and the political leadership in charge of the state, supported the rehabilitation of the sugar industry. We argue that support was not uniform, nor can it be defined in simplistic and one-dimensional terms. Instead, we identify what we call attributes of support, referring to a mix of contrasting and sometimes conflictual characteristics that converged to create support for the rehabilitation among state and government officials. These attributes had emerged out of a post-independence fusion of a range of state and government officials' historical experiences of success and failure in the industry and pragmatic concerns at different levels, as well as longer-term ideological stances. In general, we follow Haggard et al. (1997: 38) and differentiate between government as a shifting and relatively temporary collection of political leaders, while state officials/personnel are the more or less permanent bureaucracy of the public sector.

This said, and as it should become clear from the rest of the article, state bureaucrats become politicians and colonial and post-colonial industry personnel become state bureaucrats or technocrats in Mozambique in shifting constellations over time (see Macuane, 2010). This, we argue, created a 'mediating bureaucracy' that could broker between the diverse interests and aspirations of state/government and industry. By mediating, we mean that bureaucrats liaised between business and political interests, technical and technocratic concerns, and administrative and legal procedures. The existence of a mediating bureaucracy is important as there was considerable mistrust from, on the one hand, parts of the bureaucracy and the political elite concerning the intentions and effects of allowing foreign investors to run the industry, and on the other, the foreign investors, who in most cases had no experience working with a de facto one-party state apparatus and political system.

The literature on business and state relations has highlighted relationships between state and private sector (Maxfield and Schneider, 1997; Taylor, 2007). This article will draw on the approach and findings of the state–business literature as it challenges externalist positions that argue that all policy decisions in Africa, and Mozambique in particular, are enforced by the pressure of well-meaning donors and/or ignorant international financial institutions (IFIs) enforcing neoliberal policies (see, for example, Plank, 1993; Villalón and Huxtable, 1998). In certain respects the state–business literature also challenges the neo-patrimonial explanations that have become dominant when explaining (away) how political authority in Africa in general is based on prebendal patronage forms of rent seeking (see Chabal and Daloz, 1999; Kelsall, 2008).

The work of Peter Evans (1995, 1997) on 'autonomous embeddedness' of the state in society and what drives state and government to approximate and engage with business interests warrants attention, as the behaviour and attitude of the state and government are emphasised. This article, while drawing on the business–state literature, also challenges it, particularly Evans (1997: 66) understanding of the 'internal structure of the state', as 'corporate coherence' saturated by a 'collective goal'. We argue that this is a rather simplistic and one-dimensional stance, and instead attempt to open up the black box. We suggest that what was promoted with and through the rehabilitation of the Mozambican sugar industry was initially quite a few 'collective goals' – some related to the sugar sector, others to broad political and ideological goals, while yet others considered pragmatic post-war concerns – that all mutated, converged and became subsumed as new developments forced changes.

This article is based on fieldwork carried out in Mozambique between February 2008 and October 2010 as part of the Elites, Production and Poverty (EPP) research programme. The aim was to understand why the rehabilitation policy of the industry was desirable and how it was made feasible. The next section considers in greater detail the literature on business-state relations, as well as various perspectives on why state and government actors support industrial initiatives. Section III presents the main state, government and industry attributes of support for the Mozambican sugar industry that had emerged out of the historical experience of industry success, failure and attempts at getting it going from independence to the present, as well as pragmatic concerns and longer-term ideological stances. Section IV concludes by sketching the most important implications of the sugar industry in Mozambique for research on the topic in the future.

II. Why State and Government Engage

That developing countries, particularly in sub-Saharan Africa, face profound problems with creating productive state–business relations is considered a truism. Surprisingly, the body of literature dealing specifically with state–business relations in sub-Saharan Africa is rather limited and recent. Focus in this newer literature has been on peak business associations and broader economic reforms (Brautigam et al., 2002; Taylor, 2007); political and social support for privatisation (Pitcher, 2002), neoliberalism and policy-making (Handley, 2008) and economic growth (Sen and Te Velde, 2009). The state–business literature has generally argued against the perspective that following liberalisation, privatisation and structural adjustment, African states simply lacked apt partners to engage with. The business–state literature confronted the argument that if relations existed, they usually took the form of international capital dealing with weak African states, because after the 1980s and 1990s of Structural Adjustment Programmes (SAPs), privatisation and liberalisation, international capital had the upper hand with close to unlimited access to the natural riches of the continent: land, labour and minerals/energy.

