

PORTUGAL AND HER FORMER AFRICAN COLONIES:  
PROSPECTS FOR A NEO-COLONIAL RELATIONSHIP

by

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The several attempts that have been made to explain Portugal's refusal to grant her colonies independence have created the image of a static Portugal and of static colonial relations. This image is widespread among the critics of the Portuguese colonial regime. According to this conception, Portugal is an underdeveloped, agrarian country whose economic weakness did not allow her to introduce a market economy into the colonies, and this explains the maintenance of a repressive colonial system based on forced labor. Portugal's dependence on Europe, these critics say, makes the Portuguese ruling class puppets of the interests of international capital and has led to a situation in which the Portuguese bourgeoisie can draw some profit from the colonies only by direct political control. The poor competitiveness of the Portuguese economy in the international context, the critics continue, will not allow the Portuguese bourgeois classes to participate in the process of decolonization. Altogether, they say, Portuguese colonialism must be regarded as a primitive, violent and, in our times, an abnormal system.

This conception is not in accordance with current reality and in view of the developments that have taken place both in Portugal and in the colonies following the 25th of April 1974 coup, it is of the greatest importance to make clear the dangers inherent in harboring such an assumption. As regards Portugal, it would be a grave error, if -- because of the view that Portugal's ruling class is but a puppet -- the present struggle for democratization were directed primarily against imperialist countries instead of against Portugal's own bourgeois class. As regards the Portuguese colonies, the image described above would mean that the process of decolonization could be regarded as completed at the moment of political independence, thus ignoring or at least underestimating the attempts made by the Portuguese bourgeoisie to foster neocolonialist relations in order to secure continued control of the colonies, with all its consequences of continued underdevelopment.

Development of Portuguese Capitalism

Until the 1960s, the economic relations between Portugal and her colonies were based on the classic colonial pact: the colonies, on a preferential basis, supplied Portugal with agricultural products and raw materials at prices below world market prices, while

at the same time serving as a market for Portuguese low quality manufactured goods that were not competitive on foreign markets; furthermore, the colonies were a source of foreign exchange that was needed to settle Portugal's chronically unfavourable trade balance. The fact that the colonies supplied Portugal with raw materials prevented an industrialization of these territories, favouring instead the establishment of industries in Portugal. The foreign exchange gained by the colonies enabled Portugal to buy investment goods from foreign countries. Thus the colonial exploitation was limited to trade and to the beginnings of an exploitation of natural resources, capital investment in the colonies being of a negligible size. Such a relationship reflected the low degree of development of the Portuguese economy; for example, in 1960 43% of Portugal's active population was engaged in the primary sector and contributed not more than 26% to the GNP, the secondary sector employing 29.5% of the active population and contributing 37% to the GNP.<sup>1</sup>

It was also during the 1960s that the Portuguese economy began to move out of the stagnation that had lasted for decades and entered a dynamic phase. This was as a result of many factors, in particular though, it arose from the nationalist policy pursued by the *Estado Novo*. The Salazar regime was a compromise and an arbitrary government. Its function was, on the one hand, to coordinate the opposite interests of the weak bourgeois and thus protect the position of power against possible attacks by the non-privileged classes and, on the other, to screen the interests of these bourgeois classes against foreign capital. In short, the *Estado Novo* had the function of preserving Portuguese capitalism from internal and external dangers. The result of this policy was a slow but continuous establishment and strengthening of a Portuguese capitalism. The secular dependence on foreign countries was largely removed by making the access of foreign capital more difficult and by practising a policy of diversification, i.e. of shifting the economic relationship gradually from a nearly exclusive dependence upon England to relationships with numerous countries, no one of which was in a position to exercise decisive influence on the Portuguese economy. There were two factors favouring the accumulation of capital in Portugal. One was the active trade -- of foodstuffs but also, in particular, of wolframite -- that had profited from Portugal's neutrality during the Second World War. The second was the steady flow of foreign exchange engendered by the external trade of the colonies and controlled by Portugal's central bank.

