



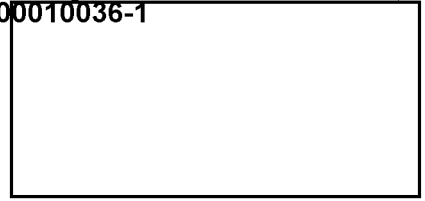
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Africa Review

Supplement
30 March 1979

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RP AR 79-012C

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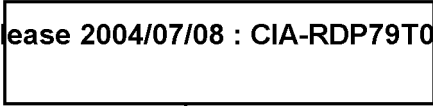
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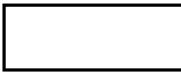
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AFRICA REVIEW



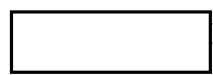
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SUPPLEMENT

30 March 1979

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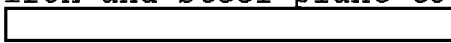
Nigeria-USSR: Faltering Economic Relations



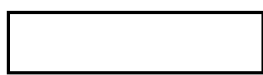
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Nigerian-Soviet relations, which have gradually cooled in recent years partly as a result of Nigerian displeasure over Soviet aid programs, will probably be further strained if Lagos goes through with a threat to turn over construction of the 1.3-million-ton Ajaokuta iron and steel plant to Western firms.

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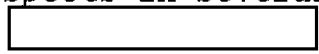
Challenge to Soviet Policy in Africa



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The Soviet Union's poor economic performance and deficiencies of the Soviet military assistance program could diminish Soviet prospects in several African countries.



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Nigeria-USSR: Faltering Economic Relations

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Nigerian-Soviet relations, which have gradually cooled in recent years partly as a result of Nigerian displeasure over Soviet aid programs, will probably be further strained if Lagos goes through with a threat to turn over construction of the 1.3-million-ton Ajaokuta iron and steel plant to Western firms. The plant is a major element in Nigeria's plans to diversify its economy before the mid-1980s when its oil output is expected to decline.

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[Redacted]

[Redacted]

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The Ajaokuta complex is by far the most important element in Moscow's otherwise modest economic assistance effort in Nigeria. Lagos has preferred to use its oil wealth to purchase Western technology and has relegated the Soviets to a secondary role in Nigeria's industrialization program. Aside from the steel plant, the USSR is involved in laying part of Nigeria's 2,700-kilometer petroleum pipeline network, staffing the fledgling Petroleum Institute at Warri that is to train Nigerians to run the country's vital oil industry, and providing 70 to 80 doctors and other technicians as consultants in various government ministries and universities. Moscow also runs a small military assistance program that has come under increasing scrutiny as a result of two MIG-21 fighter crashes within the past year.

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A Long-Cherished Dream

The establishment of a domestic steel industry has been a priority item in Nigeria's economic development program since the early 1960s. Western companies refused to become involved because of a limited market and high construction costs; Moscow subsequently picked up the project as part of its support of the federal government during the 1967-70 Nigerian civil war. Little was done outside of preliminary feasibility studies and geological surveys until the 1973-74 oil boom and the launching of Nigeria's ambitious \$48-billion industrialization drive. [REDACTED] 25X1

Nigerian hopes of moving ahead on the Ajaokuta project quickly bogged down as a result of the overthrow of General Gowon in July 1975 and the attempted coup in February 1976. The federal bureaucracy, already quite inefficient and thin on talent, was paralyzed by the new administration's anticorruption drive that forced out a large number of seasoned civil servants. Moreover, the Soviets and Nigerians could not agree on such basic issues as sources of raw materials, the ultimate size of the facility, and the number of Soviets to be involved in construction. [REDACTED] 25X1

Lagos became increasingly irritated over what it perceived as Soviet foot-dragging, and accused Moscow of being more interested in selling its own steel products to Nigeria than in developing a Nigerian steel industry. Lagos subsequently opted to bring in various Western companies to replace the Soviets as contractors for housing, roads, and other support facilities, leaving the Soviets with construction of the steel plant itself and overall project supervision. In the meantime, the startup date--originally scheduled for 1980--has been pushed back to 1984 at the earliest. [REDACTED] 25X1

As an alternative to the Ajaokuta complex, Lagos has shifted its interest to a number of smaller direct reduction steel complexes that would use domestic natural gas as a fuel source. Contracts have already been awarded to a West German firm for a 500,000-ton direct reduction steel plant near Warri in southern Nigeria

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[REDACTED] 30 March 1979

that is to begin operations in 1981-82. A similar-sized plant is on the boards for the north; West German, French, and Japanese companies are the leading contenders. [redacted]

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Lagos' decision to eliminate the Soviets from the Ajaokuta project would be a major blow to Moscow's hope of expanding its involvement in black Africa's largest and most dynamic economy. The Nigerians may also use the steel complex as still another illustration of Soviet inability or unwillingness to provide African countries with a meaningful economic development program. Government officials and the Nigerian press have taken Moscow to task on this point on numerous occasions. The most recent example is a lengthy mid-January editorial in a leading Lagos newspaper that blamed the decline in Soviet influence in Africa on Moscow's readiness to provide military aid and reluctance to satisfy African requests for economic and humanitarian assistance. [redacted]

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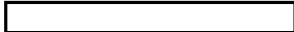
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Challenge to Soviet Policy in Africa (U)

Developments in Africa over the last few months could test Soviet policy in a way that Moscow is traditionally least able to handle. In the past, Moscow has made gains in Nigeria, Angola, and Ethiopia by responding to their needs for military assistance and thus keeping in power a regime sympathetic in varying degrees to the Soviet Union and somewhat responsive to its influence. Security concerns in several countries where Soviet influence has increased are becoming less pressing, and some recipients of Soviet military largess are increasingly interested in economic development. Poor economic performance by the Soviets will aggravate problems caused by the deficiencies of the Soviet military assistance program and will particularly diminish Soviet prospects in areas where military assistance is accorded a lower priority. 

