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Multinational Companies and Political Risk Management in Terrorist Conflict Environments: The Case of Cabo Delgado, Mozambique (2021–2023)

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ABSTRACT: This article analyzes the management of political risks by multinational companies operating in armed conflict and terrorism environments, focusing on the case of Cabo Delgado province, Mozambique, between 2021 and 2023. The region, marked by chronic instability and attacks by extremist groups linked to the self-proclaimed Islamic State, has become one of the main geopolitical and economic tension points in the African continent. Major corporations in the energy sector, such as TotalEnergies, ExxonMobil, and ENI, have faced substantial challenges related to physical security, international reputation, and business continuity. Through a qualitative approach based on documentary analysis and literature review, the study investigates strategies adopted to mitigate risks, including project suspension, hiring private security, collaboration with international insurers, and cooperation with state and multilateral actors. The conclusion is that, although some targeted measures have provided partial stability, the persistence of violence and local institutional fragility continue to represent significant obstacles to the sustainable presence of foreign investments in the region.

KEYWORDS: multinational companies, political risk, Cabo Delgado, terrorism, Mozambique

INTRODUCTION

The operation of multinational companies in politically unstable and armed conflict environments raises relevant issues about political risk, corporate security, and socioeconomic responsibility. Regions affected by insurgencies and terrorism, especially in countries with fragile institutions, pose significant risks to operational continuity, asset protection, and the physical integrity of employees. In this context, Cabo Delgado province in northern Mozambique became, between 2021 and 2023, an emblematic case of the intersection between global economic interests and local dynamics of violence. Since 2017, the region has suffered an armed insurgency linked to extremist groups associated with the Islamic State, generating a prolonged insecurity scenario with over 1 million displaced persons and direct impacts on foreign investments (International Crisis Group, 2021).

Multinational energy companies, such as TotalEnergies, ExxonMobil, and ENI, invested billions of dollars in megaprojects for natural gas exploration in the region. However, the conflict escalation in 2021 led to the suspension of TotalEnergies operations after an attack on the city of Palma, highlighting the concrete risks faced by corporations in conflict zones (TotalEnergies, 2021). In response, mitigation strategies adopted by these companies include armed private security, political risk insurance, coordination with foreign forces, and multilateral negotiations with governments and international organizations.

This article aims to analyze the strategies multinational companies have adopted to manage political risks in violent conflict contexts, taking Cabo Delgado from 2021 to 2023 as a case study. Additionally, it discusses the role of the Mozambican state, international cooperation, and the ethical and operational limits of corporate presence in terror-threatened areas.

The armed conflict in Cabo Delgado began in 2017 with insurgency by extremist groups later linked to the Islamic State (International Crisis Group, 2021). Historically characterized by high poverty, social inequality, and limited state presence, the region became fertile ground for armed movements exploiting local grievances.

The roots go back decades of socioeconomic marginalization and disputes over natural resources, especially following the discovery of large natural gas reserves. Despite substantial economic potential, the benefits of resource exploitation have not significantly improved local living conditions, generating tensions and a sense of exclusion (Pereira, 2020).

Starting in 2017, coordinated attacks on villages and towns increased, including kidnappings, infrastructure destruction, and massacres. The Mozambican institutions' fragility and the limited capacity of local security forces worsened the scenario, facilitating insurgency expansion. The 2021 attack on Palma, near major gas projects, led to a temporary suspension of multinational operations (TotalEnergies, 2021).

The conflict is not only a security issue but involves political, economic, and social dimensions, including territorial control disputes, regional influences, and humanitarian impacts such as massive displacement (Amnesty International, 2021). Understanding the historical trajectory is key to analyzing multinational risk management strategies in the region.

The analysis of political risk management by multinationals in terrorist conflict zones is essential to grasp the challenges faced by the global economy in unstable contexts. Cabo Delgado is a critical contemporary example where large corporate economic interests clash with violent and complex dynamics. Studying this case contributes to literature on political risk, corporate security, and social responsibility in high-vulnerability environments.

Results may also offer guidance for policymakers, companies, and international organizations in defining more effective strategies for risk mitigation and regional stability promotion. Understanding these dynamics is fundamental for protecting the rights of local communities, ensuring economic development does not come at the cost of security and dignity.

The increasing presence of multinationals in unstable regions, especially resource-rich countries, exposes these corporations to significant political risks, including armed conflicts, terrorism, and institutional collapse. In Cabo Delgado, megaprojects have attracted billions in investments but faced escalating violence since 2017, culminating in critical suspensions between 2021 and 2023. Amid civilian attacks, infrastructure destruction, and limited state response, multinationals face a dilemma: how to sustain economic viability, guarantee operational security, and respect ethical principles and local communities' welfare? The conflict's complexity, combined with armed non-state actors and reliance on foreign forces for minimum security, raises questions about the limits of corporate action in war zones and effective political risk management strategies in such contexts.

