

1969-12-18

# Foreign service dispatches: Mozambique.

## LourencoMarques\_1969-12-18-A131

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35

# AIRGRAM

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TO : Department of State

INFO : LISBON, LUANDA, PRETORIA

RDS  or XDS  EXT. DATE 3-14-83

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TO : Department of State

INFO : LISBON, LUANDA, PRETORIA

FROM : Amconsul LOURENCO MARQUES, DATE: December 18, 1969

SUBJECT : Current Economic Development Projects in Mozambique

REF : CERP: Section D - Part II, 1 & 7

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55

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The Mozambique newspapers continue to carry frequent news articles on progress and prospects in various fields of economic development in this territory. Several non-Portuguese economic and banking officials, during the reporting officer's courtesy calls, indicated that the impetus behind most current and up-coming economic developments, including of course the Cabora Bassa Dam, is coming mostly from foreign sources, that strictly Portuguese economic and financial thinking in this territory is not thus far showing evidence of dynamism. Portuguese economic and banking sources freely, and with evident satisfaction, allude to prospects for foreign investment in Mozambique, sometimes pointing out the obvious fact that Mozambique's economy at present is a very small one.

- Mineral Surveying in Northern Mozambique: One well-placed Portuguese banking source told the reporting officer that Mozambique really has not been at all extensively surveyed, geologically, but that bids have now been awarded for an aerial survey of a very large portion of northern Mozambique where many believe extensive mineral resources will eventually be found. This report concerning the aerial survey has been confirmed to the reporting officer by other sources as well.

- New Iron Ore Prospecting Concession: Noticias da Beira last week reported that Government Decree No. 24438 recently granted exclusive iron ore prospecting rights

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A 131, Lourenco Marques

2

in a "vast" rectangular area in Tete District to "Companhia do Uranio de Moçambique". The area is said to include Tete City and Moatize. The concession is valid for 2 years, and may be extended from year to year if the company meanwhile has complied with all of its "legal obligations" as set forth in the decree. The chief of these obligations is to spend 8,000 contos in prospecting and other investments in the first two years, and 2,000 contos for each year the concession is extended. In the case of such extension, the concessionaire will be able to retain only 50 percent of the original concession area during the first year of the extension, and only 25 percent in the second year of the extension. The concessionaire must also present somewhat detailed plans of work each year to the Provincial Service of Mines and Geology.

3. Licensing of Iron Foundry: The above-mentioned Noticias da Beira report states that the Companhia de Uranio de Moçambique also was one of a group of enterprises, headed by José Martins Dias Cunha, which have been granted license eventually to install, either in Beira or in Tete, Mozambique's first iron foundry with an initial capacity of 250,000 tons.

Mozambique director of Shell Oil Company, J. T. de Vasconcelos, (Shell is one of a number of sub-contractors for Cabora Bassa) told the reporting officer that the newspaper report about the mining concession, as well as about the licensing of the foundry, is accurate, and that the foundry has the backing, financially and otherwise, of a very large French iron and steel manufacturing firm.

The president of the Industrial Association, M. F. Secca, earlier had told the reporting officer that the group of companies interested in the foundry had been considering erecting a thermal electric plant (costing possibly \$10 million), using Moatize coal. With the construction of the Cabora Bassa power dam apparently a certainty, the companies are now working on plans to establish the territory's first small foundry, but only when cheap power becomes available from Cabora Bassa. END CONFIDENTIAL

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4. Hotel das Quatro Estações: Widespread publicity has been given recently to plans for the building of a new 26-story hotel in the Costa do Sol area of Lourenco Marques. Sponsors of the project told a press conference that construction may begin in January 1970 and

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A-131, Lourenco Marques

3

would be scheduled for completion in early 1971. The hotel, to be called "Hotel das Quatro Estações", is to be managed by a firm that is said to operate several hotels of the same name (i.e., "Four Seasons") in South Africa.

Sponsors of the project told the press conference that the design of the hotel -said to provide a view of the sea from all 300 bedrooms- has already been approved by Lourenco Marques municipal authorities.

The hotel, to cost some 75 million escudos (\$2,678,000), would be owned by both South African and Portuguese financial interests. The company, however, it appears, has not yet been formally organized, but the group's spokesman expressed optimism that this would be done soon and final governmental approval given shortly. The legal consultant of the company is reported to have announced that he is also going to seek authorization to build a casino on the same grounds as the hotel. END UNCLASSIFIED

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Mr. Charles E.H.C. Nicholls, a senior official of Banco Standard Totta, told the reporting officer that the hotel definitely will be built, that his bank has been the main force behind the planning of the project, prodding and persuading government officials to give the necessary approval, and providing an important part of the financing. END CONFIDENTIAL

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5. Cabora Bassa: Newspapers in Lourenco Marques in recent weeks have devoted considerable space to preparations for construction of the Cabora Bassa dam. Some of the more optimistic of the articles would lead one to think that construction of the dam has actually started. It is fairly clear, however, that, as the representative of one of the sub-contracting companies recently told the reporting officer, a large proportion of present activities in the area are in the domain of building access roads, living quarters and shopping facilities for officials and workmen, providing power generators and water supplies for the settlement, and the beginning of heavy truck-trailer convoys to bring in construction equipment and supplies from South Africa. The Mozambique director of one of numerous sub-contracting companies for the project told the reporting officer that, in fact,

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A-131, Lourenco Marque

4

certain preliminary work closely connected with the dam construction (e.g., building of compression chambers) is also underway at the dam site.

6. African Explosives and Chemical Industries, Ltd.: Senior official of the South African manufacturing firm, African Explosives and Chemical Industries, Ltd., held a press conference at the Polana Hotel recently, to announce plans to establish a branch of the firm in Mozambique, at first for the sale of the company's manufactured products such as explosives, plastics and other synthetic materials, pharmaceuticals, pigments, pesticides and fertilizers. Mozambique's present economic development, and that anticipated in Mozambique in the near future, as exemplified by petroleum prospecting and the Cabora Bassa dam, were cited as reasons for establishing the commercial outlet now --with a branch factory scheduled to follow as the firm's sales in Mozambique increase. Sales of the company's products in Mozambique for the current year were estimated in excess of 40 million escudos (\$1.3 million). According to press reports, the company's officials stated that the company was going to invest a large amount of capital in Mozambique. END UNCLASSIFIED



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