TRADE AND DEVELOPMENT: CLASSICAL THEORY, CONTEMPORARY REALITY – WITH SPECIAL REFERENCE TO MOZAMBIQUE

By

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One of the most enduring mystification of the structure and dynamics of the international political economy relates to the thesis, in classical economic theory, that international trade promotes national economic development. This mystification game continues for a number of reasons, only three of which need a casual review here. First, for many people involved in national economic planning especially in «developing» countries there seems to be a superficial correlation between the theory of international trade and their subjective reality. After all, as Nigerians under colonial rule sold their palm oil, cocoa and tin to European traders, they received, in return, manufactured goods such as detergents, chocolate drinks and bicycles. And of course, with the increase in the volume of exchange, there *appeared* a qualitative improvement in the living conditions of the segment of the Nigerian society engaged in these transactions. Thus, for the Nigerian academic economist, Adam SMITH's claim cannot but be an empirically verifiable hypothesis. Thus, in a recent work on Nigeria's economic history, the author, after examining the data for Nigeria's foreign trade during the colonial era argues

> *The export trade of Nigeria provides a fitting example of Adam SMITH's argument for international trade. Adam SMITH wrote that, «Between whatever places foreign trade is carried on, they, all of them derive distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them and brings back in return for it, something also for which there is demand. It also gives a value to their superfluities by exchanging them for something, which may satisfy a part of their wants, and increase their enjoyments» (1).*

Thus, for the author, Nigeria's experience validates the Classicists' contention that trade and development are positively linked.

A second reason for the credibility of the theory is not unconnected with the first. It is the forceful integration of most of the underdeveloped territories of the world into a maturing global system in which these territories under colonialism, became its periphery (AMIN, 1974). In this new system, a network of exchange from the centres to the peripheries reinforced the ideological foundations of political, economic and cultural subjgation of the latter, further mystifying the reality in the name of foreign trade (COLEMAN, 1959; HOPKINS, 1973). When pressures for the liquidation of colonialism brought an end to overt political control, the units of the periphery that emerged as independent states had their options for autonomous devélopment limited to trade with former metropolitan powers. Any wonder that international trade provided the only credible option for national development.

The third reason for the perpetuation of the myth of development through international trade is also organically linked to the second. It relates to the thoroughness of ideological indoctrination of the elites of the peripheries through the various structures of colonial exploitation. Most crucial of all was the «training» received by the intellectual class of these countries, from the premier academic (ideological!) institutions of the metropoles. It was this that facilitated and continues to facilitate the propagation of the ideology of economic development through trade as part of the ideology of universal harmonies (AMIN, 1974). This cultural disorientation which is what such training comes to in the final analysis – constitutes the major obstacle to the total emancipation of the productive energies of the peoples of these exploited countries today. To understand the grip of this ideology on the minds of the rationalizers of foreign trade, we need to state, as concisely as space permits, the central tenets of the theory of international trade.

THE CLASSICAL THEORY: SPECIALIZATION AND THE PRINCIPLE OF COMPARATIVE ADVANTAGE

The hub of the classical theory is the recognition of the universality of transaction and exchange as a basic characteristic of human relationships. This is true of the most «primitive» communities of Africa as it is true of the most «modern» societies of Europe and America. And the logic of exchange is compelling: No individual can produce by himself, all the things he or she needs to live a comfortable life. Or to put it differently, no individual can produce in the most unexpensive way possible, all that he or she needs even for subsistent living. It is for this reason that men and women find it more profitable and convenient to engage in those activities for which they are best suited or for which they have a 'comparative advantage' in terms of their natural abilities and/or resource endowments. The surplus of these home produced commodities they can then exchange for products in which others may have a comparative advantage to produce.

These same principles of specialization and comparative advantage have been applied by economists to the exchange of goods between nations in the form of international trade. As to what determines which goods are traded and why some countries specialize in producing certain commodities while others specialize in different commodities, economists since Adam SMITH have answered the question in terms of *international differences in costs of production and prices of different products*. Countries, we are told, specialize in the production of those commodities in which they have a comparative advantage, i.e. in those activities where the gains in specialization are largest *(2)*.

Thus the concept of *relative* cost and price differences is basic to the theory of foreign trade. Known as the 'principle of comparative advantage' it asserts that a country will specialize in the export of those products which it can produce at the lowest relative cost. It is for this reason that it is argued that developing countries would maximize the benefits of international trade only by confining their production activities to those that offer the least cost of production, such as agricultural products, raw materials and the like. Mathematical presentations are produced to show how advantageous specialization is for all the participants in international trade.

It is not argued, of course, that the benefits of international trade are distributed equally. Rather, the central thesis of the theory is that free international trade will benefit all nations of the world even though the benefits may be disproportionately distributed «depending on world demand conditions and cost differences for different commodities in different countries» *(3).* Secondly, classical free traders argue that free trade will ***maximize global output*** by permitting every country to specialize in what it does best and thus concentrate on the production of those goods in which it has a comparative advantage.

These, then are the central tenets of the classical labour-cost model of international trade. As most economists would admit today, this is a static model based strictly on a one variable factor labor cost. Its twentieth-century variant, named the «Hecksher – Ohlin model», after its two Swedish proponents, Eli HECKSHER and Bertil OHLIN – attempts to inject a dynamic into the classical model by taking into account differences in factor supplies (mainly land, labor, and capital). Unlike the classical labor cost-model, where trade arises because of fixed but differing labor productivities for different commodities in different countries, the factor endowment model assumes away inherent differences in relative labor productivity by postulating that *all countries* have access to the same technological possibilities for all commodities. Were domestic prices the same, all countries would use identical methods of production and thus have the same relative domestic product price ratios and factor productivities. The trade arises not because of inherent technological differences in labor productivity for different commodities between different countries but because *countries are endowed with different factor supplies.* Thus some countries have abundant labor supply while others are better-endowed with capital. Countries with abundant labor will thus have a relative cost and price advantage over countries with relatively expensive labor in those commodities which make abundant use of labor (e.g. primary products). It is therefore logical that they should specialize in the production of these labor-intensive products and export the surplus in return for imports of capital-intensive goods.

