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Africa Review



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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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Articles

South Africa: Seeking Tighter Economic Management

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South Africa has announced an austere budget for the fiscal year beginning 1 April 1985 in an effort to fight persistent double-digit inflation. Pretoria's economic management has suffered in recent years from overbudget spending, overly optimistic revenue projections, and rapid expansion of money available for domestic borrowing. Finance Minister Barend du Plessis, President P. W. Botha, and Reserve Bank Governor Gerhard de Kock appear committed to tightening Pretoria's economic management and restraining growth in 1985, an economic strategy that we believe will add to tensions in black townships and alienate some whites hit hard by higher taxes.

Moving Targets

A major objective of South African economic policy, in our judgment, has been to avoid funding consumer imports through foreign borrowing, in large part because Pretoria fears that a heavy foreign debt could be used by foreign critics as leverage to extract political concessions. This "pay as you go" philosophy has made export earnings a key determinant of import volume and economic growth. Export earnings, however, vary considerably from year to year, depending particularly on the amount of food available for sale abroad and on the volatile price of gold, which accounts for some 48 percent of foreign earnings (see chart). As a result, economic policy makers in South Africa often chase targets that can shift direction rapidly.

Pretoria has frequently failed to balance the surge in growth and imports that follow a gold price upturn against the inevitable current account deficits that follow a price decline. A short-lived rise in gold prices from less than \$300 per ounce in June 1982 to more than \$500 per ounce in January 1983 apparently

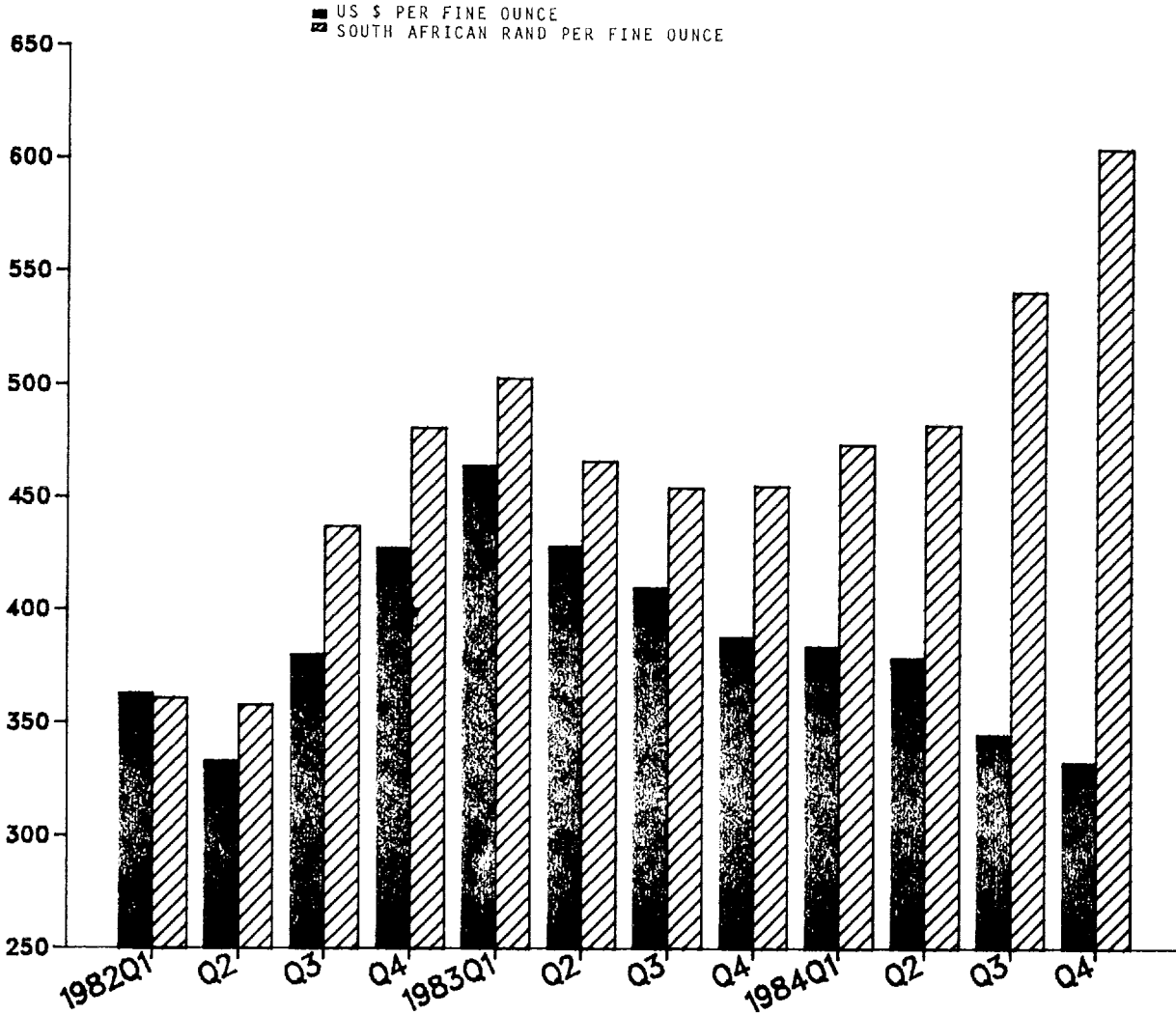
triggered an economic upswing despite a quick retreat in gold prices and a third consecutive year of drought. We believe that Pretoria misjudged the gold price trend and the severity of the drought, and failed to clamp down on the economy by raising interest rates and reducing government spending.

