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Africa Review



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8 August 1986

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [Redacted]

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African Review

Articles

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**Sub-Saharan Africa: The Status of
Economic Reform**

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A growing number of Sub-Saharan African countries are implementing economic reform programs aimed at rescuing their battered economies. If sustained, the programs are likely to strengthen the African economies over the longer term and create a more favorable environment for economic activity. In the meantime, these reform programs have potentially serious political and social implications because already poor countries are being called on to make additional economic sacrifices.

In our judgment, Sub-Saharan countries are adopting economic reform because they recognize that past economic policies have failed and because foreign bilateral donors and multilateral financial institutions like the IMF and World Bank are requiring reforms as a condition for continued economic support. Even so, we believe the reform measures are being pursued with varying degrees of resolve by individual countries.

More Aggressive Countries

Countries that have more aggressively approached their economic reform programs include *Cameroon*, *Ivory Coast*, *Kenya*, *Senegal*, and *Zaire*. With the exception of Cameroon, these countries have been conducting their reform in the context of IMF standby agreements. We believe these countries were more receptive to free market ideas than most of Africa, even before implementing economic reform programs.

Despite the absence of IMF standby arrangements, *Cameroon* has long been pursuing economic growth plans within the context of successive five-year development programs and continues to implement economic reform to complement the programs. According to US Embassy reporting, recent and

planned reform measures include reduced interest rates to stimulate business growth, increased withdrawal from government-owned enterprises over the next five years, wider agricultural development, and the continued promotion of food self-sufficiency. The Cameroonian authorities are making greater efforts than heretofore in budget planning, according to the Embassy.

Ivory Coast has been implementing economic adjustment programs with IMF support since 1980. According to the IMF, the country now has a comprehensive program for 1986-88, focusing on stimulating and diversifying the economy. This focus follows two years of severe budget restrictions in which public expenditures were limited to available resources. Primary policy objectives for this year include limiting the public-sector and current account deficits to 0.5 percent and 1.3 percent of GDP, respectively, with further improvement in 1987 and 1988. IMF support continues with a \$117 million, two-year standby arrangement effective June 1986. Also, the World Bank approved a \$250 million structural adjustment loan the same month, the third since 1980.

In our view, *Kenya* has made substantial economic reform over the years since first addressing the issue in 1978. The government has liberalized the external payments system and has instituted strong budget and credit restraints. Nairobi's 1986-87 budget calls for spending more on agriculture, providing incentives to rural industry, and reducing the government deficit to below 4 percent of GDP. On the basis of US Embassy reporting, however, we believe the reform effort may

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regress somewhat this year, particularly in the fiscal and monetary areas. According to the Embassy, budgeted receipts will fall well short of budgeted expenditures because of an unexpected drop in coffee prices. The government has promised unbudgeted salary increases to the military. We believe the expenditure overruns will almost certainly be supported by undue monetary expansion.

Senegal's economic adjustment efforts date back to 1980, according to IMF reporting. The present emphasis is on the expansion and diversification of agriculture. The government is restructuring agriculture's cooperative system and has raised producer prices substantially. Dakar also is undertaking major tax reform and plans fundamental changes in industrial policy that will involve increased privatization.

Zaire has been making strong adjustment efforts since 1983 with IMF financial support. According to the IMF, Kinshasa's 1986 program aims at further reductions in the current account and overall balance deficits and at further curbs on inflation. The principal measures to attain the economic objectives are a flexible exchange rate, increased budgetary revenues through higher tax yields, and a restrictive monetary policy.

In our view, other countries that deserve good marks in their IMF-backed reform efforts include *Madagascar, Mali, Mauritius, Niger, and Togo.*

Temporary Retreat in Zambia. According to US Embassy reporting, *Zambia* made impressive economic policy changes over the past two years. Lusaka removed all price controls except those on fertilizer and maize, and introduced a weekly foreign exchange auction system accompanied by the removal of import licensing. The auction system has effectively devalued the *Zambian* currency by 70 percent since October 1985, according to press reporting. The reform program, however, under IMF and other foreign sponsorship, has slipped this year, according to US Embassy reporting. The country has exceeded domestic credit targets, the fiscal position has worsened, donor support has been lagging, and financial management poor. In our view, because of

Sub-Saharan Africa: IMF-Sponsored Economic Programs in Effect as of 30 June 1986 *Million US \$*