By the same token, countries well endowed with capital will have a relative cost and price advantage in the production of manufactures goods. By specializing in the production of these goods, they can export their capital-intensive manufactures in return for imports of labor-intensive products from labor-abundant countries. Trade, therefore, serves as a vehicle for a nation to capitalize on its abundant resources through more intensive production and export of those commodities that require large inputs of those resources, while relieving its factor shortage through the importation of commodities that utilise large amounts of its relatively scarce resources. The factor-endowment theory goes on to argue that capital-abundant countries will tend to specialize in such products as motor cars, sophisticated electronic communication, aircraft computers etc. while the *labor-abundant countries will specialize in those labor or land-intensive products* for which they are best suited and exchange them for the high-technology and capital-intensive products from the capital-abundant countries. It needs little imagination to identify which countries should specialize in the production of manufactured goods and which should specialize in the production of raw materials!

Thus whether we are examining the arguments of the classicists or of their 20th century protégés, the traditional arguments for international trade are that it: – 1) stimulates economic growth 2) promotes international and domestic equality of factor returns and raises the real income of trading countries by making efficient use of each nation's and the world's resource endowments and 3) helps nations to achieve development by promoting and rewarding those sectors of the economy where individual countries possess a comparative advantage whether in terms of labor efficiency or factor endowments.

The policy implication of the theory is obvious: to promote growth and development, an outward-looking internationalist policy is required. Self-reliance and autarchy are denounced as illusory. These arguments and their policy implications were accepted in toto by most Third World economists until quite recently. So compelling was its logic (because they were confined to the world view of the conqueror) that few Third World scholars reflected on the global political context within which the theory germinated. They thus failed to realize that just as the flag followed the Bible, so did the theory follow the hegemony of the crown in the global struggle for domination by European powers. As HOPKINS so perceptively observed of 19th century rivalry among European powers: –

> *Free trade, though sometimes presented as a high minded principle capable of bringing prosperity with honor to the comity of nations, was in reality a passport to British Supremacy. In conditions of «equal» competition, Britain was likely to dominate most world markets because she could produce and transport manufactured goods more cheaply than could any of her rivals (4).*

It is my contention that much of bourgeois economic theory on trade and development, as on many other aspects of economic life is nothing but ideological rationalization for the perpetuation of the dominant position of the imperialist powers in the world economy. In what follows, I examine the effects of trade on the underdevelopment of Mozambique under colonialism. The central thesis is that international trade has been the source of the underdevelopment of Mozambique, as of Africa, Asia and Latin America.

ECONOMIC DEVELOPMENT IN HISTORICAL PERSPECTIVE

Economic development is a function of economic growth; without growth there is no development. The essential pre-requisites of economic growth are capital accumulation, and changes in the structures and organization of the process of production. The notion of capital implies economic surplus. Economic surplus is the difference between the actual current economic output and actual current consumptions, viz. current savings or accumulation. Historically, it is the size and mode of utilization of this generated economic surplus that determines the level of development of the productive forces of society and corresponding relations of production. Growth is then an interaction of these material and social processes. Hence the rate and direction of economic development is dependent on the mode of appropriation of the economic surplus and the necessary changes in the social relations which the process of appropriation historically engenders. The full utilization of this surplus within a given socio-economic formation, is the prime mover behind economic development.

Clearly the leading questions of economic development cannot be answered without a dynamic category of historical interpretation requiring a methodology which fuses economic, social and political forces historically. The concepts of the mode of production denotes the historical specificity of an economic system. The conceptualization of distinct or specific stages in the development of socio-economic systems may begin at the level of class relationships – producer to non-producer – and each to other sections of society. This periodization of the history of economic development facilities an identification of crucial points and forces in the process in which the tempo of growth is accelarated, the continuity broken by a sharp change in direction, or the blockage of particular socio-economic formations takes place *(5)*.

Although each mode of production is distinguished by a definite set of class relations and organization of production, systems are never «pure» in form. Elements of both preceeding and succeeding modes are to be found intermingled: yet each mode of production is articulated under a dominant form of capital. This capital exists in different forms at different stages of history according to the specific mode of production. To each mode of production corresponds a dominant circuit of capital (money, merchant capital, industrial capital, or finance capital), as well as a dominant method of surplus appropriation (rent, profit, or interest). Since modes are never pure, different forms of capital and methods of appropriation may exist at a given historical conjuncture, and different modes of production are accordingly articulated within a specific socio-economic formation. This process-capital accumulation and appropriation – is a historical dynamic: the dominant circuit dissolves previous modes of production, and gives birth to new modes of production.

The articulation of modes of production, the introduction of forces changing the character of productive forces and social relations, is conditioned by trade relations. Trade, the exchange of commodities via the circuit of merchant capital, has historically dissolved precapitalist modes of production. Yet this process of dissolution and articulation – economic development – cannot be analyzed merely with concepts rooted in relations of exchange. The causal, historical analysis of the *process* of economic development cannot be derived solely by a construction of exchange relationships. The concept of the mode of production, the articulation of patterns of surplus production and utilization, is affected at the level of exchange. Nothing is explained since exchange analysis is one of price equivalents. This positivist, structuralist approach to international trade and economic development, by assuming a given level of production or factor endowment and consummating in quantitative analysis, ignores the crucial, historical social division of labor that is the content of factor endowments and production. The identification of the real functions of trade in the process of economic development must be rooted in the relationship of trade to the specific mode of production. These functions include the transmission of new circuits of capital which impinge upon and change the pre-existing mode of surplus production and appropriation.

The role of trade then in changing the mode of production – the acceleration, blockage, or disruption of the process of articulation – is a fundamental foundation for a historical theory of underdevelopment.