This development was the basis for a change in the Portuguese economy, whereby the agrarian capital increasingly lost ground while the industrial and financial capital gained in strength. By 1967, the industrial sector employed a greater part of the active

population (34.6%) than the agricultural sector (34%), and in 1970 it contributed 45.5% to the GNP as compared with only 15.4% from the primary sector.<sup>2</sup> The first National Development Plans drawn up by Portugal mark a phase in which the large infrastructure investments made by the Portuguese state in the fifties began to bear fruit and where, at the same time, the large and closely interrelated industrial and bank groups began to arise. This strengthening of Portuguese capitalism was fostered by the process of European integration whose program was established at a moment when the Portuguese industrial and financial capital--now in a stronger position-- had just become able to cooperate with international capital and to defend its interests. The concentration of capital as we find it in Portugal today reflects this development: in 1971 168 companies, which is about .4% of the total number of 40,051 firms existing in Portugal, possessed 53% of the capital of all the companies. More than 10% of the total capital of all companies is concentrated in the hands of CUF, the greatest Portuguese group.<sup>3</sup>

#### The Renewal of the Colonial Pact

The economic relationship with the colonies in its old form turned into an obstacle for development and required a revision of both the Portuguese economic policy and the Portuguese colonial policy. The new position of Portuguese capitalism and, in connection with this, the creation of a basis of cooperation with international capital enabled the Portuguese bourgeoisie to orient the economies of the colonies according to the new necessities of the Portuguese economy; it furthermore made it possible for Portugal to survive for a number of years the impact of the liberation wars. Reflections of this overall change are the diverse reforms introduced in the seventies, culminating in the constitutional reform of 1971.

The new market requirements of the Portuguese economy resulted in a qualitative change in her colonial trade: the import by Portugal of mineral ores increased whereas imports of foodstuffs were reduced; and the Portuguese exports were diversified at the same time in order to comprise many qualities of products while the percentage of inferior goods (as wine and textiles) decreased. But more important than this qualitative change was the instructive general reduction in the colonial trade. While at the beginning of the sixties Portuguese exports went in the first place to the colonies, exports to the colonies were now increasingly reduced in favour of a vivid export to Europe (see table).

Portuguese Exports According to Countries (in%)

	<u>1960</u>	<u>1970</u>
Total	100	100
colonies	26	14
EFTA	21	41
<u>EEC</u>	22	21

Source: Comercio Externo, ed. INE, Lisbon

This change reflected the Portuguese economy's turning to Europe, a turn which was contrary to the interests of established agrarian and commercial capital after the prior development of the Portuguese economy within the framework of the Escudo Zone, i.e. the economic space comprising Portugal and her colonies.

The contradictions between Portugal's agrarian and commercial capital on the one hand and her industrial and financial capital on the other, were settled in favour of the latter, which assumed a clearly predominant position within the Portuguese economy. As a result, Portugal's economy became overtly directed towards Europe and the colonial trade significantly waned in importance while capital expansion gained momentum. A ready symptom is to be seen in the crisis of the "interterritorial payments". This development meant an expansion of the industrial basis of Portuguese dominant capital in the colonies; the initiation of a process of industrialization in the colonies controlled by the big Portuguese groups in close cooperation with international capital. By this strategy Portuguese colonialism found a way out of the impasse resulting from mere trade relations with underdeveloped colonies (and from the colonial wars) and it is now entering new markets and adapting itself to new situations of international competition.<sup>4</sup> The 25th of April marks the end of this development, as the function of the *Estado Novo* as coordinator and arbitrator of the diverse interests of the country's political-financial segments came to a close. Pursuing the interests of the now reinforced industrial and financial capital, a new economic, social, and colonial policy had become necessary.