	Starting Date	Ending Date	Amount
Standby arrangements			
Central African Republic	23 Sep 1985	22 Mar 1987	15
Guinea	3 Feb 1986	2 Mar 1987	37
Ivory Coast	23 June 1986	22 June 1988	117
Mali	8 Nov 1985	31 Mar 1987	25
Mauritania	26 Apr 1986	25 Apr 1987	14
Mauritius	1 Mar 1985	31 Aug 1986	47
Niger	5 Dec 1985	4 Dec 1986	15
Senegal	16 Jan 1985	15 July 1986	75
Somalia	22 Feb 1986	30 Sep 1986	19
Togo	9 June 1986	8 Apr 1988	27
Zaire	28 May 1986	27 Mar 1988	251
Zambia	21 Feb 1986	28 Feb 1988	260
Extended arrangements			
Malawi	19 Sep 1983	18 Sep 1986	85

its dependence on foreign economic support for survival, *Zambia* has little choice but to continue the reform effort.

Less Aggressive Countries

Other Sub-Saharan countries are approaching economic reform with less vigor or in less timely fashion than their economic circumstances appear to warrant. Also, in our judgment, leaders in a few of these countries lack the political will and support to counter the domestic unrest that may accompany an effective reform program.

According to US Embassy reporting, *Liberia's* economic adjustment efforts have been weak since mid-1984 when, in the uncertain political climate preceding the 1985 presidential election, the

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government neglected its IMF-assisted reform program. According to the Embassy, Monrovia's public finances are in disarray, with revenues consistently smaller than expenditure commitments and the government unable to meet its payrolls. In an effort to improve the budget situation, Monrovia this year suspended new government construction and froze payments to government suppliers. These measures have backfired by reducing business-sector confidence, according to Embassy reporting.

Despite having been seriously affected by declines in oil prices and revenues since 1980, *Nigeria* only started to address its economic problems seriously this year. The 1986 budget called for a floating of the naira, a doubling of fuel prices, and reduced defense expenditures. With the economy in crisis following the collapse of oil prices this year, President Babangida announced a two-year structural adjustment program in June. The program includes a two-tier foreign exchange market that will effectively devalue the naira. The two-tier market, however, will not start until October. Babangida has also promised increased privatization of government corporations, a restructured tariff regime, and trade and payments liberalization, but no specifics have been publicized.

Sudan's poor record in implementing policy reform has caused Western donors of economic aid to question the ability of the present government to manage the economy. Economic measures adopted this year include increases in sugar and petroleum prices and currency devaluations. In our view, these measures have not been sufficient to satisfy foreign creditors.

After more than 15 years of socialist policies that have precipitated economic bankruptcy, *Tanzania* is being forced to consider major economic reform at the urging of foreign donors, to avoid a drying up of economic aid. So far, no major changes have been announced, according to US Embassy reporting. Since 1978, Tanzania has reduced its formerly extensive system of price controls, raised producer prices, reduced deficit financing, and curbed government employment. Nevertheless, these measures have not been vigorous enough to have a significant positive impact, according to the Embassy.

Still regrouping in the aftermath of civil war, *Uganda* has yet to come to grips with its economic crisis brought on by the war and the policy failures of the Obote and Okello regimes. Earlier this year President Museveni engaged a multinational team to provide him with prescriptive economic stabilization options by July 1986, but has not yet announced his decisions. In the meantime, the country suffers from a critical shortage of foreign exchange, severely reduced manufacturing production because of a shortage of inputs, a bloated civil service, and high inflation.

The Political Impact

African economic reform measures carry political risks for the countries implementing them. Because the reform programs promote efficiency, they tend to redress past biases in favor of the urban population, a key source of political support and potential unrest. The political impact has varied substantially:

- In the *Ivory Coast*, teachers organized a strike against reduced housing subsidies in 1983, and elements of the General Union of Workers attempted to block certain price increases in 1984. The government has continued to implement reform, and some trade unions have now endorsed the government's policies, according to US Embassy reporting.
- On the basis of US Embassy reporting, *Zambia's* reform efforts have run into opposition from the labor movement. In July 1984 the Congress of Trade Unions threatened to boycott a national conference on the economy unless an announced 20-percent price increase for maize was canceled. According to press reporting, key critics of the government remain bitterly opposed to reductions in central planning and subsidies.

We believe the political impact of economic reform is serious in *Nigeria*. The military administration has considered instituting reforms because of the near collapse of the economy, but faces opposition from government bureaucrats and elements of the military

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who stand to lose privileges, according to US Embassy reporting. In our view, the government will be hard pressed to implement the planned economic program.

