

MOZAMBIQUE

Strengthening ties with its old friend, China

Early birds catch the worm in this open-for-business, resource-rich African country

Brimming with resources that include minerals, fossil fuels, abundant water, marine life and fertile, arable land, Mozambique offers huge possibilities for treasure seekers.

A strikingly beautiful tropical country on the south east coast of Africa, the country is one of the most sparsely populated on the continent, with just 23.4 million people.

Having enjoyed high growth rates of around 8 percent year on year between 1994 and 2006, Mozambique is on course for more as mega-projects in mining and energy take off.

Collaborations on these, and the infrastructural development of

insurance, tourism, transport and communications, public works and housing, among others," he said.

"Mozambique has prioritized the intensification of bilateral political relations with countries all over the world, including China, which is now one of our leading investors. We have also been signing investment protection treaties with those countries to give comfort to investors.

"China has been a strategic partner of Mozambique both politically and economically for decades, and the pair established diplomatic relations on the same day our national independence was proclaimed, on 25th June 1975. Today, China is one

"Chinese companies are becoming involved in upstream projects, like coal and hydrocarbon exploration. We have two coal-fired power stations in Tete Province: the Moatize power station, built and operated by the Brazilian company Vale, and Benga power plant by the Australian company Riversdale Mining.

"We also have a gas-fired station, which is producing 50 MW in Gaza province and another one in Moamba (Maputo Province). We are seeing interest coming in, and there is definitely room for Chinese participation.

"We have 2,800 kilometers of coastline and we share borders with Swaziland, South Africa, Zimbabwe, Zambia, Malawi and Tanzania. Most of these countries need our ports, roads and railway systems to develop, receive imports or send exports.

"The Southern African Development Community — a market of more than 250 million consumers — is integrating and has a trade protocol. Chinese investors will reach all these countries and will be better located to import raw materials or components needed for production and to ship goods out of Mozambique."

Conscientious investing

Vale-Mozambique, owned by the Brazilian Vale group, arrived in Mozambique in 2004 and was awarded the concession for the Moatize mine three years later.

The mine, which has the only known high-graded coking coal deposit in Africa, shipped its first coal-load from port of Beira in September.

"Vale has a concession with a very large reserve," Galib Chaim, director of Vale-Mozambique said. "We can start our production with 11 million tons per year, but the reserves will allow us to expand this production and we are concluding our feasibility study in that regard. Thus we can expect mining activity for many



Minister of Energy
Salvador Namburete



Director of Vale-Mozambique
Galib Chaim

years. We have coal for a second production phase for 25 to 35 years.

"Mozambique's reserve is very rich both in terms of thermal and coking — metallurgical — coal and it could be an important player in the coal market in the future, especially in international terms since, most of the coal that will be explored will be for exporting. Of course, the country needs to improve several aspects, such as logistics, infrastructure and power supply, but I believe that it is going in the right direction and in the medium-term, it will achieve good conditions to position itself as a large player internationally and open the market for new players."

The company is financing a railway link between Malawi and Nacala port, and concluding a feasibility study for an expansion of the port so it can receive bigger ships.

It takes corporate social responsibility very seriously. During the first phase of the mine project, it invested almost \$10 million for the rehabilitation and construction of hospitals, orphanages and schools, and resettled around 1,200 families during the second phase.

"We currently have 8,000 workers involved in building the mine and ancillary facilities, most of which were hired locally," Chaim said. "The operational phase will create around

plenty of room for new investors, mainly in terms of infrastructure development, not only in the field of coal exploration, but also for tourism, services and power supply."

Meanwhile, as demand for electricity grows throughout the country, electricity supplier Motraco is gearing up for more partnerships. Owned jointly by EDM, South Africa's Eskom and the Swaziland Electricity Company, Motraco supplies Mozal, Africa's second-largest aluminum smelter.

"We are looking to build a third transmission line to accompany all the investments taking place, especially the central region where the energy projects are under way," said Director General Higinio Fabião.

"A central south backbone would evacuate the anticipated power production from these developments to Maputo and the region. The infrastructure is there, and we believe the Chinese could be allies in this type of growth."

InFocus Reports provided the story.

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SALVADOR NAMBURETE
MINISTER OF ENERGY

roads, bridges, railroads, airports and seaports from Chinese partnerships will be crucial if the nation is to reach its full potential.

Lourenço Sambo, director general of the Investment Promotion Center, explains that modern and attractive legislative frameworks, and an open-for-business attitude have resulted in a large influx of private sector players.

"In the last six years, we have approved hundreds of projects, valued at around \$20 billion in various sectors, notably agriculture and agro-industry, fishing and aquaculture, industry, banking and

of Mozambique's most important trading partners and one of the 10 biggest investors in the country. Trade between the two countries was a mere \$208 million in 2007; by 2010, it had reached \$690 million."

In terms of energy production, the Cahora Bassa Dam is one of the country's most emblematic assets.

The project produces 2,075 megawatts of electricity and is one of the main suppliers of power to the Southern African Power Pool.

Minister of Energy Salvador Namburete has been keen to engage Chinese companies in his mission to overcome infrastructural challenges.

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Vale is working together with Africa to build a better future.

Future

Vale is a leading mining company, and our work goes far beyond mining. We care about the African people and contribute to the economic and social development of the regions where we are present. In Mozambique, Vale has recently launched a coal mining operation and various corporate and social responsibility projects. These include two Knowledge Stations dedicated to spreading knowledge through educational support to improve the capabilities of local companies. In Guinea, we are implementing the Simandou iron ore project, generating jobs and leading to the region's further development. A good example of this is the professional education center in Nzérékoré, which will train workers for the operation of our mine. In addition, Vale is developing copper projects in Zambia, where we sponsor the Millennium Village, a poverty eradication program that's helping the country reach the Millennium Development Goals. And we do all of this by looking ahead, in order to bring a better future for Africa.