There is a process of transition presently taking place from the exploitation of the colonies through colonial trade to the exploitation through capital penetration. The preconditions for this development have been created by increased infrastructural investments in the industrial, transport, and energy sectors, these investments having priority in the latest, i.e. the Third and Fourth National Development Plans.<sup>5</sup> The trend is the promotion of capital

accumulation in the colonies, as can be seen e.g. in the law on transfers of 1971 which makes it very difficult to transfer funds out of the colonies. This trend becomes evident also from the fact that the colonies' trade balances with Portugal for the year 1971-72 no longer show the chronic deficit of former years but are favourable for the colonies. From this one can conclude that the industrialization of the colonies is planned, although it will be kept within certain limits: the industries already established--or to be established--in the colonies are those that are no longer profitable through direct export into the Portuguese economy and emphasis will thus be shifted to internal colonial consumption and manufacture, as the Portuguese Secretary of State Rogerio Martins put it already in 1968, "We must transfer the textile industry from Minho to Angola."<sup>6</sup> These industries are of such low productivity (at the beginning mainly food, then later textile production, both of them limited to the supply of the internal market) that this allows Portugal to give up other unprofitable industries at home and specialize in products of higher quality such as instruments, machines, transport material etc. that can be exported to the colonies.

This entire process is accompanied by a strengthening of Portuguese capital in the colonies. In the course of this development, a new and unprecedented financial and monetary relationship of dependency is coming into existence. This is reflected in the formation of firms and banks in the colonies financed by Portuguese capital.

### The Activity of Portuguese Capital in the Colonies

Official statements on Portuguese capital export (medium and long-term) to the colonies are made for the first time in the balance of payments for the year of 1964, the amount exported being 130 Mio. Escudos. Since then an average upward trend can be discerned, the Portuguese private medium and long-term capital export in 1973 amounting to 668 Mio. Escudos, 213 of which were direct investments and 223 loans.<sup>7</sup> These data indicate the trend but do not show the full reality of the penetration of the colonies by Portuguese capital. The balance of payments does not take into consideration the self-financing of Portuguese firms in the colonies, their taking recourse to local credits and capitals and the "apports de capital en nature", thus the penetration must be assumed to be much higher. In order to form a general view of the financial dependence of the colonies on Portugal, not only the exports of private capital must be considered, but also the debts which the colonies have accumulated with respect to Portugal, mainly in connection with the National Development Plans. At the end of 1972, these liabilities amounted to 17.5 thousand million Escudos.<sup>8</sup>

The activities of Portuguese private capital by means of direct investments can be deduced from a glance at a number of firms operating in the colonies. In 1960, 65 companies with their legal seat in Portugal but operating in the colonies had in their hands a capital stock of altogether 1.7 thousand million Escudos, their revenue that year totalling 2.4 thousand million Escudos. In 1972, 41 such firms had a capital stock of 3.1 thousand million Escudos and an income of 5.1 million Escudos. In the same year (1972) a new Portuguese petroleum firm was founded in Angola, which alone had a capital stock of 110 million Escudos.<sup>9</sup>

A short survey of the activities in the colonies of only some of the largest financial groupings in Portugal conveys an idea of the strength of the Portuguese capital in the colonies. These groups either form the basis for the creation of those banks which are among the largest in Portugal, or they result from the existence of such banks.<sup>10</sup>

The *CUF group* comprising more than 100 integrated firms is the most powerful group in Portugal, a genuine imperium. It is controlled by the firm CUF (Companhia Uniao Fabril) which expanded its activities to the whole of Portugal, Angola, Guinea, and Mozambique, working mainly in the chemical sector, but also in many others, through the metallomechanic industry. In the colonies, through Companhia Textil do Pungue and the firm CICOMO in Mozambique and through SIGA in Angola, the CUF group participates in the exploitation of raw materials (in particular, sisal) for its textile industry. For its oil and soap industries it controls, through its subsidiary firms Casa Gouveia and Comfabril, the production of oil plants in Guinea-Bissau and Angola, these firms also serving to market the CUF products. In order to secure smooth communication between the raw material sources in the colonies and the manufacturing plant in Portugal, the CUF itself took over its own transport through other appropriate firms. CUF created the Sociedade Geral de Comercio Industria e Transportes (SGCIT), later it purchased the large Companhia Nacional de Navegacao which then incorporated the SGCIT and at present possesses about 20 subsidiary firms in Portugal and in the colonies, some for naval transport, others for loading and unloading, still others serve as only transport agencies. In 1971, before the merger of the two firms SGCIT and Companhia Nacional de Navegacao, they had in their hands 49% of the capital of the entire transport sector and earned 45% of the sector's income. Besides, CUF engaged in the repair and construction of ships. This sector is nearly exclusively controlled by the overwhelming interest of CUF in LISNAVE and SETENAVE. CUF's aim is to incorporate the entire sector. LISNAVE at present possesses three quarters of the capital and 62% of the income of all 45 firms active in this sector. Through LISNAVE, the CUF combine set up a number of naval transport firms directly in the colonies.