In our judgment, despite a critical need for economic reform, *Tanzania* is stymied by a firmly entrenched bureaucracy committed to socialist ideology and by the eminence grise of ex-President Nyerere who has long resisted an IMF-sponsored program. We believe major economic changes to be unlikely in the near future.

Outlook

Despite the political risks involved, we believe most African states will continue to implement some measure of economic reform over the medium term. They have little choice in the matter, in view of their high dependence on foreign economic assistance and recognition that some action must be taken. Because of impatience with Africa's failed economic policies, we do not foresee change anytime soon in donor insistence on reform. Although the reforms carry some political risks, we do not see the reform movement as destabilizing for the region as a whole.



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South Africa: The Kwa Natal Option

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Black and white leaders in Natal Province are trying to form a multiracial provincial government but they are likely to fall short of their goal of creating one administrative and legislative unit. Pretoria probably will approve the first step—formation of a joint executive authority—but balk at a multiracial legislative body that represents the Kwazulu homeland and the surrounding Natal Province. The national government announced on 1 July its own provincial administrative structure that includes an appointive multiracial executive committee, and it may already have shut the door on Natal's efforts. Kwazulu leaders, led by Chief Buthelezi, have refused to participate in the government's new provincial system—arguing it was formed without consultation with blacks—and maintain that the Kwa Natal option is at present the only forum for negotiations toward real power sharing for blacks. The Natal constitutional convention, however, has reached a standstill over the issue of the protection of minority rights.

Background

Movement toward the joining of Kwazulu and Natal began in 1982 when the Buthelezi Commission—a multiracial group of politicians, academics, and businessmen organized by Chief Buthelezi—issued an extensive report recommending a joint multiracial executive authority and a legislature elected by universal suffrage. The government boycotted the commission and rejected its recommendations. President Botha, however, in his now famous—or infamous—Rubicon speech last August, hinted that the government was prepared to reconsider the commission's recommendations on a joint administrative structure, and, according to the Embassy, the report became required reading for government ministers, as well as the guiding document for the constitutional convention's organizers.

The Kwazulu Homeland

Kwazulu, a "self-governing homeland," is a patchwork of 10 large and several small parcels of land dispersed throughout Natal Province. Its Chief Minister, Gatsha Buthelezi, refused "independence" in 1977. Approximately half of South Africa's 6 million Zulus live in Kwazulu. It has few resources of its own, and most businesses are owned by whites. Over 90 percent of the homeland's wage earners are employed in "white" South Africa. Although a consolidation plan reducing the parcels from more than 60 pieces to the current 10 major areas was implemented, the poor quality of the land and overcrowding are insufficient for even subsistence agriculture. Making Kwazulu even marginally viable as an economic unit is well beyond Pretoria's capabilities, even if it were willing to do so.