Along the same lines, it is common to argue that in Mozambique all policy decisions are enforced by the pressure of well-meaning donors and/or ignorant IFIs preparing the ground for large international corporations (see particularly Hanlon, 1996, 2000; Castel-Branco, 2002; Hanlon and Smart, 2008). No doubt donors in general, IFIs and international capital have had and continue to have considerable direct and/or indirect influence over economic and industrial policy in Africa in general, including Mozambique (see Whitfield, 2009). But externalist accounts of various persuasions have limitations as there is ample evidence that, despite erosion of certain capacities after independence, African states have considerable power and relatively high levels of autonomy. Taylor (2007) has illustrated that durable, broad-based, state–business reform coalitions have been built over time to varying degrees in former settler colonies like South Africa, Zimbabwe and Zambia. For Mozambique, Anne Pitcher (2002) has with great vigour argued that SAPs and privatisations did not eliminate the power of either the state or the governing party, Frelimo, but merely altered the role of state institutions and reconsolidated the party. Furthermore, despite being nationalised, intervened in and put under administration for a variety of reasons, the private sector did not totally disappear after independence in 1975. Neither the private sector nor state engagement in the economy was totally wiped out by the neoliberal privatisation process, as it is common to argue.

But what exactly motivates and informs different African state and government actors' engagement with productive sectors is seldom zoomed in on with any precision. The concept of neo-patrimonialism that, as explained above, has become dominant when explaining how political authority in Africa in general is based, makes prebendal forms of patronage and rent seeking the dominant motive. Here the nature of neo-patrimonialism causes African political and economic stagnation, besides limiting the states' capacity to implement reforms and build developmental institutions. But the literature on neo-patrimonialism is not univocal, despite its circulation around the same concept. Some, like Mills (2010), make the behaviour and attitude of the state elites or political leaders both the problem and the solution; others argue that it is a deep-rooted African culture of exchange and consumption that locks leaders of states into neo-patrimonial relations of rent seeking (Kelsall, 2008); and there is a strand which claims that neo-patrimonialism rules because of the 'foreign' nature of imported Western political institutions (Chabal and Daloz, 1999).

The political settlement framework initially elaborated for South Asia by Mushtaq Khan (1995) does also use the concept of patron–client networks, but the analytical usage of the concept is notably different from those of the amorphous neo-patrimonial paradigm described above. Khan argues that the motivation behind patron–client networks, which lock state/government elites into engagement with the entrepreneurial capitalist business groups that create economic growth in South Asia, is first of all economic and not cultural. In this optic, patron–client relations constitute a rational and pragmatic response to economic and political limitations, in that they concern the financing of (stable) political settlements that allow for growth enhancement. As such, patron–client relations are common for all developing countries and are distinctly modern, just as rent seeking is. Khan's definition of rents, which refers to various kinds of benefits generated by political intervention (Khan, 2000), can be very positive. Whether rents created by political intervention, such as the protective surcharges on sugar in Mozambique (see Buur et al., 2011), have positive or negative developmental outcomes cannot therefore be decided a priori. Indeed, rent creation and rent seeking can be both efficient and desirable for state and government when rents are generated for the survival or enhancement of a productive industry that underpins a political settlement.

While this type of relationship between state/government and business entrepreneurs, which obviously comes in many shapes, can be perfectly correct for Asia, it is not given that state and government elite actors in sub-Saharan Africa engage with business groups solely for economic reasons. As will be illustrated below on why state and government actors supported the rehabilitation of the sugar industry in Mozambique, there were 'economic incentives' for rehabilitating the industry but so far in the future that they were of a very different nature than those described by Khan, and they did not resemble patron–client relationships. In many ways, the 'incentives' driving the rehabilitation of the sugar industry were political rather than economic. The political settlement approach is therefore valuable, as it points us in the right direction and forces us to consider the relationship between economic action and political relationships. By making it solely a question of economic reasoning, Khan's answer to his important question is of limited value at present for sub-Saharan Africa, as it is rarely business entrepreneurs who finance political settlements; it is usually donor aid, often in combination with revenue from natural resources or agricultural production. One clear exception to the rule is export taxation of sugar in Mauritius, which financed state-building (see Brautigam, 2008). However, what we take with us from Khan is the importance of understanding the rehabilitation of the sugar industry in political terms more than economic ones (at least when seen from the perspective of the state and political leadership).