After having reached these enormous dimensions in the industrial sector, CUF purchased the bank Jose Henrique Totta and founded its own bank, the Totta-Alianca, with a subsidiary in Angola. In the insurance sector, CUF created the insurance Imperio which in 1972 collected one fifth of all premiums paid in this sector. It was joined by an insurance company in Angola.

The *Espirito Santo Group* (ESG) is led by one of the largest Portuguese banks, the Banco Espirito Santo e Comercial de Lisboa, the activity of which extends far beyond the banking business to insurance, soil exploitation, and petroleum mining in Portugal and in the colonies. In 1972, its deposits reached 32 thousand million Escudos and its capital stock was raised to 800 million Escudos. The Espirito Santo family holds 40 positions in 20 large companies with a nominal capital of more than 4 thousand million Escudos. Forty percent of these companies are active primarily in Angola and Mozambique. The group possesses in Mozambique the insurance company Companhia de Seguros Tranquilidade de Mocambique as well as 45% of the capital of the Banco Interunido of Angola which was established recently and of which another 45% of the capital is in the hands of the First National City Bank (USA). It also controls the great Angolan firm CADA (Companhia Angolana de Agricultura) with 16,000 hectares of coffee-trees, and a coffee-roasting plant, the firm TOFA, in Portugal. The bank is deeply involved in the exploitation of petroleum in Angola through PETRANGOL and PURFINA. At the same time it is one of the three greatest shareholders of Portugal's largest petroleum refinery SACOR. SACOR, together with BANCO Borges e Irmao, controls part of the petroleum mining of Angola, through ANGOL. The ESG also has old and very strong interests in the colonies with respect to the exploitation of the soil. It possesses huge sugar cane plantations in Angola through its subsidiary firm Sociedad Agricola do Cassequel, and in Mozambique through Sociedad Agricola do Incomati.

The *Champalimaud group* which takes its origin from the Casa Sommer started out with cement, branched into steel and later on to banking, insurance and the paper industry. It today owns 12 large industrial firms, one of them in Angola and one in Mozambique, as well as five insurance companies, again one of them in Angola and one in Mozambique. At the stock exchange, the share capital of but five of these companies reached, at the end of 1972, the value of 40 thousand million Escudos. By founding Portugal's largest iron and steel mill, the Siderurgia Nacional, Champalimaud achieved control over this sector in Angola. Moreover, the group has interests in the Angolan iron ore mines. Its subsidiaries, the Companhis de Cimentos de Angola and Companhia de Cimentos de Mocambique, produce cement. Similar to the CUF group, Champalimaud

created its own bank by purchasing Banco Pinto & Sotto Mayor, one of the largest banks within Portugal and the colonies. By the end of 1972, this bank had 70 subsidiaries in Angola and 49 in Mozambique. Like CUF, the Champalimaud group turned to the insurance business: it owns the Mundial, the third largest insurance company of Portugal, and in the colonies founded the Companhia de Seguros Mundial e Confianca de Mocambique as well as the Companhia de Seguros Confianca e Mundial de Angola.