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Joint Executive Authority

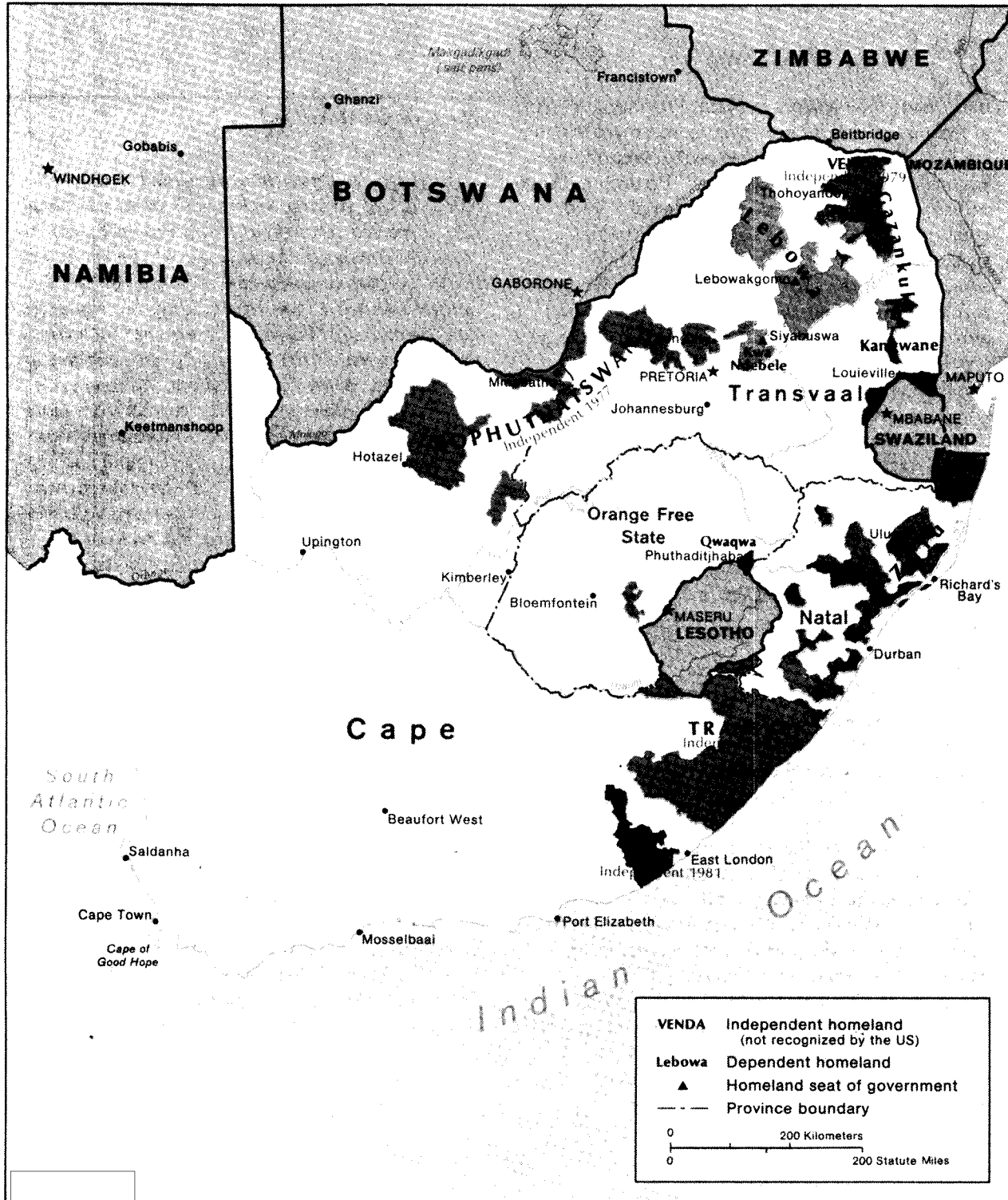
A bill was introduced in parliament in June to create a joint executive authority, the first step toward implementing a plan for multiracial government in Natal. Kwazulu officials and the Natal Executive Council in March had presented to Pretoria a proposal for a joint authority, which they envisaged as a confederal system with shared executive authority over areas that are considered the common concern of all race groups—including public works, health, roads, and recreation. The government's bill, introduced by Minister of Constitutional Development and Planning Heunis, is a much more limited bill that includes only public works as a "common" concern. It contains no fundamental

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South Africa: Black Homelands



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Support Among the Population Groups

The white population of Natal is primarily English speaking and traditionally more liberal than the Afrikaners. To the majority of the whites of Natal, Kwazulu is equated with Chief Minister Gatsha Buthelezi, a moderate black leader who opposes violence and disinvestment. Buthelezi has won considerable support from the white community, which sees him as its insurance for peace with the Zulus, and, according to the US Embassy, his level of support in the white community probably is proportionately higher than in the black community.

[redacted] (b)(3) NatSecAct

The black population of Kwazulu is considered by the white community to be synonymous with Buthelezi. The Embassy reports, however, that his consistently moderate tone and his avowed willingness to negotiate with Pretoria, even though conditioned on the release of Nelson Mandela and National Party commitment to power sharing at the highest levels of government, increasingly threaten his base of support among blacks. Although Buthelezi claims a nationwide base of support including non-Zulus, most of the 13,000 attendees at a recent rally in Soweto were bused in from Natal for the event, according to Embassy reporting. Even among the Zulus, the young, more educated, less

traditional urbanized generation is more politically aware and pushing for more extreme measures to force concessions from the government. Buthelezi continues, however, to enjoy overwhelming support in the rural areas and with the older generation, primarily because of tribal factors. [redacted] (b)(3) NatSecAct

Nearly 85 percent of South Africa's Indians live in Natal. They are relatively prosperous and well educated and have maintained a distinct identity, more closely identifying with the white and Colored communities in culture and proximity. Several Indian communities have been the target of black violence and looting in the past year. Blacks have long resented the enterprising Indians and their participation in the tricameral parliament that includes Indians and Coloreds but excludes blacks. The Natal Indian Congress (NIC), the largest Indian political party, turned down an invitation to participate in the indaba. [redacted]

[redacted] we agree—that there is strong support for the indaba within the Indian community, including NIC supporters, according to the US Consulate. [redacted]

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political rights and powers for blacks and only allows “cooperation” between existing racially separate administrations.