Analysis of the form and content of trade in the penetration of pre-capitalist economic formations or mode of production in Mozambique as in all colonial territories, must be rooted first in the specific, objective economic character of the metropolitan mode of production, and generally in the position of its economy in the world political economy at different periods.

MOZAMBIQUE AND PORTUGUESE CAPITAL

The Portuguese penetration of the Mozambican coast in the 16th century was followed by the settlement and the expansion of the regime *dos prazos* in the Zambesi Valley over the 17th, 18th and 19th centuries. The prazos were essentially landed estates organized and headed by the Portuguese settler. These estates were feudal in character, marked by a definite system of land tenure and class relations – a hierarchy of overlord, vassal (colono), and slave. *Modus operandii* were developed between the prazeros and the adjacent communal kingdoms of the interior of Mozambique. Trade in tribute was the early means of this exchange with the kingdoms, and the source of the *colons* and slaves. Regional trade during this period, 1700–1850, was highlighted by the extraction of ivory and gold by the coastal Portuguese merchants, and intra-*prazo* trade conducted by a vassal slaving class-*misambodzi.* The feudal prazo system was not tied to the Metropole, but rather organized against Portuguese intrusion. Tenuous links with the Portuguese merchants resulted in an absence of economic incentives or pressures to increase production on the *prazo.* Economic organization was limited then to simple commodity production of use-values such as sorghum, millet and maize. The feudal system of class relations was in flux, the capacity for accumulation by the *colonos* led to a plethora of non-European *prazeros* by the early 1800's. Yet the system lacked a structural basis for an expansion of the forces of production due to the absence of external trade relation. Class tension within the prazero system gave rise to disintegration and short life-times for organized estates. Continuous raids by local *prazo* slave bands and intrusions by the surrounding kingdoms yielded the mode of production to be highly unstable. The period of prazo disintegration (1780–1850), the growth of fuedal warfare, landlord absenteeism, and agricultural stagnation stemmed from the structural incapacity for surplus production from the existing mode of production. The feudal mode began to disintegrate before really penetrating and changing the pre-capitalist kingdom form of production. Nor were the merchants trading in ivory and gold to seriously impinge on the mode of pre-capitalist production during this period. Instead, contradictions in the *prazo* mode gave rise to a new form of surplus accumulation.

Slave trade was the dominant form of accumulation from 1800–1850 in Mozambique. Approximately 10,000–25,000 slaves were appropriated per year during this period, depending on the success of hunt and the *demand* of merchant capital. The surrogate *prazeros,* European and non-European, extended the trade deep into the interior, reaching up to

Lake Nyasa and south to the Limpopo region. This large scale exportation of natives during this trade, the depopulation of the traditional lands according to the dictates of coastal merchant capital, marked a fundamental disruption of the process of development in the precapitalist economic formations. The trade in slaves and consequent depopulation preempted population pressures which historically generated changes in productive technique and social division of labor of an economic formation. The essential condition for economic development, the maximum use of a given formation's *key* natural resources – human labor – was systematically blocked by the operation of slave trade under merchant capital.

The Portuguese State was conspicuously uninvolved in the organization of the slave trade in Mozambique. In fact, the egregious absence of Portuguese military or political presence characterized this period in Mozambique. The Portuguese mode of production, largely feudal and by far the most heavily indebted country in Europe, lacked the resources necessary to organize an administrative network for control in Mozambique. However, intensified economic competition in the world political economy among the European capitalists generated a Portuguese effort for consolidation and control. A modicum of control was established by the 1880's in order to substantiate Portugal's claim for colonies at the Berlin Conference of 1884–86. The Conference and the partitions of Africa which followed multiplied the means available for the reorganization of the mode of production in Mozambique.

Portuguese colonial policy in Mozambique was designed to utilize trade and merchant capital to transform the *prazos* into an effective economic institution for the promotion of agricultural production and the export of commodities. The instruments for the expansion of trade and the circuit of merchant capital were three companies chartered in the 1890's: the Mozambique Compnhia (backed by British, German, and South African Capital), the Niassa Companhia (backed by British Capital), and the Zambezia Companhia (backed by British, French, German, and South African Capital). Land leaseholds to these monopoly trading companies covered 2/3 of the land area of Mozambique by 1900. The Zambezie Companhia, the largest and most profitable, spearheaded the transformation of the interior via merchant capital. European plantations were subsequently developed for sugar, sisal, copra, and cotton production. The colonial state instituted a system of forced native mobilization through taxation so that commodity production may expand. Yet the extent of the penetration of marchant capital, the expansion of commodity production, and the dissolution of the precapitalist economic structures was circumscribed during this period (1890–1915). The companies were highly speculative and lacked the capacity (capital) needed to develop the territory leased. Instead, a large share of surplus was reaped from taxation – an exorbitant hut tax on the precapitalist formations, and a tax to be paid in kind (forced labor). An additional source of surplus was labor recruitment and shipment to the South African or Rhodesian mines. Peasant revolts began on a wide scale in 1878, and developed into the full scale rebellions to Sena-Tonga, Makange, and Muenemutapa by the turn of the century. The military power of the colonial state was frequently called upon to crush these revolts in the kingdoms. In this period then the penetration of

the precapitalist modes of production and transformation was minimal. By 1915, less than 1 % of the land of the fertile Zambesi Valley, the *prazo* belt, was under cultivation, and the mining mode of production was equally undeveloped.