The literature on business and state relations, taking its cue from the East Asian success stories of industrial development and transformation, has highlighted the collaborative (positive development outcomes) versus the collusive (usually considered negative outcomes driven by rent-seeking) relationships between state and private sector (see Maxfield and Schneider, 1997). Peter Evans (1995) in particular has pushed for including the role of the state in studies of relationships between state and business – and this has been the rallying call more generally for the government–business school of thought. Evans places states on a continuum between 'predatory states' driven by negative rent-seeking outcomes and 'developmental states' driven by positive development relations, where the state undertakes the responsibility of developing the country either directly or through support and protection of business interests. As Pitcher (2002: 72), drawing on Evans' approach, has amply illustrated, Mozambique can be considered an 'intermediary state' as it and the organisations within it oscillate between the two extremes over time, just as developmental outcomes would vary.

The business–state literature has identified as a *sine qua non* for cooperative relationships the existence of 'approximations of Weberian bureaucracies' that operate in a manner where the state is 'embedded' in dense networks of social relations, while simultaneously showing sufficient 'autonomy' vis-à-vis the private business sector to act on its political preferences (Evans, 1997: 71). Evans (1995) famously gave the name 'embedded autonomy' to what Amsden (1989: 16) earlier referred to as 'bureaucratic insulation with intense immersion in the social structure'. While Evans (1997: 66) makes it clear that 'government–business relations cannot be interpreted without first specifying the internal structure of the state' and clearly illustrates that the state matters, we question what seems to be a simplistic depiction of 'internal structure of the state'. A lot of emphasis is put on the existence of an ideal Weberian type of bureaucracy that has the 'corporate coherence necessary to pursue collective goals' or 'more encompassing definitions of their interests [like] the defenders of the ''national interest''' (Evans, 1997: 68). The business–state literature is fully aware that such collective spirit or corporate coherence usually exists only as organisational 'pockets of efficiency' (Evans, 1997: 72), yet it is presented as something bureaucracies either have or do not have.

In general, despite focusing on the role of the state from a range of positions, the business–state literature seldom touches directly upon the question of why state actors engage with business actors in the particular way they engage. As we illustrate below, the state/government organisational 'pockets of efficiency' that were in charge of the rehabilitation of the sugar industry, pose questions as to how we may understand the 'internal state structure' and what constitutes corporate coherence. The attributes of support we highlight emerged from a post-independence fusion of party-state, state-bureaucratic, industry-state personnel with a range of historical experiences of success and failure and pragmatic concerns at different levels, as well as longer-term ideological stances. Furthermore, for Mozambique as a former one-party state, the question of how we understand a state's internal structure and corporate coherence has an interesting twist.

The type and form of business interests one could engage in after independence in 1975 were largely party-state-centred, operating within a one-party framework until after 1990, when a new constitution formally – but not de facto – separated state and party as well as public and private. Not only did the Mozambican state own at least half of the shares in three out of four sugar estates and industrial plants after privatisation in 1995, but Mozambican state–industry relationships were largely 'internal' to the state in the sugar sector for long periods, as the state intervened and took over administration. Former 'private industry' people would work in the state administration after independence and party-state functionaries would end up in management positions with the industry. Furthermore, most of these personnel would be in charge of the sector from the side of the state during the rehabilitation process. This, we argue, created a mediating bureaucracy that could broker between the diverse political interests and aspirations from state/government and economic industry interests, which gradually became mainly foreign-owned. The relationships this forged between former party-state and industry-state personnel, as well as government actors, generated both continuity and the capacity to engage with foreign investors.

III. The Case of the Mozambican Sugar Rehabilitation

In simple terms: Why was the sugar sector singled out by the Mozambican state and government for rehabilitation? It has been argued that the rehabilitation strategy for the sugar industry approved by the council of ministers in 1996 came about 'under the coordinated pressure of investors, three large international sugar corporations' (Castel-Branco, 2002: 179). In this optic, the sugar rehabilitation strategy and the actual process of rehabilitating the industry was, therefore, more of a forced imposition than a joint effort between the state/government and the foreign corporate industry investing in the Mozambican sugar industry. Mozambique's emergence from a history of nationalisation and state intervention/administration of most parts of the industrial base after independence in 1975 would support such an argument, though there were forces within Frelimo and among its academic backers that in general – for ideological and nationalistic reasons – were against privatisation (see Pitcher, 2002; Macuane, 2010). But there were also different groups of state personnel and government groups that for diverse reasons wanted to find a way out of the impasse that saw the sugar industry so dramatically vanish. At independence in 1975, six sugar estates and industrial plants were in operation: total sugar production capacity was 360,000 tons with a production record reached in 1972 of 325,051 tons, 60 per cent for export.