Natal's Constitutional Initiative

The effort to develop a multiracial legislative system for Kwazulu and Natal—to be called Kwa Natal—gained ground in Durban on 3 April when an *indaba*—the Zulu word for meeting—was convened, bringing together whites, blacks, Indians, and Coloreds. The *indaba* has yet to reach a consensus on a system that will accommodate the demands of all sides. The parties, however, have agreed on a bill of rights for Kwa Natal that advocates equal rights for all, equal education (although possibly separate), and freedom of movement throughout the province,

according to US Embassy reporting. The bill of rights directly recognizes group rights, but is vague on the mechanisms to protect them.

In our judgment, the protection of minority rights is the key sticking point that will continue to block progress at the *indaba* on issues such as the distribution of legislative power and suffrage. At the start, black leaders had called for a one-man/one-vote system with proportional representation and rejected the concepts of “own” and “general” affairs, which are the foundation of the government's homelands policy. The white Natal Provincial Council countered

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with a proposal for voting by racial group, with equal representation for whites, Indians, Coloreds, and blacks in a confederal system. Discussions now center on federal versus confederal solutions, with whites appearing to favor the Swiss cantonal model. Chief Buthelezi has declared a willingness to accommodate some protection of minority rights, but has yet to specify what form those protections would take.

US Embassy reporting indicates that opponents of the Kwa Natal option have so far had little impact on *indaba* deliberations. A group called Action White Natal, for example, held a rally in May that was attended by members of the rightwing Herstigte National Party (HNP) and the Conservative Party. At the meeting, an HNP leader claimed the *indaba* was the first step toward handing Natal, and all of South Africa, over to the blacks. While Natal generally is considered a more liberal area, Embassy reporting indicates that conservatives made significant gains in a local byelection last year by pandering to white fears of increasing racial violence. We believe rightwing opposition would intensify should agreement be reached on a plan for a multiracial legislative body. In our judgment, however, the white political right in Natal is not strong enough to block an *indaba* plan, provided moderate whites and Buthelezi iron out their differences.

Black opposition to the *indaba* has focused on the controversial role of Chief Buthelezi. The multiracial United Democratic Front (UDF), South Africa's largest antiapartheid organization, and the Congress of South African Trade Unions, its largest labor federation, have refused to participate in the entire process. Embassy reports indicate these groups consider Buthelezi Pretoria's pawn, because he is proceeding without the government taking action on releasing Mandela, unbanning political organizations, and removing security forces from the townships—all key black political demands. According to Embassy reporting, several delegates to the *indaba* have received threatening phone calls warning them not to participate, and the offices of a key architect of the Kwa Natal concept were petrol bombed. The African National Congress and the UDF, however, have informally approved the *indaba*'s recently promulgated bill of rights, according to press reports.



Camera Press ©

Gatsha Buthelezi

Gatsha Buthelezi has served as Chief Minister of Kwazulu for more than a decade and is head of Inkatha, a Zulu cultural and political organization that claims more than 1.3 million members. Through these posts and his position as an hereditary chieftain, he enjoys widespread support among South Africa's 6 million Zulus, the country's largest ethnic group. Buthelezi is a moderate and is committed to change through nonviolence, which has led many non-Zulus to label him a collaborator with the Pretoria regime. He has been politically active since the 1950s and belonged to the ANC before it was banned in 1960. Buthelezi has had a running feud with the ANC's external leadership for several years. He has a bachelor's degree in history from South Africa's Fort Hare University and is 57 years old.

Ultimately, we believe the Zulu's overwhelming majority of the black population in Natal Province—some 6 million—will outweigh efforts by other black groups to scuttle an agreement.