The budget introduced in March 1984 was criticized widely for making unrealistic assumptions about gold prices and government revenues. Then Finance Minister Owen Horwood predicted that the deficit before borrowing would be held to 3 percent, the guideline set by the IMF under South Africa's standby agreement. The budget message included an announcement that the general sales tax would be raised 1 percentage point to 7 percent. Only three months after the budget was presented to Parliament, however, Horwood announced an additional 3-percentage-point increase in the sales tax intended to cover budgetary overruns and to slow imports by reducing consumer spending. Even so, the final budget deficit reached 3.6 percent.

A New Commitment to Restraint

Pretoria reacted to growing foreign debt and an increasing rate of inflation in August last year by pushing the prime interest rate to a record 25 percent, imposing new restraints on government spending, and tightening restrictions on consumer credit. As a result, retail sales slumped in early September to 15 to 20 percent below business expectations, according to press reports. The automobile industry was hit hardest, with some 16,000 workers laid off in the second half of 1984. Layoffs quickly spread to the

WORLD GOLD PRICE, 1982 - 1984



metal and engineering industry, and later to the furniture, clothing, textile, and construction industries, according to US Embassy reporting.

Despite the economic slowdown and high prime interest rate, domestic commercial lending continued to expand rapidly until November. This growth in liquidity was both a consequence and cause of inflation; much of the lending resulted from debt-financed spending by businesses and consumers, who borrowed in order to purchase goods before prices

increased. As a result of heavy borrowing by the private sector and the government, and the declining exchange value of the South African rand, inflation climbed steadily from 11 percent in August 1984 to the prevailing 16 percent annual rate.

Finance Minister du Plessis, who took office in July 1984, and Reserve Bank Governor de Kock appear determined to maintain tighter economic restraint.

Based on the partial data available, government outlays have remained within revised targets set in September. Commercial lending slowed dramatically in November, but picked up again somewhat in February. Moreover, government spending is set to rise in the new budget by only 13.9 percent, less than the current rate of inflation, while revenues are projected to increase by 18.8 percent. In particular, real defense spending is to be cut by about 8 percent, the first decrease in several years. The anticipated \$1.3 billion deficit represents only about 2.2 percent of GDP.

The assumptions underlying the budget appear reasonably conservative. An average gold price of about \$300 per ounce (at current exchange rates) was assumed, compared with an average price this week of about \$325 per ounce and widely held expectations of a gradual upward trend. Tax revenue projections were based on zero GDP growth. Moreover, government estimates of the 1985 corn harvest have been revised upward from 5.5 million tons to 6.7 million tons since the budget analysis was prepared.

Tax Increases

About one-third of the projected increase in revenues is to be funded through higher tax rates implemented with the new budget:

- The general sales tax was raised from 10 to 12 percent.
- Surcharges on personal income tax were boosted from 5 to 7 percent.
- Surcharges on gold and diamond mining taxes were raised from 20 to 25 percent, and a 15-percent surcharge was added for companies mining platinum, coal, and base metals.
- Duties were increased on office machinery, certain electronic devices, videocassette recorders, and cars.
- Taxes on synthetic fuels were raised.
- Special taxes were added for large insurance companies and banks.

Most of the remaining projected revenues reflect changes in allowable business tax deductions introduced last year and increases in personal income tax collections that will result from inflation pushing workers into higher income tax brackets.

Modest Concessions to Blacks

Blacks have suffered the most from South Africa's current economic troubles. Government data indicate

that nearly 80,000 blacks were laid off between January and August 1984. The US Embassy estimates that approximately 17 to 25 percent of the black labor force is unemployed, including homeland unemployment and underemployment. Moreover, we believe that inflation and growing unemployment have cut average real income for black families over the past three years. Even relatively small increases in rents, utilities, or transportation fares have triggered unrest in black townships. A doubling of the sales tax rate since February 1984 also has hit urban blacks hard despite exemptions for many food items.

New budgetary concessions to blacks appear modest, based on the sketchy data available. A reduction in income tax is planned for lower-income workers to offset partially the impact of higher sales taxes, and some \$50 million is earmarked for job creation and relief programs. Real spending on black education, a longstanding source of friction, is set to rise by about 8 percent, according to US Embassy reporting. Even this moderate increase will not narrow the gap between expenditures for black students and white students, however, as a similar percentage increase in real spending on white education is planned.

Outlook

The outlook for maintaining the economic austerity implicit in the new budget, as well as in the recent slowing of commercial credit, largely hinges on movements in the world gold price and on du Plessis's ability to restrain overbudget spending:

- A sudden but very short-lived climb in gold prices would add little to revenues, but could significantly increase demands that the government lower interest rates and provide tax relief for middle-income taxpayers. We believe that the government would resist these demands unless it saw serious erosion of its voting strength in key byelections, and that it will count on vindicating its policies by slowing inflation and cutting tax rates prior to the next national election in 1988 or 1989.
- A steady and sustained rise in gold prices could induce the government to relax economic restraints somewhat, although Pretoria would be wary of

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allowing too much expansion. The South African economy grew at an estimated real rate of 4 percent last year, largely as a result of debt-financed spending. If some relaxation of economic austerity appears warranted, de Kock probably would advocate a reduction in interest rates to stimulate investment rather than significant new government spending or tax relief.