Research Question: How have multinational companies operating in Cabo Delgado managed political risks arising from armed conflict and terrorist groups, and what impact have these strategies had on their operations and local populations?

General Objective: Analyze strategies adopted by multinational companies for political risk management in terrorist conflict environments, focusing on Cabo Delgado as a case study.

Specific Objectives: Identify main political risks faced by multinationals in Cabo Delgado during armed conflict; evaluate mitigation measures adopted to ensure security and operational continuity; investigate impacts of corporate strategies on local communities and regional governance; examine the role of the Mozambican state and international cooperation in mediating and securing corporate operations.

THEORETICAL FRAMEWORK

Multinational Companies and Political Risk

Political risk involves the possibility that state or non-state events—such as government changes, social instability, insurgencies, coups, or terrorism—adversely affect foreign investments and operations (Jensen, 2008; Kobrin, 1979). Henisz (2000) views political risk as part of a broader institutional environment influencing corporate decision-making predictability.

In conflict and weak governance regions like Cabo Delgado, these risks intensify. Busse and Hefeker (2007) argue that fragile institutions and internal conflicts directly impair foreign direct investment flows, necessitating specific corporate risk mitigation strategies.

Risk Management in Conflict Environments

Managing political risk in conflict zones requires coordinated preventive, reactive, and strategic actions. Common measures include international political risk insurance, private security, temporary exit strategies like activity suspension, and negotiations with multiple stakeholders, including governments and international organizations (Feldmann & Steinkamp, 2013; Cruz & Teece, 2019). Geldenhuys and Thakur (2020) note that corporate presence in insurgency zones can simultaneously increase risks and offer political and diplomatic influence opportunities, placing multinationals ambiguously as victims and actors shaping their environment.

Conflict, Natural Resources, and Corporate Responsibility

The resource curse literature suggests resource-rich countries often face higher conflict, corruption, and instability risks (Collier & Hoeffler, 2004). In Cabo Delgado, gas discoveries in historically marginalized areas underscore how natural wealth can fuel tensions rather than development.

Authors like Scherer, Palazzo, and Seidl (2013), and Jamali & Karam (2018) emphasize corporate social responsibility (CSR) as a strategic and ethical tool to address corporate impacts in conflict zones. Projects benefiting local communities, respecting human rights, and transparent government and military relations are crucial for corporate legitimacy and security.

Political Risk and Multinational Companies

Political risk broadly means potential adverse political events affecting foreign business investments (Jensen, 2008). For multinationals, this includes regulatory changes, government instability, armed conflict, terrorism, nationalization, and other interventions (Henisz, 2000; Kobrin, 1979). Efficient risk management is essential to business continuity and asset protection (Cruz & Teece, 2019).

Henisz (2000) highlights that political risk assessment considers both event probability and potential investment impact. In conflict zones like Cabo Delgado, multinationals face expanded risks such as direct attacks on facilities, employee security threats, and supply chain disruptions (Busse & Hefeker, 2007).

Political Risk Management in Conflict and Terrorism Contexts

Managing political risk in conflict zones requires multidimensional strategies encompassing physical security, local stakeholder dialogue, political risk insurance, and international lobbying (Feldmann & Steinkamp, 2013). Multinationals in war zones adopt specific practices like private security, partnerships with state and multilateral armed forces, and operational schedule adaptations (Geldenhuys & Thakur, 2020).

Moreover, CSR gains importance, as corporate relations with local communities impact company perception, security, and legitimacy (Jamali & Karam, 2018). In prolonged conflicts, CSR can be both a mitigation tool and an ethical challenge due to population vulnerability (Scherer, Palazzo & Seidl, 2013).

Armed Conflicts and Corporate Presence: The Case of Cabo Delgado

The Cabo Delgado conflict illustrates the complexity of operating amid insurgent terrorism, lack of state legitimate force monopoly, and high social vulnerability (International Crisis Group, 2021). Literature shows multinational presence in conflict zones may intensify tensions but also contribute to economic development, creating a risk-opportunity paradox (Collier & Hoeffler, 2004).

Recent studies show energy multinationals in Cabo Delgado face classic political risks and hybrid threats requiring flexible, coordinated approaches with local and international actors (TotalEnergies, 2021; Amnesty International, 2021).

METHODOLOGY

This study uses a qualitative, exploratory, and descriptive approach to understand political risk management strategies by multinationals in conflict environments, focusing on Cabo Delgado. Creswell (2014) notes qualitative methods suit studies interpreting complex phenomena in specific contexts for deeper social reality analysis.