Pretoria's Agenda

Despite the *indaba*'s request that the national government postpone any decisions on a new provincial government—so as to allow the *indaba* to put forward its plan for Kwazulu and Natal—Pretoria went ahead with its new provincial executive

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system on 1 July. Pretoria abolished the Natal Provincial Council, which was the principal source of funding and legitimacy to the *indaba*, according to the US Embassy, and appointed a multiracial executive with administrative powers over limited areas of general affairs at the provincial level. Unlike the old council, a white elective body controlled by the small locally based New Republic Party, the new executive is appointed by Pretoria. None of the four elected council members were appointed to the new body. This could weaken the *indaba's* authority because its lack of a provincial government representative will lend weight to its critics' claim that the *indaba* has no right to reach an agreement that affects the provincial authority. Moreover, no blacks have been appointed to the new Natal executive committee, and, according to press reports, Kwazulu officials have refused to participate as a sign of displeasure over the move.

The ruling National Party has agreed to participate in the *indaba* as an observer with the right to dissociate itself from the group's recommendations. The potential for conflict is clear, however, because the goal of a single legislative authority in Kwa Natal conflicts with current government policy and would mean the end of Kwazulu as a separate homeland entity. In our judgment, Pretoria is likely to postpone taking a definitive position until next year, but could decide to scotch plans for Kwa Natal in the near future, citing the specter of black violence and a growing rightwing threat as justification.

Outlook

In our judgment, a successful conclusion to the *indaba*—which would require significant guarantees of minority rights in exchange for a multiracial legislative body in Kwa Natal—poses challenges that Pretoria appears unwilling to face at this time. We believe recent moves by the government—such as implementation of the new appointive provincial executive and exclusion of Natal council members from it—are signals the government does not want to risk white backlash in other provinces or to arouse black expectations for similar arrangements elsewhere. Pretoria probably hopes to thwart the *indaba's* ability to reach agreement rather than reject a completed plan and directly snub Buthelezi.

Population of Natal and Kwazulu, as of 1980

<i>Natal</i>	<i>Kwazulu</i>
<i>562,000 Whites</i>	<i>3,409,000 Zulus</i>
<i>1,358,000 Blacks</i>	
<i>665,000 Indians</i>	
<i>91,000 Coloreds</i>	

Nevertheless, we believe the failure of the Kwa Natal option—whether it occurs inside the *indaba* or later in the process—would seriously weaken Buthelezi's position as preeminent leader of the country's Zulus, as his moderate position loses credibility in South Africa's current atmosphere of crisis and violence. At the least, we expect Buthelezi would reject further talks with the government and refuse Zulu participation in the new provincial government scheme. The failure of the Kwa Natal option—the political centerpiece of Buthelezi's agenda—probably would drive him to more radical stances, possibly even including his resignation as homeland leader or reversing his position on sanctions.

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**Africa
Briefs**

The Gambia

Still Suspicious of Libya

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The Gambia's National Security Service claims that Libyans were responsible for two unexploded grenades found on the grounds of a US Embassy employee's residence in Banjul last June, according to the US Embassy. The Embassy reports the security officials believe the attack may have been set up last April from Guinea Bissau, probably in retaliation for the US raid on Libya. Gambian President Jawara broke diplomatic relations with Tripoli in 1980 because he suspected the Libyan People's Bureau of collaborating with subversive groups.

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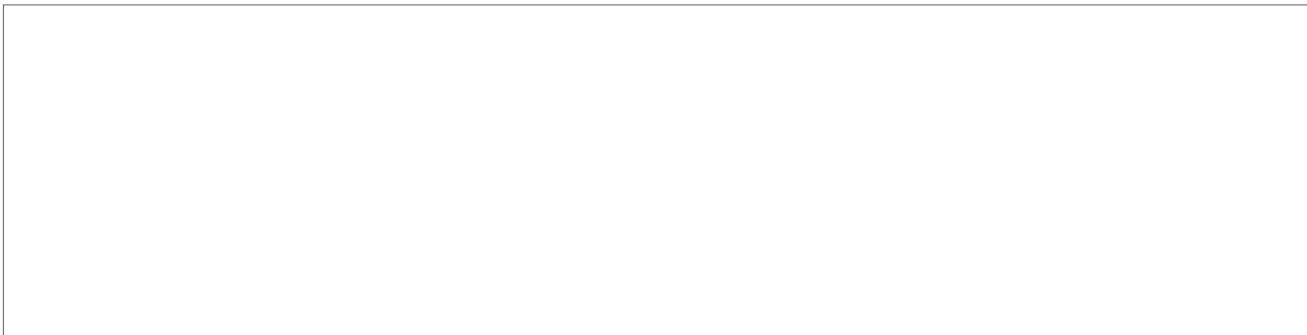
Although Jawara reestablished ties in 1984, despite Libya's alleged involvement in the bloody 1981 coup attempt, he has refused to allow Tripoli to establish a People's Bureau. Jawara consented last year to the opening of an Islamic Call Society—frequently used as a front for Libyan political activity in Africa—in Banjul, but the US Ambassador reports that he put such tight restrictions on staffing that Tripoli refused to open the office. A review of the reporting indicates there are no Libyans living in Gambia, but small Libyan diplomatic and Islamic delegations visit frequently.