- Even though Pretoria probably will push ahead with its economic austerity program, controlling the deficit will again prove difficult. President Botha has promised du Plessis more support in enforcing the budget than his predecessor received, but implementing the planned reductions in real defense spending may be viewed as politically imprudent in view of growing violence in the black townships.

Unless gold prices average more than about \$330 per ounce this year, or budgetary discipline slips, the South African real economic growth rate for 1985 is unlikely to exceed 1 percent. Many private South African economic forecasters expect the inflation rate to rise further and reach a peak annual rate of 17 to 20 percent by midyear. Foreign debt should not rise significantly as some short-term loans are repaid and the current account registers an annual surplus. Falling real income for blacks is likely to add to a generally tense atmosphere, especially in eastern Cape Province.



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**Mozambique: Ethnic Dimension
of the Insurgency** [redacted]

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The Mozambique National Resistance (RENAMO) is a rural-based insurgent group with 12,000 or more armed guerrillas operating in all 10 provinces of Mozambique. [redacted] the insurgents have recruited heavily among ethnic groups in central Mozambique to fuel their impressive expansion and growth. To maintain the momentum, however, in our judgment, RENAMO must gain support among other groups in the northern and southern provinces who probably favor the government. Internally, we believe that RENAMO must cope with an apparently growing split between its racially divided political and military wings. [redacted]

and Sofala Provinces joined willingly when they were told that the FRELIMO government was dominated by members of the rival Shangan tribe of southern Mozambique. [redacted]

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[redacted] RENAMO has aspired to become a multiethnic national movement. The group has apparently muted its narrow ethnic appeals, and now stresses broad grievances of the peasantry such as the Marxist government's disregard for traditional customs and leadership, and its attempts to impose collectivization of peasant agriculture. The insurgents have also sought to capitalize on the past three years of severe droughts and floods by distributing to needy peasants food and other goods stolen from the government. [redacted]

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Ethnic Origins

The heartland of popular support for RENAMO rests in the central provinces of Mozambique where the insurgent group began guerrilla operations in about 1977. At that time, several small groups opposed to the ruling FRELIMO party merged with Rhodesian assistance to form RENAMO. The group established guerrilla bases in Sofala Province's rough and thickly forested Gorongosa region and recruited among the Shona-speaking tribes there, [redacted]

These methods apparently have gained RENAMO some measure of rural support beyond Mozambique's Shona-speaking central provinces. [redacted] in 1982 that the insurgents were becoming well known in the countryside as virtual

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[redacted] The insurgents lost their Rhodesian sanctuaries and support when Robert Mugabe came to power in Zimbabwe in 1980, but soon recovered with South African assistance. Under pressure in the central provinces from the Mozambican Army, the insurgents began to expand into northern and southern Mozambique, [redacted]

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Despite its geographic expansion, RENAMO continued to recruit primarily among Shona speakers from central Mozambique, [redacted]

[redacted] Several Europeans held prisoner by the insurgents for a period that year said they observed RENAMO recruiting on an ethnic basis, according to US Embassy reporting. They said young men from the Shona-speaking Ndau tribe in Manica

Notwithstanding the success RENAMO has had at recruiting beyond its base of support in central

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RENAMO National Council

Name	Position	Ethnic/Regional Origin
Guerrilla leaders		
Alfonso Jacama	President and commander in chief	Black from central provinces
Raul Domingos	Southern commander, former chief of staff	Black from central provinces
Mario (LNU)	Domingos's deputy, former regional commander	Black
Henrique (LNU)	Regional commander	Black from central provinces
(FNU) Variera, aka Ferreira	Regional commander	Black from central provinces
Bernardo Alufai, aka Jimo Phiri	Responsible for operations in Malawi and Zambesia	Black
Yusuf (LNU)	New chief of staff, possibly on National Council	Black from Zambesia Province
Joaquim Vaz	Jacama's bodyguard and aide, possibly on National Council	
Political leaders		
Evo Fernandes	Secretary general	Portuguese-Goan
Jorge Correia	Acting secretary for information, spokesman for Europe	Portuguese
Arturo Janeiro da Fonseca	Secretary for external affairs (since early 1985)	Black from Manica Province
Fanuel Guideon Mahluza	Secretary for finance and administration	Black from Gaza Province
Armando Khembo dos Santos	Official in Kenya, former secretary for information	Black from Zambesia Province
Vincente Zacarias Ululu	Deputy secretary for external affairs	Black from Cabo Delgado Province
Seifulaziz Leao Milas	Official in Kenya	Black
Francisco Moises Nota	Official in Swaziland	
Influential backers not on National Council		
Paulo Oliveira	Spokesman in Portugal	Portuguese
Manuel Bulhosa	Financial backer in Brazil	Portuguese
Antonio Champalimaud	Financial backer in Brazil	Portuguese

Mozambique, we believe the insurgent group will encounter strong opposition from ethnic groups in northern and southern Mozambique who have been traditionally hostile to Shona speakers from the central provinces. FRELIMO probably can count on a residue of support among such groups in northern Niassa, Cabo Delgado, and Tete Provinces where it established liberated areas during the war for independence from Portugal. Moreover, the Maconde tribe in Cabo Delgado, with a reputation for ferocity and independence, will make it difficult for the insurgents to operate there. In the south, the

Shangans, well represented at senior levels in the government and ruling party, are likely to resist what they see as an attempt by Shona speakers to take over in Maputo. Because it is less agricultural than other regions, southern Mozambique probably has fewer grievances against the government. FRELIMO has not been oppressive there in attempting to collectivize the peasants, and the south has suffered less from recent droughts.