These prazo merchant companies then were the vehicles of merchant capital in the penetration of the precapitalist economic formation in Mozambique. The process was one of the penetration and undermining of the simple commodity mode of production, and its subordination to the demands of merchant capital (allied with the state). As Kay so eloquently describes the process: «The accumulation of merchant capital required an expansion of commodity production which sooner or later disrupts the social organization of production itself. Even where merchant capital does not threaten to seize control of production directly and reorganize it on a capitalist basis... by always challenging the social organization of production, it undermines the economic and social basis of the ruling class. As the sole form of capital and sole medium of the law of value, which its drive to accumulate transmits to all spheres of economic activity, merchant capital is the acid in which the structures of non-capitalist society are dissolved» *(6)*. The massive resitance and revolts from the precapitalist sector manifest the struggle against the undermining of the social basis of the mode of production, as Nigeria's experience also testifies.

To underline the dynamics of the circuit of merchants capital, a recapitulation is in order at this juncture. The character of a simple commodity produced is too-fold; it has use value and exchange value *(7)*. Merchant capital transforms precapitalist production from that of simple commodities to commodities for exchange value in trade. The local producer in Mozambique as in Angola or Nigeria under colonial rule, was therefore exposed to new needs which could only be realized by participation in the production of cash crops – either the sale of labor power and/or the fruits of labor. The transformation of simple commodity production under the circuit of merchant capital robbed production of its largely independent form (domestic use and exchange value), but it was not capable of completely transforming the entirety of precapitalist formations. «The development of merchant capital tends to give production more and more the character of production for exchange value... yet its development is incapable by itself of promoting the transition from one mode of production to another» *(8)*.

Merchant capital is trading capital, the commodity has value before the act of exchange, in the form of crystallised abstract labor so that value creation is not a function of exchange, but rather of production. Merchant capital, expressed by the circuit M-C-M (Money-Commodity-increased Money) *(9)* is a process of profit via unequal exchange – the price of sale is higher than that of purchase. Merchant capital then merely makes the value of the commodity apparent. It cannot, by its very nature, increase the value of commodities. The surplus seized is largely penned up in the sphere of circulation, and utilized to expand trade but *not* the forces of production. Merchant capital in its independent form then operates without regard to use values. The objective mechanism of the circuit-unequal exchange – is identical with slaves as with agricultural commodities.

This independent medium bearing law of value of merchant capital reorganized the pattern of production to that of exchange value for *external* sources. Herein lies the basis of the dislocation of production from consumption, the substitution of exchange value for use values in commodity production, and the origins of the disarticulation of the structures of production and vertical integration. Without a class to resist the demands of this merchant capital, which was blocked by the earlier disruption of the development of feudalism in Mozambique, production developed on the basis of an alien mode of production and circuit of capital. Therefore the independent form of merchant capital stands in inverse proportion to the general level of economic development of society *(10)*. Since independent merchant capital did not transform the precapitalist formations, neither the necessary socialization of labor (the development of a structural *interdependence* of sectors of production) or socialization of capital (the capital of directly associated capitalist producers) was realized. This expansion of trade under these condition aggravates and intensifies the structural distortions in the mode of production.

A key determinant of the development (form, content and operation) of merchant capital and trade in Mozambique was social relations in the Metropole mode of production. The peculiar, objective conditions of the Portuguese economy historically influenced the nature of Portuguese colonialism and therefore the economic development of Mozambique. The position of the Portuguese economy in the international political economy at the turn of the 20th century was still one of an underdeveloped, largely feudal state. The ruling class was dominated by feudal land owners or in other words, the class structure was such that an increase in cash crop or raw material production in Mozambique would advance industrialization in Portugal and undermine their social base. Therefore in the earlier period, merchant capital pursued commodities of high surplus value but not directly of high Metropolitan exchange value: human slave labor. Initially, markets for commodities were realized outside the Metropole. It was not until the 1910–30 period – that of expanded Portuguese industrialization and changes in restrictionist colonial trade policies – that the operation of merchant capital rapidly expanded commodity production. The Portuguese State also began to take advantage of the protected overseas market. This reciprocal element in the operation of merchant capital ensured a distorted division of labor between Mozambique and Portugal. The extent of the distorted specialization is reflected by the following: in 1937, of the 40 principal exports from Mozambique, the quantity of manufactured exports totalled less than 1 %. Hence the articulation of the mode of production in Mozambique by merchant capital denied that mode the dynamics of the industrialization process. The reciprocal dynamic of merchant capital also served to arrest change in social relations in Portugal *(11)*. The landed ruling class was able to defer the contradictions of repressing the level of industrialization by dumping goods which would have been uncompetitive on the international market (limited industrialization implies low economies and high costs of production) into Mozambique *(12)*. This arrest prolonged the operation of the circuit of merchant capital in Mozambique.

Without revolutionizing the mode of production, the further extension of the circuit of independent merchant capital only increased the dependence and worsened the condition of the direct producers in Mozambique. The expansion of commodity production leaves the producer dependent on the monetized economy for provision of necessary use values for social reproduction. Yet this is only part of the picture: the impact of the colonial superstructure, the ideology of the colonial state as formulated in the 1890's was to have an important influence on the forms of economic development and the condition of labor. The foundation of colonial labor policy was objective in the sense that it conformed first to the structural distortions as articulated by merchant capital. The *form* the policy took though was racist; the policy was never designed to secure a modicum of social improvement for the African. The state explicity stated its ideology in 1898: «the state, not as a sovereign for the semi-barbarous population but also as a depository of social authority, should have no scruples in obliging and if necessary forcing these rude Negroes to work, that it is to better themselves through work, to acquire through work the happiest means of existence, to civilise themselves through work» *(13)*. An ideology conforming to the monetizing dictates of merchant capital, the fact was that landowners doubled as officials ensured that the state was directly involved in maintaining social relations in the same mold. The State earlier on realised its historic role in coherring and reproducing the social relations of a given mode of production. The history of the role of the state in labor relations in Mozambique is in large part the history of the ruthless exploitation of the Africans through a system of quasi slavery – the institution of forced labor or *shibalo*. The labor, vagrancy and taxation operated in tandem to force the African to enter the cash bound market economy, and control those already involved in that economy. Resistance from the precapitalist economic formations was dealt with by the Labor Conventions of 1913 and 1928 with Pretoria and the Transvaal for the annual conscription of 80,000 Mozambican workers per year for the mines. The state actively utilized merchant capital to break down the precapitalist mode of production either by transferring labor to the sphere of commodity production or out of the economy altogether. The transformation of precapitalist structures from a mode of simple commodity production to capitalist production (in the strict sense of the sale of ones labor power) was limited to cash crop regions along the coast and the stevedores of the ports *(14)*. Wage labor *perse* was not effectively institutionalized on a wide scale until after the strikes and organized resistance of the 1920's and 1930's forced changes in social relations *(15)*. Shibalo is the objective historical solution to the labor problem. Nevertheless, at given junctures the predominant set of social relations is no longer effective in promoting economic growth and become fitters on the productive forces *(16)*. This does not imply that *Shibalo* was systematically eliminated following the class struggles of the 1930's for it was still in operation at the time of independence.