Sugar production was the third biggest export sector and the biggest formal labour employer by the mid 1960s (INA, 2001). The rapidly intensifying independence war in northern Mozambique left investors feeling insecure and independence directly caused 'disinvestment strategies' (Castel-Branco, 2002: 83). Furthermore, up to and after independence in 1975, the flight of skilled labour of all types (government employees, state administrators, technicians, engineers, managers and so forth) and capital added to the decline, just as global market prices made the sector less profitable. A steep decline after this saw production fall to well below 50,000 tons from 1982 onwards as the civil war spread (INA, 2001: 4). The average production output between 1990 and 1997 was only 23,000 tons, less than 10 per cent of total potential capacity.[1] Concomitantly, export declined rapidly until the rehabilitation of the industry brought production levels up.[2] The result was a steep increase in the import of sugar, making different regions of Mozambique dependent on official and contraband imports. For the labour force the decline in the sugar sector was a tragedy. At the beginning of the 1970s around 45,000 workers were formally employed at the various estates and sites. By 1999, only 17,000 workers were still formally employed by the six estates, and even these were mostly redundant and employed only on paper as production was so low.[3]

Post-conflict and Pragmatic Attributes of Support

There is ample evidence that after President Samora Machel's tragic death in 1986, the government of President Joaquin Chissano singled out the sugar sector for special treatment long before the General Peace Accord in 1992.[4] As part of preparing for the end of the civil war, a specialised agricultural 'task force' was constituted by high-level members of government ministries and state institutions (sugar, cotton, tobacco, tea, cashew and so forth) and tasked with identifying potential industries that could provide not only income opportunities, but also crucial export revenues, as well as a certain degree of service provision, so the heavy influx of people to the booming cities could be stopped and demobilised soldiers would see a future in the rural areas.[5]

As Luisa Diogo, former ministry of finance adviser and later the finance minister before becoming prime minister during the rehabilitation process, argued: 'The cities could not absorb more people so we had to get the rural areas developed. We analysed many sectors for their potential for creating job opportunities and providing services. Sugar was one of them due to its proven track record' (interview, June 2010). According to state functionaries forming part of the 'task force', sugar was identified as a core strategic industry due to its superior historical track record as an export commodity, as well as its capacity to 'monetise' and 'industrialise' the rural areas and its labour relations. This concern had a particular historical and ideological background for Mozambique.

Ideological Attributes of Support

A historical lesson emphasised by both key state actors and government officials that formed part of implementing the sugar rehabilitation policy after 1996 is the follow-on effects of formal job creation in the zones with agriculture-based sugarcane production and industry-based sugar refineries and commercialisation. It is continually emphasised how the sugar industry saw an enhanced expansion of local commercialisation, public services and development of infrastructure (roads and communication) and the economy in general around the industrial plants. As the National Sugar Institute argued, 'In sugar production zones the regions develop in a manner that is relatively more prosperous in comparison with the rest of the country' (INA, 2000: 2). On top of this the sugar industry was known for providing superior, quasi-urban social services in housing, education, health and water. This ensured that sugar was targeted as a priority agricultural sector.

The transformative capacity of the sugar industry is what one of the present leaders of the industry – former leader of the Buzi industrial plant during the civil war and later advisor to the governor of Sofala – has called 'urbanising the rural' (interview 2008). This phrase referred to provisions of social services and concomitant changing attitudes, so rural residents better understood the modern state project. The transformative capacity of the sector for the rural areas is an important marker of a softer version of the post-independence attempt at creating the idealised modern and rational 'New Man' (*Homen Novo*) (see Buur, 2010). In order to fashion one united people in the areas that Frelimo controlled during the liberation war against the Portuguese, a myth was created that idealised the 'liberated zones'. Even though limited in extent (covering only certain areas in two of the 10 provinces), this vision of the liberated zones nonetheless came to shape the 'strategic politico-moral map' of the country after 1975 (Hall and Young, 1997: 54) just as it still, to a certain degree, does today.