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Racial Divisions Within RENAMO

While RENAMO attempts to overcome ethnic barriers to continued expansion, and takes time to develop an organization needed to consolidate its control of territory, growing differences between RENAMO's racially distinct political and guerrilla wings will endanger internal cohesion. RENAMO president and Commander in Chief Alfonso Jacama, along with his chief of staff, regional commanders, and the overwhelming majority of the guerrillas, are Mozambican blacks. They have little in common with RENAMO's predominantly white political cadres and influential backers located in Europe, Brazil, and, until recently, South Africa. Secretary General and chief political spokesman Evo Fernandes, for example, was born in Mozambique of Portuguese and Goan parents.

The black guerrillas, who live a dangerous and spartan existence in the jungle, believe that the mainly white politicians and supporters living well in exile are motivated primarily by personal ambitions. In our judgment, many of the politicians in exile simply want to recover wealth and positions they lost at independence. Jacama distrusts Fernandes and tries to keep him away from other guerrilla commanders, while Fernandes tries to prevent any political cadres other than himself from contacting Jacama. Fernandes complains that the guerrillas refuse to compromise with FRELIMO because they believe they can force government concessions. The guerrillas, for their part, believe that Fernandes opposes the creation of a grassroots political organization because it might enable blacks in RENAMO to gain political power at the expense of whites and Goans.

There is some disagreement within both wings, but the guerrillas in the field appear unified behind Jacama's unchallenged leadership. Among the politicians, a significant faction located in Kenya is made up of Mozambican blacks who are increasingly resistant to positions and tactics favored by Fernandes. Armando dos Santos, one of the blacks in Kenya, probably is most critical of Fernandes, who

excluded dos Santos from an important leadership meeting last October and replaced him as Secretary for Information. Dos Santos recently favored allowing a splinter group to rejoin RENAMO, something that Fernandes strongly opposed. Another official excluded from the leadership meeting was Bernardo Alufai, who is the leader of a group of guerrillas from Zambesia Province that he led into joining RENAMO some years ago. Zimbabwean officials believe Alufai's followers are an influential faction in RENAMO today.

Outlook

RENAMO exploited ethnic divisions to gain support for its rapid growth and expansion in the early 1980s, and its persistent image as a tribal group is likely to slow the pace of further expansion. As long as RENAMO is seen by northerners and southerners as a group of central Mozambicans, it cannot rely on tribal sympathies and existing hierarchies to mobilize support. If RENAMO cannot transform itself from a tribal group to a national movement, the Mozambican insurgency may bog down into a protracted civil war.

RENAMO's uneasy marriage of black guerrillas and predominantly white political spokesmen and backers threatens the group's internal cohesion. The politicians in exile articulate the group's goals and negotiation positions, but many of them probably seek only their own enrichment. It is the guerrillas who hold real power within RENAMO, and their so-far-unarticulated aspirations may shape Mozambique's political future.

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Somalia: Siad's Growing Problems [redacted]

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The government of President Siad is beset by a growing array of political, military, and economic problems that slowly are undermining its stability,

[redacted] We believe, however, that despite the difficulties, Siad probably will remain in power for the near term. He is a master of manipulation and has capitalized on the inability of his opponents to unite against him.

groups that oppose the regime. These actions have contributed to the alienation of large segments of the population and fueled anti-Marehan sentiment.

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Tribalism also is causing splits within the military.

[redacted] are resentful of the fact that promotions and assignments are based upon tribal connections rather than competence. In addition, after a series of antiregime demonstrations in Issaq-dominated northern Somalia in 1982, Siad transferred Issaq troops from the north to other regions and placed their officers into insignificant positions because he suspected their loyalty. We concur with the

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Political Issues

[redacted]

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granted the United States military access rights in 1980. The West's failure to meet these expectations has stirred unrest among midlevel and junior officers and increased pressure on Siad to produce more tangible benefits, [redacted] We believe Siad has managed to contain any immediate threat by placing loyal officers in command of key units in the capital and skillfully playing his opponents against each other. This maneuver, however, treats only the symptom, not the cause, of the problem, and clearly has not prevented the spread of disaffection.

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The Economic Factor

Siad has been reluctant to address the country's growing economic problems for fear of alienating his supporters who have enriched themselves under the current system, according to US Embassy reports. The steady decline of the economy last year, however, forced him to initiate major reforms to obtain a crucial one-year \$22 million credit from the IMF. The government devalued the shilling, ended price controls, abolished almost all export and import licensing, and instituted several other reform measures. We believe these moves carry serious political risks for Siad, who expects the West to provide the financing needed to turn the economy around quickly.