The independent form of merchant capital then extended and stimulated commodity production during the period 1890–1920, but did not completely dissolve the precapitalist formations of the interior. The restriction on merchant capital is that it can only appropiate a portion of

surplus value, yielding the balance of production profits to the class in control of the means of production. The distinction here is crucial: surplus value versus profits (rate of profit = c ‹· v + s), wherein surplus value appropriated by the merchant is a minor, relatively fixed proportion of productive profit. The rate of surplus accumulation depends then not on the absolute value of the surplus value and profit, but on surplus value relative to total capital advanced in the process of production. Again the circuit of merchant capital is one which intersects in the market and does not directly expand the capital in production. The objective necessity to systematize the rate of capital accumulation and tensions at the level of social relations, i.e. stagnating profit rates, forced merchant capital to recompose itself into industrial capital and enter the sphere of production. The recomposition was initially facilitated by the financial and economic autonomy granted to Mozambique during the brief period of the Portuguese Republic *(17)*. A merchant-manufacturing element, with property in land ownership of the party means of production, strengthened its class position by expanding simple industrial raw material processing centres along the coast. The process was fettered by tariff and restrictionist development policy in Portugal, ensuring that industrial capital entered the productive structures as developed by independent merchant capital. Merchant capital was transformed from its independent to dependent form, operating as an agent of industrial capital. The task of industrial capital, on the other hand, is to increase its share of the surplus by transforming production – increasing surplus value and profit.

Industrial capital has historically defeated merchant capital, ripped off the fetters on productions by the extension of capitalist relations of production, and expanded the forces of production. Industrial capital intersects in the sphere of direct production: $M{-}C^{L}\ MP....P....C^1{-}M^1$, where money is utilised to purchase commodities (labor and the means of production), which are expanded in the process of production (P) yielding a greater value of commodities (C^1), and sold at a profit (M^1). Industrial capital then increases surplus value and profits in the process of direct production. Social relations are transformed as the laborer sells his labor power to the capitalist in exchange for the production of commodities – he sells not the fruits of his labor (precapitalist), but his labor power *(18)* (capitalist). The necessary socialization of capital and labor through concentration and centralization-historically expand under the circuit of industrial capital. Yet the distortions in the structures of production in Mozambique, as in Angola, articulated under independent merchant capital, precluded this historic process of capitalist development to take effect. Instead industrial capital disarticulated the modes of production by expanding the production of industrial exchange values for trade.

The expansion of cashcrop production and light industrial production was accompanied by the development of the mining mode of production and the railroad in the 1930's. The spatial patterns of railway development was exclusively horizontal, from the interior to the sea. The Organic Charter of 1933 and the institutionalization of the *regime do indigenato* (system of wage labor) sparked off the anger of the capitalist class in Mozambique. This class viewed the Charter as another mechanism for the perpetuation of the economic milking and blocking of the development of

Mozambique. The capitalists, in alliance with their counterpart in Portugal, suceeded in expanding the capitalist relations of production (the circuit of industrial capital) throughtout the 1940's and 50's in Mozambique. Domestic industrial interests were able to secture protection for nascent manufacturing through import permits and custom duties from the Board of trade. Production for trade was articulated in the sectors of minerals, agriculture and light manufactures. A key exception here was the principal cashcrop of the capitalist sector-cotton. Cotton processing was exempted from the process of industrial capital due to the Portuguese provision for the duty-free entry of textile goods from both Macau and the metropole. Thus the key role of the textile industry historically in economic development was pre-empted by the state restriction on the circuits of capital. The bulk of agricultural production continued to be subsistence production in the precapitalist regions: maize, beans, rice., and peanuts. Low levels of production in the precapitalist sector, reinforced by low-fixed producer prices and stringent local agricultural trade boards, resulted in food shortages in the cash crop areas. Starvation was chronic in the cotton growing regions during this period.

International economic relations from 1850–1946 between the Portuguese metropole and Mozambique then were mediated by merchant capital first in its independent and later in its dependent form as an agent of industrial capital. This is the structural context of the underdevelopment of Mozambique. The circuit of merchant capital lacked the capacity to dissolve completely the precapitalist mode of communal production in the interior, and organized the productive forces into the monetized production of exchange values. Merchant capital in its independent form lacked the capacity to develop socio-economic formations necessary for the systematization of capital accumulation or the socialization of capital and labor. Within this context, in its drive to systematize capital accumulation within dislocated sectors of production, the dependent form of merchant capital merely served to reinforce the structural dislocations, and the expansion of this trade deepened and reproduced these dislocations. The circuit of dependent merchant capital and industrial capital was conditioned not merely by the political power of the capitalist class in Mozambique; the production specialization between the metropole and Mozambique ensured, first, a source of cheap raw materials imports and protected market for Portuguese exports. It was this contradiction that was paramount, and not that of a high rate of capital accumulation and declining rate of profit that is endemic to advanced capitalism. (The later would have accelerated the circuit of industrial capital).