Research Type and Methodological Strategy

The research is documentary and bibliographic. Content analysis of secondary sources—including NGO reports (Amnesty International, Human Rights Watch), institutional documents from involved companies (TotalEnergies, ExxonMobil), academic publications, and specialized press—was employed. Gil (2010) highlights documentary research allows systematic examination of available records to infer about specific phenomena, especially when direct access to actors is limited.

Data Collection and Analysis Procedures

Data were gathered by selecting publicly available documents: international organization reports, corporate statements, scientific articles, and security and international relations institute analyses. Content analysis per Bardin (2011) identified core categories like political risk, mitigation strategies, corporate security, and social impacts.

Study Limitations

As secondary data-based research, there are empirical depth limitations due to the lack of direct interviews with managers or local representatives. However, source triangulation and systematic analysis sought to ensure reliability and interpretational consistency.

Data Analysis and Discussion

Data analysis shows multinationals in Cabo Delgado from 2021 to 2023 operated in a highly complex environment with increased insurgent terrorism, institutional fragility, and acute humanitarian crisis. Direct investment impacts were significant, particularly for large-scale natural gas projects like TotalEnergies'.

Risk Mitigation Strategies

Multinationals adopted combined strategies to manage political and security risks. The temporary suspension of TotalEnergies operations after Palma’s 2021 attack exemplifies extreme response measures (TotalEnergies, 2021). Private security firms were hired to protect facilities and teams, reinforcing physical security needs amid conflict. Other strategies included ongoing negotiations with government and multilateral bodies for logistical and military support to secure minimum stability for activity resumption. Foreign troops, such as Rwanda’s, positively influenced the security environment (International Crisis Group, 2022).

Political Risk Mitigation in Cabo Delgado

In politically unstable and armed conflict contexts like Cabo Delgado, multinational risk mitigation encompasses security, institutional relations, contractual coverage, and social responsibility, shaped by local conditions and international stakeholder pressures.

Temporary Suspension and Force Majeure Declaration

Temporary activity suspension is an extreme but widespread measure when operational security is unguaranteed. In April 2021, following the Palma attack, TotalEnergies declared force majeure, a legal mechanism protecting against contract liabilities when unforeseeable events prevent operations (TotalEnergies, 2021). This was an immediate risk containment strategy preserving employee and asset safety.

Private Security and Infrastructure Protection

Reinforcing physical security via specialized private security firms operating in coordination with local armed forces and later Rwandan and Southern African Development Community (SADC) troops was another widely applied strategy (International Crisis Group, 2022). While effective short-term, this militarization raised human rights concerns, with Amnesty International (2021) highlighting risks of corporate complicity in abuses by contracted or state forces.

Operational Diversification and Redesign

Companies like ExxonMobil and ENI revised schedules, reduced personnel exposure, and limited field operations. This diversification and logistical process redesign aimed to minimize vulnerabilities in critical zones by relocating production or support stages to safer areas (Geldenhuys & Thakur, 2020).

Institutional Dialogue and Corporate Diplomacy

Cooperation with governments and multilateral actors was central. Companies pressured Mozambique to accept international aid and improve military coordination while diplomatically influencing investor countries like France and the US (Morier-Genoud, 2022). This reflects corporate diplomacy as a tool to reduce uncertainties and shape the institutional environment (Henisz, 2016).

Corporate Social Responsibility

Many multinationals enhanced CSR projects such as resettlement, training programs, and support for displaced communities. Despite partial positives, these initiatives were deemed insufficient given the humanitarian crisis scale and perceptions that corporate profits did not translate into local benefits (Jamali & Karam, 2018).

Impacts on Operations and Local Communities

Measures contributed to mitigating some risks, but conflict persistence and lack of effective governance limited operation sustainability. Local communities suffered deeply, with massive displacement and human rights abuses, generating criticism and pressure for greater corporate social responsibility (Amnesty International, 2021).

This highlights tensions between global economic interests and local realities, revealing ethical dilemmas for multinationals in conflict zones. Corporate approaches must go beyond security to include community development and transparency policies to strengthen local legitimacy.

Multinational Companies' Performance

Multinational presence in Cabo Delgado is strongly linked to strategic interest in vast natural gas reserves discovered since 2010. TotalEnergies, ExxonMobil, and ENI signed exploration contracts with Mozambique, making the region an emerging African energy hub. However, armed conflict escalation and jihadist insurgency since 2017 compelled operational and security strategy revisions (International Crisis Group, 2021).

Suspension of Activities and Force Majeure

The March 2021 Palma attack marked a turning point. TotalEnergies, operator of Mozambique LNG, declared force majeure and indefinitely suspended operations, citing inability to provide minimum safety for workers and facilities (TotalEnergies, 2021). This directly impacted Mozambique's energy development timeline and investor confidence.