The Dissidents

Armed opposition to the government comes from two groups that receive military and economic support from Ethiopia and Libya, but our analysis indicates

Tribalism, which is endemic to Somali society, also has developed into a problem of growing concern to the government. In recent years, according to Embassy reporting, Siad's once broad tribal support base has narrowed to his Marehan clan and its tribal allies, which probably make up less than 35 percent of the Somali population. This group has used its ties to Siad to enhance considerably its political and economic domination of Somalia. Moreover, Embassy reporting indicates that Siad uses the Army to support the Marehan in tribal fighting or to punish tribal

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that neither organization has been able to expand beyond its narrow tribal base. Indeed, [redacted] one of them—the Somali Democratic Salvation Front (SDSF)—is suffering severe problems as a result of ideological, tribal, and personality conflicts. We believe these problems and a highly successful government amnesty program have reduced its strength to approximately 1,500 troops.

[redacted]

police posts, but its threat has diminished seriously over the past two years.

The approximately 3,000-man northern-based Somali National Movement (SNM), in contrast, has increased its operations in an effort to capitalize on dissatisfaction over the regime's repressive measures. According to the US Embassy, several Issaq groups were willing to provide safehaven and intelligence support to the rebels because of the Somali Army's heavyhanded tactics—including the summary execution of approximately 70 Issaq—after several SNM incursions late last year. The Embassy further reports that the guerrillas were able to recruit large numbers of volunteers, who were taken to training camps in Ethiopia. Many Issaq, however, remain reluctant to support the group openly out of the fear of additional harsh reprisals.

Short-Term Prospects

Siad almost certainly views the military as the key to his survival. We believe he is aware, however, that the Army—heavily involved not only with defending Somalia's borders but also with maintaining internal security—lacks the capability to perform these functions effectively under present conditions. In our opinion, the President will look more and more to his allies to provide the military assistance needed to prop up his regime.

Siad's commitment to the IMF program appears far from firm. US Embassy sources state that he expects an immediate rejuvenation of the Somali economy to deflect the criticism of the program's critics. If this is not forthcoming, Siad will test the tolerance of the

IMF to hold him to economic reform, while exploring ways to lessen the negative impact of the program on his supporters. We believe Siad will also attempt to find alternate sources of economic assistance. His current efforts toward resuming diplomatic ties with Libya almost certainly are intended to garner economic aid and a pledge from Qadhafi to lessen support for anti-Siad insurgents. [redacted]

[redacted]

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Ghana: Threat From the Extreme Left [REDACTED]

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Head of State Jerry Rawlings is likely, in our view, to come under mounting pressure from the extreme left in the coming months to reverse the moderate policies that he has followed since 1983. Radicals—led by Kojo Tsikata, the regime's Marxist-oriented security adviser—believe popular frustration with Ghana's Western-supported economic austerity program gives them an opening to regain lost influence, according to the US Embassy. Rawlings's search for accommodation with the West, cooperation with the IMF, and reduction of Ghana's enthusiasm for the Soviet Bloc and Libya has prompted the extreme left to charge him with betraying the original principles of the "revolution." [REDACTED]



Head of State Rawlings meets with the masses. [REDACTED]

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We believe Rawlings will try to stick to his moderate policies, but that he will revert to his earlier radicalism if necessary to preserve his position. If he does so, we judge that economic reform would slip, radical models for restructuring Ghana would reemerge, and foreign policy would regain a distinctly anti-Western tone. Should Rawlings be ousted or resign, we believe Ghana would enter a prolonged period of instability, affording the Soviets, Libyans, and Cubans new opportunities for exploitation and influence. [REDACTED]

The record shows, however, that Rawlings's preoccupation with his personal survival and consolidation of power prevented much headway on his reform program. He found himself in an uneasy partnership with radical factions that had helped return him to power. Rawlings provided the charisma and mass appeal that the radicals lacked, while they brought needed expertise in intelligence and security. The partnership was uneasy, however, because Rawlings consistently rejected the radicals' more extreme policies. [REDACTED]

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The Setting

Rawlings, a former flight lieutenant who seized power in a 1981 coup, initially launched Ghana on a radical domestic and foreign policy track that tried to revive his short-lived populist regime in 1979. In renewing what he termed his "holy war," Rawlings pledged to distribute wealth more equitably and announced a campaign against mismanagement, corruption, and black-marketeering as part of a new social, economic, and political order to reverse Ghana's 25 years of decline. He was highly critical of the West, and publicly blamed the United States and Britain for supporting the country's incompetent and corrupt Limann administration, which had ruled from 1979 to 1981. [REDACTED]

At the same time that Rawlings was trying to work out an accommodation with the radicals, the ruling military council was paralyzed by indecisiveness, particularly on the economic front. Rawlings failed to attract sufficient financial assistance from the Soviet Union and Libya. US Embassy reporting indicated that Moscow declined to commit substantial resources to an unstable regime with a questionable commitment to Soviet-approved development and foreign policy positions, while Tripoli—faced with falling oil revenues—offered oil credits and food aid, but refused to subsidize chronically poor Ghana.