The *BNU group* is a large financial grouping around the Banco Nacional Ultramarino. Its activities are concentrated on the colonies and reach from banking via mining to the industrialization of agricultural products. The BNU is the issuing bank of Mozambique, Guinea-Bissau, Cape Verde, and Sao Tome e Principe. For a long period it was the second largest bank in Portugal. Today, although in absolute terms it has gained in strength, it shares its banking activity in Africa--banking in the Portuguese colonies is nearly without exception in Portuguese hands--with other Portuguese banks as the Banco de Credito Comercial e Industrial (owned by Banco Borges e Irmao), Banco Comercial de Angola (belongs to Banco Portugues do Atlantico), Banco Totta-Standard and Standardtotta (of Totta e Acores), Banco Interunido (of Espirito Santo), and Banco Pinto & Sotto Mayor. The Banco Nacional Ultramarino decisively influences the economy of Mozambique. Although in the insurance sector it is smaller than the above mentioned groups, it still is very significant. In Angola it owns the Companhia de Seguros Lusitania and the Companhia de Seguros Naticus. The BNU took part in the foundation of Angola's largest diamond mining company DIAMANG; it has significant interests in the Companhia Geral dos Algodoes de Angola (COTONANG) which controls cotton production and it is, through its Anglo-Portuguese Bank, closely related with English firms that have strong interests in Mozambique. Together with CUF the BNU shares in the possession of the Companhia da Ilha do Principe. BNU was involved in the foundation of the sugar company Acucareira de Mocambique, has interests in the Companhia de Celulose do Ultramar Portugues, it holds shares of the Companhia de Cimentos Secil do Ultramar and is associated with CUF in the firm SOCAJU which owns three plants in Mozambique for the peeling of cashew nuts.

The activities of these groups may be regarded as representative. Many other groups, not only the large ones but also a great number of small firms, are actively taking part in the economies of the colonies, and some control sectors of these economies, e.g. the banking sector. Certainly there are other sectors which are to a large extent in the hands of foreign interests (e.g. mining), but while Portuguese capital takes part in nearly all economic sectors--and often with considerable influence--the foreign interests

in the colonies are as a rule coming from a great number of countries. *This diversification of foreign interests is such that it would be wrong to say that foreign capital is controlling the economies of the colonies. This means that it will also be wrong to say that Portugal, after granting the colonies political independence, will not be able to continue her economic influence and will not be in a position to, together with other imperialist countries, take the neocolonialist way, provided the national forces in the colonies do not prevent such a solution.*

The increasing political and administrative autonomy of the colonies as it has been provided by law by the former Portuguese regime, must in no way be understood as diminishing the dependency of the colonies. *It was not a matter of loosening control but rather of changing the ways and means of control.* The change in the economic relations as well as the creation of new relations rather implies an increasing dependence of the colonies on the Portuguese economy in the economic, monetary, financial, industrial, and technical fields. This dependency has lost more and more the character of direct political control; it has turned into an economic control instead, which means promoting the economic development possibilities of the metropolis and its integration into Europe while paving the way for Portugal's participation in neocolonialist exploitation of her former and present African colonies.

The Portuguese bourgeoisie took two measures to make a neocolonialist exploitation of the colonies at all possible and to secure Portugal's participation in it. As mentioned before, Portugal distributed the foreign interests in the colonies among many countries in such a way that no one of these countries will be in a position to predominate and shift the centre of decision; besides, Portugal set barriers that directly protect her against foreign competition, a suitable example being the law on transfers passed in 1971. Another measure of a more general nature was the creation of local elites--a Portuguese elite strengthened by promoting the settlement of immigrant Portuguese into the colonies, and of an African elite created by an increased policy of assimilation. These elites were to be won over by tempting them with an improvement of the standard of living through industrialization and active trade as well as by a corresponding educational policy.

### Conclusion

We, thus, come to the conclusion that the *Estado Novo* by dictatorship and exploitation led to a strengthening of Portuguese capitalism within Portugal and her colonies, while at the same time largely relieving it from external dependencies, as fascist nationalist regimes normally do. These two developments made a dynamization of the Portuguese economy possible; at the same time they enabled the

Portuguese bourgeoisie to defend its interests. This class came to assume a position where it not longer serves as lackey of the international capital but, although poorer, can rather be regarded as a partner and cooperator of international capital. The independence with which the Portuguese bourgeoisie--frequently against the interests of the imperialist countries--waged its colonial war, is a very good example. The financial interests in the colonies were distributed, and the Portuguese bourgeoisie reserved for itself a suitable percentage.