After independence it was expected that, with access to education and health, political training, local governance, and so forth, that the internal liberation of Man, not only from capitalist exploitation but also from all elements of the old society, would take place in order that there be 'no tribes, no regions, no races, no religious belief . . . to divide us' (Machel, 1981: 43). In contrast, after the end of the civil war in 1992, the transformation would take place through and with capitalist relations and through aid provisions. At the core of the state project after 1975 was – in common with many sub-Saharan African countries – national unity.

State Bureaucratic Attributes of Support

A particular political dimension of this was that all sugar plants and estates were situated either directly in opposition-controlled areas or in areas around the estates that were by the end of the 1980s controlled by the opposition forces. In some areas double administration was de facto the order of the day long after it was abolished *de jure* and the Mozambican post-1994 democratic state had taken over. 'Urbanising' therefore implied more than providing modern utilities – for areas like Marromeo it involved giving the state presence in Renamo-controlled or -influenced areas in order to change the population's attitude and encourage receptivity to government's self-proclaimed modernistic approach to governance and 'commitment to a "modern" way of life' (Sumich, 2008: 113). As such, urbanisation of the rural areas is intimately aligned with the all-embracing priorities of the Frelimo state: national unity, territorial control and sovereignty (see Hodges and Tibana, 2005: 132–133).

The re-emergence of the sugar sector allowed for the gradual re-establishment of territorial integrity combined with political control, and over a 15-year period the ruling party managed to secure enough support to win both national and local elections in all the areas where the sugar industry re-emerged. So while the state relinquished control over the commanding heights of the economy, such as management of strategic production industries like the sugar industry, in the rural areas it was fashioning new constituencies of support that allowed it to maintain the political and economic control. This formed part of what Pitcher (2002: 6) has termed the 'transformative preservation' that made a mockery of neoliberal rhetorical predictions of a slimmer and weaker state. Instead, what emerged was a more benevolent state suddenly able to broker new relations, where such relations had failed before.

Government Attributes

Politically there was yet another way of approaching the reactivation of the sugar sector starting as early as the mid-to-late 1980s: prepare it for privatisation so the industry would not continue to drain the state coffers. Finance Minister Magid Osman, who was in charge of initiating the privatisation process and implementing the SAP and social version of it (from 1986 to 1991), was confronted by a serious dilemma over state enterprises, including sugar estates and industrial plants. As he assessed the situation: 'We owned and controlled companies for historical reasons and they incurred state debt year after year. We needed to do something, as production generally had stopped or was too expensive. We needed to free resources for other important tasks. We were at war, thereafter we needed to find funding for the post-conflict reconstruction and new demands for service provision' (interview, June 2010). The state-intervened industry, running at a loss, was being funded by the banks and in the end by the national bank. The debt increased year after year. The state had to take over the debt as well as settle workers' claims and pensions, and even get rehabilitation started in order to attract investors.

As a strategic industry the government did not want to privatise it fast – instead it wanted to prepare the ground well. This was based on an acknowledgement of failures to protect Mozambican government priorities when confronted with pressure from the Bretton Wood institutions. Luisa Diogo, for example, made no secret of the sugar sector's special status during the later phases of rehabilitation, where the sector was used to prove that a more considered form of privatisation, with state support and protection, could be achieved without repeating past command-economy shortcomings (interviews, 2009, 2010). Particularly, the International Monetary Fund (IMF) and World Bank treatment of other productive sectors like the cashew industry, where state protection had been withdrawn too sharply under heavy pressure by the IFIs, with dire consequences for the industry, was to be avoided (see Cramer, 2006: 266–268; Hanlon, 2000). According to Diogo, and confirmed by other industry informants' recollections of the rehabilitation, the government wanted to show that protection of an internal market for sugar through a flexible surcharge (see Buur et al., 2011 for how this was done) could be done without this becoming support to an ineffective sector 'like in the past with central planning and a command economy but done in a sensitive, effective and competent manner' (interview, National Sugar Distributor director, 2008).

Finally, all these agendas were intertwined with the experiences people had gained in the industry after independence as they tried to manage the sector, and realised both their own limitations and some of the market constraints that a command economy encountered in a capitalist world market economy.