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Rawlings's economic needs, therefore, caused him to seek improved relations with the West. Ghana signed an agreement for IMF support in 1983 that resulted in one of the toughest austerity programs in Sub-Saharan Africa. In public forums, Rawlings also toned down his anti-Western rhetoric and emphasized his commitment to "nonalignment." [redacted]

Since taking those steps in 1983, the record shows that Rawlings has pursued more pragmatic domestic and foreign policies, and demonstrated a better grasp of policy planning and goals. He also has managed to attract some important, Western-leaning officials to the regime, placing them in economic management while removing some hardline Marxists. [redacted]

The Growth of Moderation

Rawlings's more pragmatic outlook, in our view, underscores his maturation in office, greater grasp of reality, and improved self-control. He now privately admits his earlier errors, according to the US Embassy, and he recently told the US Ambassador it was "too bad that the marginals and incompetents" had played such a large initial role in the revolution.

Political Moderates in Ascendancy

Rawlings has relied increasingly on the moderate, Western-leaning officials to run the day-to-day operations of government, according to the US Embassy. Moderates now gaining prominence include Dan Annan, a former chief justice who serves in Rawlings's absence as acting chairman of the ruling Provisional National Defense Council, and Dr. Kwesi Botchway, who as Secretary of Finance and Economic Planning is the architect of Ghana's IMF-supported economic austerity program. Rawlings's purge of radicals has included removing the extreme leftists who dominated the lower and middle levels of government. The US Embassy reports that one of the most dramatic signs of moderation was last year's restructuring of the previously radical "defense committees," which the extreme left had used to monitor and indoctrinate the Army and potentially troublesome civilian groups. [redacted]

Economic Reform

In his first two years, Rawlings pursued largely rhetorical policies that failed to halt the economic

deterioration, according to US Embassy reports. For example, he exhorted farmers to produce more, temporarily placed restrictions on bank withdrawals, and called on market traders to lower their prices, while rejecting badly needed devaluation and other long-overdue reforms. [redacted]

Falling production of cocoa—the principal source of export earnings—together with rising inflation and food shortages, declining industrial production, and swelling unemployment, finally prompted Rawlings to depart from these ineffective ad hoc economic policies and to cooperate with Western-backed international lending institutions and donor countries. According to the US Embassy, since 1983, with IMF and World Bank support, Accra has:

- Devalued its currency five times.
- Reduced the budget deficit.
- Emphasized the rural sector and food production.
- Reorganized some inefficient state enterprises.
- Reduced urban consumer subsidies.
- Devised a new investment code to encourage private enterprise and foreign investment. [redacted]

The US Embassy indicates that these measures, although politically unpopular, produced some positive results last year. Inflation fell to 35 percent—from 115 percent in 1983. As a result of good rains, Ghana had its best corn crop in 10 years, and real GDP growth was 5.5 percent—one of the highest growth rates since independence. [redacted]

Limits to Economic Reform

In our judgment, recent economic growth—largely the result of increased cocoa and wood exports—has had little impact on the average Ghanaian. The US Embassy observes that the urban and working classes have not benefited directly from the new economic policies and have been hard hit by falling real wages. At best, according to the US Embassy, Ghana is only "at the beginning of the beginning of economic recovery." Cocoa production—though up—is far behind its record production of 400,000 tons in 1964. Ghana, once the world's largest cocoa producer, is expected to be only in fifth place this year, according to an industry analyst. Only 10 to 15 percent of the country's industrial capacity is being utilized as a

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result of spare parts shortages. And, despite an impressive corn harvest last year, Ghana must still import foodstuffs. [redacted]

Longer term prospects are bleak and, in our view, pose a challenge to Rawlings or any successor government. Ghana spends almost half of its foreign exchange earnings on oil imports, and the US Embassy reports that prospects are not encouraging for discoveries of local crude in quantities to cover more than a small fraction of the country's energy needs. Moreover, officials of international lending institutions believe a debt bulge will occur in 1987 or 1988, when debt service payments will equal 40 percent of exports. Beyond these adverse economic developments, census data indicate that Ghana's population of 13 million is growing by 3 percent annually, and the urban population is growing at a 5 percent average, challenging the government's ability to create enough jobs and provide sufficient food. [redacted]

Challenges to Stability

While Rawlings has brought more pragmatists into the government and adopted more moderate policies, we agree with recent US Embassy reports suggesting that the extreme left is seeking to exploit what it perceives as growing popular frustration with economic austerity. In our judgment, neither the regular armed forces nor militant exiles pose a substantial threat to Rawlings at present. [redacted]

The Left. In our judgment, radicals will try to exploit any failure of Rawlings's economic program to yield tangible results. We agree with US Embassy reporting that hardships would follow further substantial currency devaluations, possibly catalyzing leftist-led opposition to Rawlings. US Embassy reporting emphasizes that extreme leftists, both within the government and those who lost their posts in earlier purges, are waiting for the opportunity to regain their influence. Radicals still control three key positions: Kojo Tsikata is the chief of security and counterintelligence; Obed Asamoah is the Secretary for Foreign Affairs; and Kofi Djin is Secretary for Internal Affairs. [redacted]

We believe Tsikata may pose the greatest challenge to Rawlings's moderate course and possibly to the regime itself. In the past year, according to the US