The state under Salazar was composed of an alliance of landed proprietors, bankers, merchants and petty industrialists *(19)*. The dominant element during the period 1930–50 was the landed class who continued to effectively restrain the expansion of capitalist industrialization. This factor explains the limited circuit of industrial capital in the Portuguese colonies. It is only at a high level of development of the capitalist mode of production that surplus capital (industrial capital) becomes available on

a wide scale. The process goes thus: the capitalist mode of production determines the value of a commodity according to the value used up in the means of production (capital, equipment, constant capital or c), the value produced by socially necessary labor (variable capital or v) and the value produced by surplus value. The rate of profit s/(c + v), can be expressed algebraically as function of the rate of surplus value and/or the change in the organic composition of capital (c ÷ v):

$$\text{rate of profit} = \frac{s/v \text{ (rate of surplus value)}}{c/v \text{ (organic composition)} + v/v}$$

Hence the rate of profit rises with an increase in the rate of surplus value and falls with an increase in the organic composition of capital *(20)*. In the long run, under the capitalist mode of production, there is a tendency for the organic composition of capital to rise more rapidly than the rate of surplus value, therefore the rate of profit decreases. Operationalizing the circuit of industrial capital under these conditions counteracts the falling rate of profit. The low level of development in the capitalist sector in Portugal, precluded the generation of surplus capital on a large scale, so that merchant capital, the mechanism for the resolution of the production/ consumption contradiction, held greater reign than in other colonial territories. These factors explain the extended predominance of merchant capital, the late and limited introduction of the circuit of industrial capital, and content of capital goods in Mozambique.

Part and parcel of the circuit of industrial capital is capital goods. Although the Portuguese economy was able to benefit from the protected Mozambican market, the underdeveloped character of capitalist production prevented it from realizing the full fruits of its monopoly. The configuration of imports reflects the position of Portugal in the world political economy, i.e. a junior partner of international capitalism *(21)*.

STATE CAPITAL

The low level of productivity of capitalist industry in Portugal forced the state to assume a dominant role in the circuit of industrial capital in Mozambique. The increase in the share of Portuguese state capital in total fixed capital investment (as opposed to private national capital) in Mozambique increased from 28 % in 1936 to 45 % in 1960 to 79 % in 1963 *(22)*. In terms of the crucial utilization of this economic surplus, total exports of profits on investments increased from 207 million escudos in 1957 to 357 million in 1965 *(23)*. This is only the removal of profits on investment, distinct from the losses of capital in the form of underpriced exports as manipulated by the Portuguese in the unequal exchange of trade *(24)*.

Unequal exchange, the objective force behind the circuit of merchant capital ($M-C-M^1$) continues under the circuit of industrial capital *(25)*. Yet since the amount of surplus value is a function of capital advanced to the forces of production, the amount of surplus, and therefore potential unequal exchange increases under industrial capital. There must be a general rate of profit in the system, i.e., an equal rate of profit in both consumer and capital goods industry to ensure social reproduction. But since different branches of industry have different organic compositions the

existence of this general rate of profit is inconsistent with the essential features of capitalist development. Commodities produced under branches of industry with a lower organic composition of capital sell *below* value to compensate for the excessive profit that would accrue to capital if sold at value. The difference in the organic composition of capital is rooted in the specific technical and organizational features of production, the objective condition of production. Low composition is marked by high raw material content, low wages (ineffective organization or repression of labor) and low level of constant capital. Returning to the formula for the rate of profit, $\frac{s/v}{c/v}$, changes in the mode of production are related to changes in s/v, the rate of exploitation, or c/v, the change in productive forces. The question of the rate of surplus value is one of class struggle – the power of the working class to bring the wage close to the value of labor power. An increase in labor productivity without an increase in wage i.e. increase in the rate of exploitation, cheapens the elements of c/v and reproduces the low composition. This pattern was institutionalized with *shibalo*. (The process was similar in Portugal as the repression of wage levels under fascism cheapened the elements of c and v, which was to limit the export of capital).

Structural and institutional forces kept down the organic composition of capital and repressed the rate of capital accumulation in Mozambique. The articulation of the modes of production through merchant and then industrial capital, the structural distortions articulated and reproduced by trade, served to block the development of the capitalist mode of production. Whereas historically technical progress is achieved through the judicious employment of capital and the drive for capital accumulation fuels the expansion of the forces of production, the dislocated modes of production precluded this process. Within this condition, the introduction of technical progress did not expand capitalist relations of production, but rather increased the rate of surplus labor migration to the mines to the south.

The different organic composition of modes of production and different wage levels determine that commodities are exchanged at equal rates of surplus value. Exchange is unequal not in the sense of a real loss, *but in a failure to gain.* Trade then under these conditions involves the systematic transfer of surplus value from productive forces characterised by a low organic composition to those of a higher composition (to those who control these means of production).. The surplus value is appropriated and realized at the level of exchange, is transformed into merchant capital, and transferred abroad. Trade and unequal exchange then, by transferring the *potential* economic surplus out of Mozambique, reinforced the dominance of merchant capital in the articulation of economic development. Historically then, capitalist relations of production, the dynamics of increasing the rate of surplus value, capital accumulation, and the socialization of that capital, are progressive to economic development. The process is the basis for the expansion of the forces of production and catalyzes changes in the social relations which previously acted as fetters on the expansion of the productive forces. The dynamics of foreign trade under these conditions are to «cheapen the elements of constant capital and partly the necessities of life for which variable capital is exchanged,

and maintain the rate of profit by increasing the rate of surplus value and lowering the rate of constant capital» *(26)*. Clearly trade under the circuit of industrial capital within the structures of production developed by merchant capital, the dislocations and partial articulation of the capitalist mode, is qualitatively different from the operation of trade under the advanced capitalist mode.