In view of the situation as outlined above, the opposition of the Portuguese bourgeoisie against decolonialization cannot any longer--or at least, cannot alone--be explained by stating that Portuguese capitalism is too little developed and that, at the moment of political independence of the colonies, it would lose all the economic advantages which it has been drawing from the colonies to the stronger neocolonialist powers. Without any doubt economic interests did play a role in this connection, but the main reasons are to be found somewhere else.<sup>11</sup> As we have seen, the function of the government of the Estado Novo had been to coordinate the interests of the various capital fractions, and some of them were against decolonialization. These were those fractions predominant interested in the colonial trade, or the Portuguese settlers in the colonies who needed Portugal to safeguard their position overseas. For a nationalist government such as that of Portugal, neither the fact that world capitalism did not regard the existence of colonies to be of interest any longer, nor the fact that the existence of Portuguese colonialism did not affect the system as a whole, could be more relevant than the wishes of the bourgeois class. Another more general aspect was of even greater significance. The idea of "national integrity" was an essential element which the fascist regime used to win over the support of the various social forces, something which dictatorship could not achieve. The abandonment of the colonies would have meant the loss of this factor of cohesion and, thus, imply immediate danger for the fascist regime. The collapse of the prevailing ideology would have revealed suppression and exploitation in their bareness, because then it would have no longer been possible to divert the attention to the "defence of Portuguese Africa". The crisis thus engendered would have led to serious social and political upheavals depriving the fascist bourgeois classes of their power and privileges.

The duration and increasing violence of the liberation wars with their economic and political consequences, however, led to a situation where it was impossible to maintain the colonialist ideology any longer (even without granting the colonies political independence), and the colonial question, instead of serving as an element of cohesion, turned into a factor emphasizing the contradictions of the social situation in Portugal and finally provoked the overthrow of the fascist regime in April 1974.

This overthrow of the old regime initiated the process of decolonialization; Portuguese capitalism, however, had been preparing itself for the beginning of a new era: neocolonialist exploitation. This situation found its expression in the federal state solution as put forward by Spínola, and less than a month after the coup the Portuguese big banker Miguel Quina made it clear, too:

*The realization of industrial projects that are being planned or already being executed in overseas will also constitute a vote of confidence in the functioning of the new political and social structures which one wants to construct for the future. The economic and social promotion of the large territories of Angola and Mozambique...constitutes an urgent collective task. Thus, the scheduled investments proceed as they have been planned, now with renewed urgency.*<sup>12</sup>

Also in the colonies we are these days witnessing the desperate attempts of the Portuguese settlers to conserve their privileges for the future by means of many white organizations and by the application of violence. On the political plane, they defend their interests by advocating the federal state solution as proposed by Spínola.

Although relatively weak, Portuguese capitalism has penetrated nearly all sectors of the colonies' economies. The white and black elites it created may be willing to cooperate in a neo-colonial relationship. The liberation movements are aware of this danger.

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#### Footnotes

1. See OECD, Labour Force Statistics 1958-1969, Paris 1971 and Contas Nacionais, ed. Instituto Nacional de Estatística (INE), Lisbon
2. L'Observateur de l'OCDE, No. 56, February 1972 and Contas Nacionais, INE
3. Maria Belmira Martins, Sociedades e grupos em Portugal, Lisbon 1973, pp. 16 and 21.
4. Augusto Mateus, in: Portugal pode viver sem as colonias? Lisbon 1974, p. 10

5. See III Plano de Fomento para 1968-1973, ed. Presidencia do Conselho, Lisbon 1968, Vols. I-IV and Projecto do IV Plano de Fomento, ed. Presidencia do Conselho, Lisbon 1973, Vols. I-III.
6. Quoted in: O Tempo e o Modo, New Series, No. 105, June/July 1974.
7. See Relatorio do Banco de Portugal 1973 and II Plano de Fomento ..., *op. cit.*, Vol. I .
8. Fernando Luso Soares, "Liquidacao Economica e Politica do Colonialismo Portugues", in: Unidade, 1 August 1974.
9. Estatisticas das Sociedades 1960 and 1972, ed. INE, Lisbon.
10. In the following discussion we follow to a large extent Maria Belmira Martins, Sociedades e Grupos em Portugal, *op. cit.*
11. See the statements made in Suisse-Portugal, ed. by Centre d'investigation sur le colonialisme portugais in cooperation with Centre Europe--Tiers Monde (CETIM), Geneva 1973, especial chapter 1 and 3.
12. Quoted in Fernando Luso Soares, *op. cit.*

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