Embassy, Tsikata has consolidated control over the security apparatus and, with Soviet Bloc assistance, established an effective counterintelligence organization. The US Embassy reports that this security force—and not the military—was responsible for the impressive series of arrests last year of dissidents involved in at least one abortive attack by exiles and several coup plots. [redacted]

[redacted] Tsikata and Rawlings—though fellow Ewe tribesmen—are drifting apart over the course of Ghana's revolution. We believe that, while Rawlings is a fervent nationalist who seeks an "African" solution to Ghana's woes, Tsikata—who lived in Cuba in the late 1960s—is impressed with Soviet Bloc models and favors a Marxist-Leninist revolution. Moreover, Tsikata did nothing to prevent the publication and distribution by radical organizations of anti-Rawlings tracts earlier this year, which accused him of betraying the regime's revolutionary goals. We believe Rawlings probably finds it safer to include Tsikata in the regime—where he can be watched—rather than to have him outside the system where he could pose a greater threat. [redacted]

A key unknown in the Tsikata-Rawlings drift is which can garner the loyalty of the 180-man Force Reserve Unit. [redacted] Rawlings and Tsikata each regard the Cuban-trained unit as the regime's primary line of defense against coups by exiles and the regular military. Its leader, Major Quashigah, is a rival of Army Commander Major General Quainoo, a key associate of Rawlings. We do not know where his loyalties would lie should there be a confrontation between Rawlings and Tsikata. [redacted]

The Military. For its part, the regular military appears to lack the unity and the leadership to challenge Rawlings directly. Nonetheless, should serious intraregime conflicts erupt, we believe Army elements in the vicinity of the capital would be tempted to intervene, not necessarily on behalf of either Rawlings or Tsikata. Army Commander Quainoo has been portrayed by US defense attache

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reporting as consistently trying to limit the influence of regime radicals over the regular military, and to curb the influence of radical officers and noncommissioned officers in the armed forces.

[redacted] portions of both the enlisted ranks and officers, and played a leading role in the recent restructuring of the previously radical-dominated military defense committees. [redacted]

Exiles. We believe exiles based in neighboring Togo, Ivory Coast, and Nigeria are likely to remain a minor irritant rather than a major threat to Rawlings. Indeed, the US Embassy reports that Tsikata's effective intelligence and security apparatus has penetrated the exiles' ranks. Moreover, the exiles are divided by differences between officers and enlisted men, tribal rivalries, and ideological outlook, according to the US Embassy. [redacted]

Foreign Influences

We suspect Rawlings will come under growing pressure from the extreme left to foster closer ties with the Soviet Union, Libya, and Cuba especially if, as we expect, links with the West do not result in a substantial improvement in the Ghanaian economy. As a consequence of this pressure, we believe Rawlings will try to maintain his ties with the Soviet Bloc and Tripoli to preserve his revolutionary image and secure continued access to intelligence and security training. [redacted]

The USSR. Since 1982, Accra has accepted limited arms from the Soviet Union and intelligence training from its allies. [redacted]

[redacted] Rawlings allowed a Soviet merchant ship to deliver small arms and ammunition to Accra, probably for Tsikata's security forces. The US Embassy reports that 100 to 200 Ghanaian intelligence officers—selected by Tsikata—have been sent to Bulgaria, East Germany, and Cuba for security training. Rawlings, [redacted] continues to reject a wider military relationship with the USSR and appears to us to be more concerned about Moscow's intentions and aid offers than is Tsikata. [redacted]

Educational assistance programs afford the USSR some opportunities for influence that, in part, compensate for Moscow's inability to cement a deeper

military relationship. [redacted] some 1,000 Ghanaian students are currently in the USSR on scholarship. Past US Embassy reporting put the number of Ghanaian students in Moscow at the time of Rawlings's coup at 650. [redacted]

Moscow's economic assistance has been limited to a \$10 million loan extended in 1982. According to the US Embassy, this loan will be used to complete Soviet projects begun before the overthrow of the late President Nkrumah in 1966, including a gold refinery at Tawarka and a technical institute at Tema. A small number of Soviet technicians are in Ghana to help reactivate the projects, according to the US Embassy. Trade between the two countries is limited to barter deals, predominantly Ghanaian cocoa for Soviet agricultural equipment, machinery, and medicine. We believe the general low priority accorded West Africa, plus continuing Soviet caution in dealing with unstable African populist regimes, limits its economic commitments. [redacted]

Libya. In our judgment, the Libyans—in their quest for regional influence—will seek better relations with Ghana, and Accra may be responsive in order to placate the extreme left. The US Embassy [redacted] reported that, after the 1981 coup, Libyan efforts to cultivate Accra included a \$95 million oil credit, food aid during Ghana's drought, and military supplies—including small arms, ammunition, uniforms, and military vehicles. [redacted]

Ghana's relations with Libya cooled in 1983 and 1984, due largely to Rawlings's suspicions of Qadhafi's intentions and inability to attract meaningful development aid. In 1983, the US Embassy reported that Rawlings rejected a mutual defense pact that would have allowed Libyan troops to be based in Ghana. Libya responded by cutting off badly needed credits for oil supplies, according to US Embassy reports. [redacted]

We believe that harassment by exiles or a coup attempt might cause Rawlings to turn to Tripoli for new military assistance. Libya, in our view, probably

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will offer small military and economic aid packages from time to time, but is unlikely to offer the low-cost, long-term oil credits Ghana seeks. Libyan leader Qadhafi probably will continue his close relationship with Tsikata, who has visited Tripoli on several occasions, as a means of influencing Ghana. We note that Ghana has not criticized Libya's African policies, including its de facto annexation of northern Chad.