Mozambican Industry Attributes of Support: A Mediating Bureaucracy

An important characteristic of the sugar sector is that many of the state and sector leaders have worked within the industry in both private and state capacities since the 1970s in different constellations. This is often mentioned as a motivating factor for these actors, who in important ways and in different positions came to run the sector for the state until mid 2000. The mediating bureaucracy that was created was highly dedicated and engaged during the rehabilitation phase, working with a keen eye for both the many aspects of private sector business interests and needs and the diverse and contradictory mix of state/political imperatives outlined above. These bureaucrats knew it would be possible to get the flagship of modern rural industrialisation in Mozambique up and running again, and they worked hard for it to become a reality, but they also knew that besides political backing it required assistance from outside Mozambique.

The mediating bureaucracy was assigned roles within the sector by the political leadership during the 1980s, and were in charge when the state-run Mozambican sugar sector tried to rehabilitate the industry within the command-economy framework as early as in 1983/84, when the National Institute of Sugar in Mozambique contracted Techserve, based in Durban (South Africa), to draw up plans for the 'Rehabilitation of Six Sugar Factories'. Techserve also acted as the 'Main Contractor for the 1984 rehabilitation of the Maputo Bulk Sugar Terminal'.[6]

The most comprehensive attempt was the work done at the Mafambisse sugar estate and industrial plant outside Beira in Sofala province, which was partly shielded from the civil war by Zimbabwean troops protecting the Beira corridor and rail line. Mafambisse had been under rehabilitation since 1991, as the only sugar estate in Mozambique which, according to Gode (1997: 5–6), was directly linked to the Structural Adjustment Programs. As a front-runner and test case for the subsequent Sugar Strategy, the African Development Bank and the African Fund for Development lent US$50 million for the upgrading and renovation of the plant and the cane production, linking the loans directly to the government's proactive strategy (ADB and ADF, 2005: 2). The objective was 'to restore and sustain the productive capacity of Mafambisse plantation and factory in order to improve self-sufficiency in sugar, save foreign exchange through import substitution and sustain livelihood for employees and their dependents' (ADB and ADF, 2005: xi).

As former Finance Minister and Prime Minister Luisa Diogo pointed out, the loans negotiated for Mafambisse with the African Development Bank and the African Fund had a double function. They aimed at rehabilitating Mafambisse, but they also sent a strong message to the international sugar industry: 'We want to rebuild the industry; we are serious and are ready to take chances and assist' (interview, June 2010). But even with good loans for renewing sugar cane production and upgrading the industrial plant, Mafambisse encountered the same obstacles as before: lack of appropriate human resources and management skills at all levels beyond the bottom of the organisation, which in turn caused low productivity and incapacity to generate sufficient revenue to service debt or even pay for running costs; no research or appropriate monitoring service that could back up the industry; insufficient foreign reserves to pay for spare parts and other inputs; and a tiresome and slow state bureaucracy (ADB and ADF, 2005: xi–xii). This led the World Bank to doubt the feasibility of sugar production in Mozambique more generally (see World Bank, 1995), which in turn in 1996 led the National Sugar Institute on behalf of Mafambisse to enter a management contract with the South African sugar company Tongaat Hulett in order to increase efficiency and rectify the situation (Gode, 1997).

These experiences were frustrating for the mediating bureaucracy as they had experienced relative prosperity when sugar was the leading industry, and national importance as independence suddenly gave them enormous responsibilities, followed by the slow suffocation and final dismantling of the industry. For them the concerns were far from the ideological and nationalistic positions that the older guard of the Frelimo party promulgated where national ownership was *a sine qua non*. They understood the old guard's concerns and the focus on infrastructure, education and health with the clear ideological tenets explained above could partly mitigate their resistance (see Buur et al., 2011). They became acutely aware that Mozambique in the short to medium term simply did not have the capacity on its own to rehabilitate the industry. Finding common ground with foreign capital with capacity and knowledge of how to engage in a vertical, integrated industry where access to preferential markets was a *sine qua non* was for them the only solution if the former flagship of modern rural industrialisation in Mozambique was once again to prosper, and they did find political backing for this.