The class configuration in Portugal changed with the growth of the manufacturing industry from 1950–1960; the distribution of power within the ruling class alliance began to shift from the landed class to big business and foreign finance capital *(27)*. Finance capital, the final circuit of capital in economic development, expressed as $Mf-Mf^1$, or in production as $Mf - C...P...C^1-Mf^1$, realizes surplus in the form of interest. The change in the class structure of the Etato Novo affected the colonies in that the expansion of capitalist production and finance capital generated an increase in the operation of capital circuits in Mozambique. Foreign investments in Portugal, i.e. the circuit of industrial/finance capital as a percentage of total annual investments increased from 0.8 % in 1959 to 10.5 % in 1962 and to 26.7 % in 1966 *(28)*. The pattern was therefore reproduced in Mozambique as commerce, industry, and agricultural production was expanded and then opened to foreign capital *(29)*. The penetration fueled the expansion of the mining and manufacturing modes of production. The pattern of articulation is reflected in the following table : *(30)*

Item	Percentage	Value of total	Exports
	1946	1962	1969
Raw materials	81	65	40
Mining	1	12	11
Manufacturing	18	22	45

The penetration of foreign capital into Portugal manifested the traditional pattern of forces behind the character of capital circuit transmission between the metropole and Mozambique. Again the character is one of reflex colonialism. The operation of the circuit of finance capital in Mozambique was dominated by non-national international finance capital which exercised an important role in the allocations of the Mozambican development of the 1950's and 1960's. Foreign sources of financing' development plans' increased from 5.8 % under the First (1953–58) to 25 % in the Second Development Plan, with a corresponding decrease in state funds from 63.5 % to 41.5 % *(31)*. Furthermore, the principal sectors of national (metropolitan) investment from 1953–64 were as follows: (32)

Communications and transport	61.5 %	33.6 %
Agriculture	26.9 %	14.5 %
Industry	9.8 %	29.4 %

On the other hand, principal average sectorial investments of total capital from 1967–73 were:

Communications and transport	33.6 %
Agriculture	14.5 %
Industry	29.4 %

It can be deduced that foreign capital tended to flow to the industrial sphere during this period, while national capital was relegated to infrastructure. By the time of the Third Development Plan (1968–73), 34 % of total investments were for mining and manufacturing *(33)*. This increase in international capital, the rapid increase in the articulation of the mining and industrial modes, attended the 1965 Investment Law of Mozambique. Facing an increased shortage of operating revenue and low national capaty for funds, the Portuguese legislation for Mozambique provided for guarantees against discrimination of foreign capital on the basis of origin if the source was an OECD, IMF, or IBRD member, full remittance of profits on the capital investment (Portuguese national capital faced a 20 % ceiling and a provision for 100 % foreign ownership) *(34)*.

Therefore, Portugal, Portuguese circuits of capital, assumed a subordinate role to international circuits of capital, content with skimming the surplus from taxation on productivity. Industrial resources were capitalized by foreign industrial capital, and increasingly international finance capital supplanted state capital. The major share-holders in the Banco Nacional Ultramar, the Overseas Territory Bank, were Societe General de Belgique, Barclays and the Standard Bank of South Africa (backed by U.S. finance capital). Moreover, what is significant is that Portugal's policy of increasing the volume of foreign investment in Mozambique coincided exactly with the start of the national liberation movement. The aim of this policy was to gain increased financial and industrial support from the foreign capitalist to continue to assist Portugal in the exploitation of the natural and human resources of Mozambique. In this sense it did not differ from the general historical pattern.

The development of new patterns of trade subsequent to the transmission of new circuits of production, besides changing the forces of production, had determined effects on class relations in Mozambique. The concentration of the organization of production generated the organization of labor as well. The history of resistance, evinced by the revolts of the kingdoms developed its counterpart in the growth of trade unionism, militant strikes, and general peasant struggle against *shibalo*. Class consciousness was intensified by the state's brutal attempt to overcome the structural contradictions rooted in the economy.

The level of extraction of the economic surplus in the form of both profits and interest under these latter circuits of capital grew exponentially. Export of profits on national capital investments increased from 287 million escudos in 1955 to 689 million in 1964, and 826 million in 1965 *(35)*. Indeed it was the overall balance of payments of the escudo zone which as a rule re-established equilibrium in the Portuguese balance of payments from 1947–62. In terms of finance capital, payments on finance debts in Mozambique increased from 18 million to 158 million in 1964, and jumped to 380 million escudos in 1970 *(36)*. Of this surplus appropriated by finance capital in 1960, approximately 19 % of the debt service was non-national. By 1970 this figure had increased to 47 %. The leakage of this economic surplus into international finance assisted in the aggravation of underdevelopment. In addition, finance capital, operating without regard to use value of the commodities it may be utilized to produce, merely accentuated

the disarticulation of the economy by entering into the distorted structures. Nor does it play any role in changing the pattern of trade which produced and reproduces the structural distortions.

CONCLUSION

To sum up, I have argued that the underdevelopment and peripheralization of Mozambique in the world economy is organically linked to the penetration of the precapitalist Mozambican economy by Portuguese capital-merchant, industrial and finance capital in that order. The circuits of these capitals, I have argued, imposed the capitalist mode of production on the people of Mozambique resulting in the unequal exchange that characterize the relationship between Portugal and Mozambique. International trade became the vehicle for sustaining that relationship, producing opulence for the metropole and misery for the colony.