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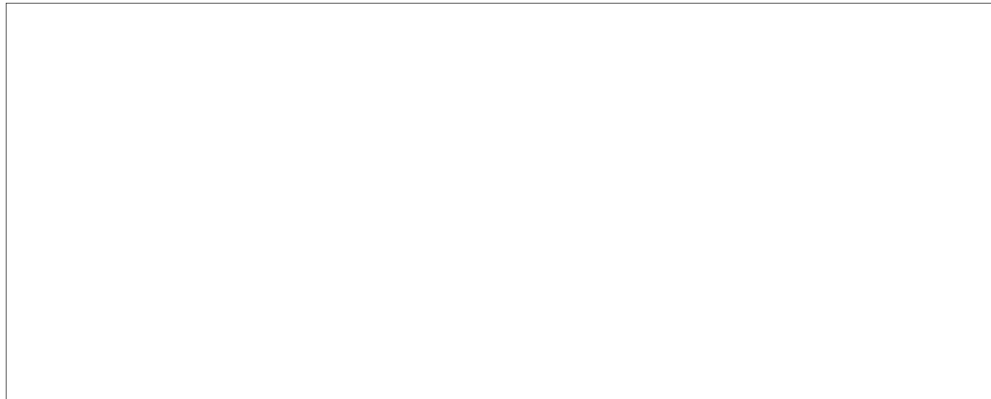
Despite Jawara's suspicions, The Gambia's serious economic troubles could provide an opening for Libya. The Embassy reports that five months ago Banjul did not have enough foreign exchange to buy fuel or rice—the staple food in Gambia—and that the public power company had shut down. Banjul might be willing to allow a Libyan presence in Gambia in exchange for an attractive aid package from Tripoli. Moreover, should the Islamic Call Society gain access to The Gambia's predominantly Muslim population, Jawara could become increasingly vulnerable to Libyan meddling.

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Angola Chronology

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July 1986

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- 2 July* UNITA spokesman in Lisbon claims rebels shot down an Angolan MIG-23 fighter by antiaircraft fire in eastern province of Moxico. NR
- 7 July* more than 50 field artillery pieces recently delivered to Angola from USSR. In the past two weeks, 23 others, as well as 30 antiaircraft guns, were delivered as part of the recent aircraft, surface-to-air missile deliveries. NR
- 8 July* In Vienna, Cuban Foreign Minister Malmierca reaffirms Havana's position on the issue of Cuban troop withdrawal from Angola. He declares that Cuban troops will remain in Angola until South Africa's white minority regime is replaced by black majority rule and Namibia becomes independent. NR
- 10 July* Zairian President Mobutu visits Luanda to discuss differences with Angolan President dos Santos. Although Western press reports that the trip was cut short, Angolan press states that the two leaders reaffirmed their determination to give a new dimension to cooperation between the two nations, particularly the strengthening of security on their common frontier. The meeting probably did little to reduce bilateral tensions based on mutual suspicions of involvement with each other's dissident groups. NR
- 14 July* UNITA claims that it shot down a MIG-21 fighter and a MI-17 helicopter in the Munhango area in Moxico province. NR
- A Soviet economic delegation headed by the deputy chairman of the State Planning Committee arrives in Luanda to discuss economic cooperation prospects for the 1986-90 period. Between 1975 and 1984, the Soviets extended \$525 million in economic aid to Angola, and to date, Angola has drawn \$70 million. Payments for Soviet military assistance absorb a substantial share of Angola's petroleum earnings. NR
- 25 July* UNITA claims that it shot down two MIG-23 fighters in Moxico province. NR
- Government spokesman denies reports of recent talks between the government and UNITA in Europe and disclaims any intention on the part of the government to hold talks with UNITA. He reiterates the government's offer of amnesty to members of UNITA who lay down their arms and reconcile with Luanda. NR
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