The state and sector leaders had learned that relying on the export of sugar for revenue was problematic, as the free market generally was based on 'dumping prices' – offering prices lower than production costs – and that was the reason why all sugar-producing countries based their production on internal markets and trade agreements. In other words, the state and sector leaders became aware that some kind of internal market protection was necessary; the question was how to organise it so it would not stifle the industry (see Gode, 1997: 29–31; LMC, 2006). But calling upon assistance from outside was done cautiously, as the former finance minister in charge during the initial rehabilitation attempt of Mafambisse explained. It was a trial-and-error period, where the state and international capital assessed each other. 'We also hired some of the South African companies as managers so they could see we were serious and we could try them out. Could they deliver as they promised; did they have the necessary will when things got complicated? Could they provide the services needed?' (interview, June 2010).[7]

For the state the formal target was private investors with long-term experience and cutting-edge expertise in sugar production and marketing, with solid back-up from research (see INA, 1996). This would rectify all the fault-lines from the political experiments of the 1970s and 1980s. Indeed, for international sugar capital, there were many good reasons for investing in Mozambique. For the two biggest South African companies at the time, Tongaat Hulett and Illovo (now both part of far larger conglomerates), it fitted their plans for regional expansion after the end of apartheid, as internal land and market opportunities were exhausted.

For Illovo it was their 'opportunity to test how it was to work in Africa', as Mozambique would be their first venture outside the homeland.[8] As Mozambique was close to South Africa, there was easy access to laboratories and the company's technological and research base with training facilities, machinery and other inputs. Furthermore, it was not virgin land, but land with some infrastructure for cane production such as irrigation, however dilapidated, and with abundant arable land in areas along major river systems, and close to the coast with available harbours. The decision to invest was also based on prior experimentation and knowledge about how to work with the Mozambican government (Tongaat Hulett) or direct 'invitation by the government at their investment conference' (interview, Illovo/Maragra, 2008). For Mauritian capital, the question of diversification became important since sugar capital had to find new outlets, as EU/French support to Mauritius and land access constraints made expansion limited at home.[9]

This did not by any means imply that conflicts could be avoided – they were rampant at all stages: the selection of which estates to rehabilitate (conflicts between provincial and party interest, state and unions, and so forth); how to finance rehabilitation (based on foreign direct investments or state guaranteed loans); the creation of an internal market (pitting top party members and supporters/traders involved in contraband sugar against reformed custom authorities); how to share export and internal revenues between the sugar companies and so forth (see Buur et al., 2011). But the existence of a mediating bureaucracy that understood and could liaise between business and political interests, technical and technocratic concerns, and administrative and legal procedures made sure conflicts never stalled the process for long. It allowed for mistrust to be negotiated, not negated. The ability of the bureaucrats to bridge different interests and expectations of the political elite and new industry actors throughout the process was crucial to the success of the rehabilitation project.

IV. Conclusion

What we have highlighted in this article is first of all the quite diverse attributes of support that informed why government, state and industry actors engaged constructively with the rehabilitation of the sugar industry. We have pointed at different forms and levels of political and pragmatic concerns, as well as longer-term ideological positions that while conflictual, nonetheless all converged in the rehabilitation of the sugar industry. A second point has been that Mozambican state–business relations in the sugar sector gradually became mainly 'internal' to the state as former 'private' industry actors became 'state' actors after independence, and party-state actors ended up running a state-intervened industry. Finally, this particular, but not unique, situation created a 'mediating bureaucracy' that understood both the political and the economic requirements of the rehabilitation.

It is clear that the rehabilitation of the sugar sector in Mozambique was not dictated solely by foreign capital or international donors, as so often argued by different 'externalist' positions for aid dependent countries in general and Mozambique in particular. This article also engaged with certain questions posed by political settlement literature and business–state literature in order to explore why the sugar industry was rehabilitated. Where the political settlement theory by Khan correctly forces one to consider how a productive sector underpins a political settlement, the answer of the approach seems too narrow in that it confines the rationale to a purely economic one. This article has instead pointed at quite a few political reasons that need to be considered along with economic considerations.

The business–state literature, on the other hand, gives primacy to the role and aspirations of state bureaucracies operating with and through 'the internal structure of the state'. We have argued that this approach ends up largely 'black boxing' the issue. Where Evans looks at what constitutes state bureaucracies' 'collective goals' and how they create the possibility for 'corporate coherence', the answers provided are quite general: 'national interest'. This article has argued that national interest is indeed part of the package, but when one tries to take the complexity of state, government and industry actors' goals into account, a much more complex picture emerges. We have pointed at the fusion of a whole range of quite conflictual attributes like the historical experiences of success and failure for the industry, pragmatic post-war concerns, political strategies for rectifying former mistakes, as well as longer-term ideological stances was important. It is, for example, clear from state personnel's attributes of support that the rehabilitated industry was expected to fulfil certain functions in the areas where they operated by stabilising and transforming rural populations through the institutional regulation of a market economy. As such, state personnel clearly linked rehabilitation of the sugar industry to the moral fabric of society as they envisioned that it should or could be constituted.