This is because the basic assumptions of the theory of international trade – the assumption of fixed productive resources, of fixed technology of production and of consumer sovereignty, of international immobility of capital and skilled labor, of the foreign role of national governments in international economic relations – do not stand up to close scrutiny. Not only are these assumptions contradicted in the real world; monopolistic and oligopolistic market control of internationally traded commodities have enabled multinational corporations to manipulate market prices, supplies and even demands, in their private interests. Thus instead of competition, as posited by international free traders, we find today, joint producer activities and oligopolistic bargaining among giant buyers and sellers as the most pervasive price and quantity determining force in international economic relations. Even more decisive for the perpetuation of the unequal exchange that characterize trade between the rich and the poor nations is the politicisation of international economic relations whereby national government intervene to prevent the workings of market forces that disfavour their economies. Thus politics and economics become a seamless web as mercantilist practices – trade wars, tariffs, quotas etc... replace free trade theories in the foreign economic policies of the dominant states of the international system. Still, the neo-classicists continue in their illusion that international trade promotes development, for as MARX prophetically remarked:

> *If the free traders cannot understand how one nation can grow rich at the expense of another, we need not wonder, since these same gentlemen also refuse to understand how within one country on class can enrich itself at the expense of another (37).*

NOTES

1. R.O. Ekundare, *An Economic History of Nigeria: 1860–1960* (New York, Africana Publishing Company, 1973) p. 200.
2. Michael P. Todaro, *Economic for Developing World* (London, Longman 1977) p. 301.
3. For a comprehensive explication of the classical and neo-classical theories of free trade, see Peter Kenen, *International Economics* 2nd Edition (Prentices Hall, New Jersey 1967) and Gerald M. Meier, *The International Economics of Development: Theory and Policy,* (Harper & Row, New York, 1968) esp. Chapter 2.
4. A.G. Hopkins, *An Economic History of West Africa* (New York Columbia University Press, 1973) p. 157.
5. See Maurice Dobbs, *Studies in the Development of Capitalism* (New York, International Publishers, 1963) pp. 1–82.
6. Geoffery Kay, Development and Underdevelopment (New York, Saint Martins, 1975) p. 127.
7. Karl Marx, Capital, Volume I (New York, International Publishers 1974) pp. 1–45.
8. Karl Marx, Capital, Volume III (New York, International Publishers 1974) pp. 323–337.
9. For a simplified explication of circuits of capital see Paul M. Sweezy, «Marxian Economics», *Monthly Review* Volume 28, No. 7 (December 1976) pp. 1–6.
10. Karl Marx, Capital Volume III, p. 328.
11. It is not fortuitous that the Portuguese colonies were unique in having the value of their trade as a percentage of total value of trade decrease from 4.37 in 1906 to 4.20 % in 1956. Every other colonial territory increased its value by at least 75 %. See S.H. Frankel, «Capital Supplu and Development» in E.A.G. Robinson, Ed., *Economic Development for Africa South of the Sahara,* (New York, St. Martins Press, 1964) p. 411.
12. The contradications of the Portuguese mode of production can be viewed as related to the development of industrial capitalism in Western Europe, in that the merchant capital of the latter did not penetrate and transform the feudal mode of production in Portugal. Does this explain the relatively advanced condition of economic underdevelopment in Portugal to the emergence and stability of fascism?
13. James Duffy, *Portugal in Africa,* (Cambridge, Havard University Press, 1962) p. 132.
14. Karl Marx, Vol. I, p. 168.
15. James Duffy, op. cit., p. 151.
16. Eric Williams, *Capitalism and Slavery* (new York, Capricorn Books 1966) p.15
17. James Duffy, op. cit., p. 170.
18. Eric Hobsbaum, *Industry and Empire,* (London, Penguin Books, 1969) p.30.
19. James Duffy, op. cit., p. 111.
20. For a simplified version of this process, see Piere Jalee. *How Capitalism Works* (New York, Monthly Review, 1977) pp. 49–64.
21. Capital goods imports from foreign countries: 1960

iron and steel	87 %
industrial machinery	88 %
agricultural machinery	98 %
railway machinery	94 %

22. V.L. Sheinis, *Portuguese Imperialism in Africa After World War II* (Moscow, 1969) p. 260.
23. Ibid p. 240.
24. For an illuminating explication of the concept of 'unequal exchange' see Aghiri Emmanuel, *Unequal Exchange* (New York, Monthly Review, 1972) and *The Imperialism of Free Trade* (New York, Monthly Review, 1972).
25. The analysis here differs sharply from Emmanuel's who assumes the surplus appropriated accrues to the workers in the metropole.
26. Karl Marx, Vol. III, p. 237.
27. James Duffy, op. cit., p. 183.
28. Geoffery Kay, op. cit., passim.
29. V.L. Sheinis, op. cit., p. 269.
30. Frank Brandenburg, «Development, Finance and Trade», in D.M. Abshire, *Portuguese Africa* (New York, Praeger, 1969), p. 225.
31. V.L. Sheinis, op. cit., p. 240.
32. F. Brandenburg, op. cit., pp. 222–252.
33. Ibid.
34. Sheinis, op. cit., p. 274.
35. Ibid, p. 259.
36. United Nations, Economic Commission for Africa, Statistical Yearbook, (New York, U.N., 1973) p. 43.
37. Karl Marx, The Poverty of Philosophy, (New York, International Publishers, 1963) p. 223.

RESUME

L'une des mystifications qui a le plus duré concernant la structure et la dynamique de l'économie politique internationale est la thèse qui soutient que le commerce international favorise le développement économique national. Dans cet article, l'auteur essaie de montrer que pour le Mozambique, tel n'a pas été le cas. Au contraire le sous-développement et l'appartenance du Mozambique aux pays de la périphérie sont étroitement liés à la pénétration de l'économie Mozambicaine pré-capitaliste par les capitaux commerciaux, industriels et financiers Portugais. Les circuits de ces capitaux ont imposé à la population du Mozambique le mode de production capitaliste. C'est le commerce international qui a produit l'opulence pour la métropole et la misère pour la colonie. Cela a été possible grâce à la non mise en questions des principes fondamentaux de la théorie du commerce international qui ne résistent pas d'ailleurs à une analyse rigoureuse. L'auteur conclut son article en faisant remarquer que l'acceptation de ces principes doublée d'une politisation des relations économiques internationales ont entraîné la disparition des théories du commerce libre dans les politiques économiques étrangères des pays qui dominent le système économique international.