Nigeria

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Nigeria, which challenged the Soviet Union at an Organization of African Unity (OAU) conference in Khartoum last July because of its military activities in Africa, has become particularly critical of Soviet economic assistance in Africa. The Nigerians believe that the Soviets concentrate on giving military assistance to countries whose survival is threatened but do not follow up with economic development assistance that is needed over the long haul. Those countries that would prefer to remain socialist, according to the Nigerians, thus turn to the West for what Moscow is unwilling to supply, which often leads to the eventual expulsion of the Soviets. The Nigerians have cited Guinea, Sudan, Egypt, and Somalia as examples of this trend and predict it will continue in Angola and Mozambique and even in Ethiopia and Zimbabwe when the enthusiasm of "military brotherhood" has waned. Nigeria itself could soon be added to the list. The Soviet-Nigerian relationship has deteriorated in part because of problems in their military assistance relationship, a phenomenon that accelerated because of Soviet deficiencies in aiding economic development. The



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Nigerians particularly complain about poor Soviet performance in construction of the Ajaokuta steel mill and an oil pipeline. [redacted]

Angola 25X1A

25X1 Dependent on Soviet assistance to deal with the UNITA insurgency, Angola has not been publicly critical of Moscow's military or economic assistance. [redacted] 25X1

[redacted] Angolan dissatisfaction with the Soviets on both counts, and the Neto government is already exploring the possibility of diversifying its sources of economic assistance. Neto has made overtures to the United States, relations with France and Portugal have improved, and an association with the EC under the Lome Convention is being examined. [redacted] 25X1

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Neto has also tried to come to grips with Angola's dependency on the Soviet Union by improving ties with Zaire and China. Angola's relations with Zaire have improved since the Shaba invasion, and both sides, looking for economic benefits, have agreed to reopen the Benguela Railroad. Neto clearly hopes that improved relations with Zairian President Mobutu would lead Kinshasa to curtail its assistance to UNITA in return for Angolan control over the Katangese. [redacted] 25X1

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Moscow has apparently not opposed Neto's Western diplomacy and would welcome termination of Chinese aid to UNITA. The Soviets would be wary, however, of a Chinese presence in Luanda. The recent trip by Soviet Deputy Foreign Minister Ilichev to Tanzania, Mozambique, and Zambia--also visited by Chinese Vice-Premier Li in January--was probably an attempt to gauge the impact of the Chinese visit on Soviet interests. From the Soviet

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[redacted]

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perspective, closer ties between Angola and China would probably be an irritant in relations, but if Neto works out an agreement Moscow will have little choice except to acquiesce and work to ensure support for its position among pro-Soviet Angolans. [redacted]

Ethiopia

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The Soviet-Ethiopian relationship is a marriage of convenience that has been plagued by mutual suspicions and differences over policy. During the past year, both sides have tried to minimize the tension in their relationship in order to concentrate on military objectives--expulsion of the Somalis from the Ogaden and suppression of the Eritrean insurgents. While insurgency remains a problem in both areas, Ethiopian leader Mengistu has probably weathered the worst and appears more confident of his ability to deal with remaining problems. The shift in emphasis from military affairs to economic development in Ethiopia will present new challenges to the Soviets. [redacted]

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[redacted] The size of the economic commitment is uncertain, but the reports of disagreement [redacted] suggest that this will continue to be a source of friction between the two and may increase as the Ethiopians place more emphasis on economic development. Barring a change in Soviet policy or Ethiopian priorities, these disagreements may ultimately jeopardize the Soviet position in Ethiopia. [redacted]

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Aside from the agreement with Ethiopia, there have been no recent changes in Soviet policy suggesting that Moscow will be more responsive in the short run to the economic needs of its principal African clients. At least one Gosplan official told US officials that the demands for aid from Ethiopia and Angola alone cannot be met. [REDACTED]

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Lower Level Soviets Recognize The Problem

One of Moscow's repeated deficiencies in Third World relationships has been that its aid has traditionally avoided hard currency expenditures and has emphasized high-visibility industrial projects in the state sector of recipient states. Aid has also been channeled primarily to countries undergoing a sociopolitical transformation of an "anti-imperialist" nature; in effect aid was directed at political, not economic, goals. This has offered short-term payoffs but fostered long-term setbacks. [REDACTED]

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Some scholars at the USSR's African Institute are reportedly questioning this approach. They have told US officials that Soviet aid should give increased attention to agricultural and rural development. They acknowledge that the USSR is not at its best in these areas, but argue that aid should be used where it will do the most economic good. In addition, they want more attention given to the local traditions of developing societies rather than insisting that development pattern itself slavishly after the Soviet model. In agriculture, for example, they suggest that Soviet-style collectivization would serve as a general guideline for what the agricultural sector should be in a developed society, not a prescription for the precise form that agricultural reform should take in developing countries. [REDACTED]

In the Soviet system, the views of these young scholars may never reach the policymakers and the conservative Soviet bureaucracy does not usually promote independent thinkers who challenge established attitudes or policies. It is worth noting, however, that the director of the African Institute is the son of Soviet Foreign Minister Gromyko and thus has access to the policy-making level of the Soviet bureaucracy. Additionally,

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the agreement with Ethiopia reportedly includes substantial aid for agricultural development. Significant change in Soviet aid policy is not likely in the short run, but the fact that some discussion of the subject is going on indicates it cannot be ruled out.

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