[redacted]

Cuba. Havana's most important role is the provision of intelligence training and academic scholarships.

[redacted]

[redacted] The US Embassy notes that some 600 Ghanaian students were enrolled in Cuban schools last year. We believe that the Cuban-Ghanaian relationship rests largely on Tsikata's admiration for the Cuban revolution and on Havana's proven security expertise. US Embassy reporting indicated Tsikata at one time favored the stationing of Cuban troops in Ghana. We have no evidence that Cuban troops or military advisers are now present.

[redacted]

Cuban economic influence is minimal, and we do not expect it to increase. The US Embassy reports that Havana has been providing limited technical aid and training to the Rawlings regime for some time, mainly in the areas of agriculture and health.

[redacted]

Outlook

We believe Rawlings will try to maintain his current moderate policies in the near term to preserve aid and trade relations with the West. In our view, however, he will back off, if necessary, to protect his position rather than lose all popular support or risk a total break with the radicals, whose security expertise he needs. In our view, should Rawlings return to his earlier radicalism, Tsikata, the Soviets, the Libyans, and the Cubans would be afforded new opportunities for influence at the expense of the regime's moderates and the West. Economic reforms would slip, radical models for social and military restructuring would be revived, and Rawlings would lash out at the West, particularly the United States, to demonstrate his revolutionary zeal. We believe, however, that an even

more radical Rawlings would still require massive Western economic assistance to keep the country afloat, thus helping to temper some of his actions.

[redacted]

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Should Rawlings be removed in a palace coup, assassinated, or resign, we strongly believe that a prolonged period of instability would ensue. In our view, there is no immediate alternative to Rawlings, including Tsikata, who could build as broad a popular base or who possesses as much ability to stir popular support. Both the extreme left and the factions in the military representing diverse ideological and tribal aspirations probably would jockey for power. In our view, such chaos would afford the Soviets, Libyans, and Cubans new opportunities for influence.

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Should Tsikata come to power, he probably would rule by force of arms, providing he received quick and substantial Libyan and Cuban military support and had the loyalty of the Force Reserve Unit. In our view, however, a Tsikata-led regime would prove more unstable than one led by Rawlings because it would be even less popular with Ghanaians and cause greater fissures within the military.

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Africa Briefs

Zambia	Army Unrest [redacted]	25X1
	Senior Zambian officials are increasingly concerned over what they perceive as growing indiscipline and disloyalty within the Army, [redacted]	25X1
	[redacted] Since the beginning of the year, there have been numerous reports of discontent over living conditions within the military. Army pay has failed to keep pace with the country's 20-percent inflation rate and, [redacted]	25X1
	[redacted] there are instances when the Army has been unable to provide new recruits with quarters or uniforms. [redacted]	25X1 25X1
	Most senior officers hold Army commander Masheke personally responsible for the problems, but the Ministry of Defense has given no indication that it intends to replace him, [redacted]	25X1
	[redacted]	25X1
	[redacted] There is no evidence of coup plotting at present, but, despite President Kaunda's personal popularity among officers and men, we believe government inability to address Army grievances could escalate eventually into a serious threat to the regime. [redacted]	25X1
Comoros	Coup Attempt Fizzles [redacted]	25X1
	Security forces thwarted a coup attempt in early March by disgruntled members of President Ahmed Abdallah's presidential guard while the President was out of the country. One of the alleged coup leaders, Moustapha Said Sheikh, is the head of a small Comoran Marxist-Leninist movement that may have connections to the French Communist Party. A source of the US Embassy reports that he used narcotics to entice 12 disgruntled guard members into the plan, which called for assassinating the European mercenary leaders of the presidential guard and the Minister of Defense. According to Embassy reporting, subsequent interrogation of the 12 plotters led to the discovery of a dissident printing press and documents implicating 200 civilian and junior government officials, who also have been arrested. Among those implicated are two rightwing former ambassadors under the previous regime—one a Comoran and the other a Frenchman—who have resided in France for the past several years. The source of the US Embassy reports that Said Sheikh intended to install the former ambassadors at the head of an interim government to reassure the West that Comoros would retain its pro-West direction until he could replace them with Marxist-oriented leaders. [redacted]	25X1

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According to press reports, documents found in Said Sheikh's possession indicate that he had been planning a coup since at least 1980. Coup plotters probably hoped to capitalize on mounting tensions in the presidential guard caused by the preferential treatment and status accorded to the white mercenary leadership that installed Abdallah in 1978.

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Despite the friction in the security forces, Abdallah appears confident that the mercenaries can contain any attempts to destabilize the regime. His political opponents lack the President's national stature, and their influence was undermined further in a cabinet shuffle in January that consolidated Abdallah's authority. Moreover, external opposition to the regime is fragmented and what little internal support this opposition may have had probably has eroded in the aftermath of the coup plot. In our judgment, Abdallah faces no serious challenge to his hold on power, although any moves on his part to increase the size of the mercenary contingent could lead to renewed expressions of discontent by Comoran elements in the presidential guard.

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