Furthermore, the article has pointed towards the interesting phenomenon of business being merged with the state as sometimes seen in countries that have been one-party states and are now dominant-party states, where state actors in one way or another (by default, incapacity or structural constraints) have ended up running (down) productive enterprises – but also gaining valuable trial-and-error lessons. In important ways this creates the possibility for some parts of the state to operate as a mediating institution, as state personnel understand both political and industry needs, perspectives and expectations, while still operating with a keen eye for the pragmatics of the art of government. The importance of mediation is not well discussed in the state–business literature, which has focused primarily on the 'embeddedness' of state bureaucrats, and on their engagement in institutionalised relations with industry actors. Both mediation and embeddedness are important as the industry's needs and functions can be combined with social and political imperatives, whether deliberately or by default. This reduces social and political uncertainties enough to reassure those investing in the rehabilitation of the sugar sector;

but it also allows for diverse political attributes to be catered for so that support can be secured when needed.

The relationship that was forged between former one-party state and industry personnel, as well as government actors, has catered for both continuity and the capacity to engage with foreign investors in a manner that is quite unusual for Mozambique. What is clear for the Mozambican case is the intertwined nature of economics and politics, which is something the state–business literature highlights only for the business side of the equation. In our analysis, the two aspects had to be balanced throughout the rehabilitation process, and this was catered for by state and government personnel who came to the sector with a variety of aspirations and attributes that constantly needed to be calibrated to what was economically possible and vice versa. Here the industry–state relationship created a mediating bureaucracy that could act as broker between the diverse and sometimes conflicting interests and aspirations of state/government and industry.

This is important, as investment in developing countries like Mozambique is considered a risky and very costly business despite low wages, large pools of unemployed workers, and plentiful access to land and water. As Beckert (2009: 45) argues, 'the reduction of uncertainty is an indispensable precondition for the emergence and operation of market economies'. Max Weber (1946: 215, 169) points out that if the 'calculability of results' is important for market actors, then a 'predictable future' for bureaucrats is a prerequisite for the reproduction of role sets. If calculability and predictability are prerequisites for both industry and state/government actors, then the political establishment that was in charge after Samora Machel's death cautiously embraced privatisation and foreign investment, but not in an unregulated manner or without capacity to cater for both pragmatic and long-term political issues, besides including questions related to economic viability for the industry.

Remarkably, considering the state of most productive sectors in Mozambique, the sector seems to have established itself. Why this has been the case seems partly to be accounted for here; intimately related to this, the other side of this story could be that in contrast to the findings of the currently predominant literature on neo-patrimonialism, it is not (solely) private interests that structure the state's or government's engagement with the industry. No top state or political elite, either individual or group, seems to have benefited formally or informally from the rehabilitation of the sugar sector during the formative years, when short- and longer-term political and commercial aspirations had ample opportunity to flourish.

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Notes

1. Officially set at 360,000 tons in the INA 2000 study. In 1992, at its lowest, the production was only 13,224 tons.
2. A preferential trade arrangement with the United States – amounting to 1.3 per cent of total US imports – allowed Mozambique to export between 14,000 and 26,000 tons during the 1990s, stimulating a small increase in production (INA, 2001: 4).
3. The relatively high formal employment figures were partly due to strict labour laws.
4. This is based primarily on interviews as part of the EPP programme, with state, government and industry actors including former finance ministers and the former prime minister.
5. All of these products (sugar, cashew, cotton and so forth) were priority products for the Frelimo state after independence and are still so today (Ministério da Agricultura, 2006: 5, 10).

6. Techserve is a private South African corporation specialising in all facets of sugarcane agriculture production and processing. It was also the 'Contractor of the 1994/5 rehabilitation of the Maputo Bulk Sugar Terminal'.
7. It should be noted that Tongaat Hulett took up a management contract for Mafambisse and later bought a majority shareholding in the Mafambisse estate and industrial plant. Tongaat was already involved with the Xinavane company, which was then owned by Anglo American and never nationalised.
8. Illovo/Maragra-related information is based on interviews conducted in April 2008 and October 2010 with the general director and agricultural and human resources managers.
9. For all the international sugar investment groups Mozambique provided at first limited access to preferential markets – initially the EU and United States (LMC, 2004). Furthermore the Mozambican government promised implementation of legislation that safeguarded investments.

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