Security Measures and Risk Management

In response, companies employed political risk management strategies such as hiring international private security, strengthening perimeter protection, increasing insurance coverage, and tightening cooperation with the Mozambican government and foreign forces like Rwanda and SADC troops (Morier-Genoud, 2022).

Multinationals also sought dialogue with multilateral institutions and developed CSR initiatives focused on local communities to mitigate risks and social resistance. However, Amnesty International (2021) criticized their omissions regarding human rights violations and social impact negligence amid militarization.

Ethical Dilemmas and Operational Sustainability

Corporate actions in Cabo Delgado reveal deep ethical challenges: safeguarding billion-dollar investments while operating amid armed violence threatening population integrity and state legitimacy. According to Scherer, Palazzo, and Seidl (2013), corporate activity in conflict zones requires protection mechanisms and active commitment to peace, local development, and democratic governance.

Experience shows defensive and purely commercial strategies are insufficient for lasting stability. Continuity depends on companies' ability to concretely contribute to security, social inclusion, and institutional rebuilding.

State Role and International Cooperation

Conflict escalation exposed the Mozambican state's institutional fragility against insurgent threats while revealing increasing dependence on international cooperation to contain violence and preserve economic stability. Both Mozambique's government and international actors played central roles directly affecting multinational operational conditions.

State Fragility and Poor Governance

Despite formal sovereignty and military presence nationwide, Mozambique faced logistical, operational, and intelligence limits combating the insurgency. Initial state response was slow, uncoordinated, and poorly communicative with civil society and international partners (Morier-Genoud, 2022). This weakened local population and infrastructure security, including gas megaprojects.

Criticism targeted government's repression-centered security approach and restricted media and humanitarian access, undermining transparency and fueling abuse allegations by Mozambican armed forces (Amnesty International, 2021).

Military and Regional Cooperation

Facing insurgent advances, Mozambique sought international cooperation, notably Rwanda's troop deployment from July 2021 and SADC support. These forces coordinated with Mozambique's army to regain key areas like Mocímboa da Praia and Palma, partially restoring relative operational stability (International Crisis Group, 2022).

International presence helped halt insurgent territorial gains, though analysts warn military solutions alone are insufficient without structural governance and socio-economic reforms (Obarrio, 2021).

Relations with Multinational Companies

The state's relations with multinationals are ambiguous: heavily reliant on gas as economic growth driver but limited in providing legal and physical security guarantees. Lack of clear benefit-sharing plans for Cabo Delgado residents fueled perceptions the government aligns more with corporate interests than local needs (Hanlon, 2021).

Concurrently, the state negotiated gradual operation resumptions conditioned on security improvements. TotalEnergies initiated dialogue with Mozambique and international partners to assess Mozambique LNG project restart, with higher humanitarian conditions (TotalEnergies, 2023).

Multilateral Organizations' Role

Beyond states, organizations such as the UN, African Union, and World Bank engaged in crisis response, funding humanitarian actions, resettlement programs, and institutional reconstruction support. Nonetheless, practical impact remains limited due to conflict complexity and multi-level intervention coordination gaps.

Final Considerations and Recommendations

CONCLUSIONS

The Cabo Delgado case powerfully illustrates challenges multinationals face operating amid political instability, armed violence, and weak governance. Between 2021 and 2023, escalating Islamic insurgency forced corporations like TotalEnergies and ExxonMobil to suspend or revise operations, demonstrating that even billion-dollar investments become vulnerable to poorly managed political risks.

Mitigation strategies such as force majeure declarations, private security, logistical redesign, and diplomatic engagement with state and multilateral actors reveal corporate action complexity in conflict zones. However, these legitimate corporate actions proved limited in addressing the human and social dimensions, particularly regarding local community impacts.

It is clear that political risk management must extend beyond defensive security approaches. Multinationals need more robust and structural CSR policies focused on local development, human rights promotion, and transparent state relations. Similarly, Mozambique's government must strengthen institutions, ensure public security, and establish effective mechanisms to distribute resource-derived benefits. International military, humanitarian, and technical cooperation played a crucial role in insurgency containment in specific areas but must be accompanied by sustained efforts for social fabric rebuilding and inclusion of historically marginalized populations.

RECOMMENDATIONS

- Conduct field studies with affected communities to understand perceptions of multinational and state actions.
- Investigate insurers' and multilateral agencies' roles in covering political risks in African conflict zones.
- Perform comparative analysis with similar cases in other countries (e.g., Nigeria's Niger Delta, Democratic Republic of Congo) to identify patterns and best practices.
- Explore cooperation models among companies, NGOs, and local governments for collective sociopolitical risk management.

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