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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*

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**Africa Review**

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**Articles**

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**Angola: UNITA Leader Savimbi—  
His Goals and Prospects**

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The visit by Jonas Savimbi to Washington last January gave US officials a closer look at the longtime Angolan guerrilla leader and helped place him in current perspective. The National Union for the Total Independence of Angola (UNITA) leader's comments were largely consistent with his earlier statements and confirmed our view of him as a pragmatic African nationalist.



UNITA leader  
Jonas Savimbi

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Savimbi's goal is to force the Angolan Government to the bargaining table by waging a protracted war that convinces the Popular Movement for the Liberation of Angola (MPLA) regime that it cannot win and must negotiate. Confident of his staying power and South African backing, Savimbi believes UNITA can blunt this year's major offensive by the Angolan Government, which managed to regain the military initiative in 1985 for the first time in several years.

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Resistance." In that piece, he laid down markers on his domestic philosophy, economic approach, and his foreign policy. Savimbi is well aware of the value of the press—he has had extensive experience with the Western media—and made good use of this opportunity to seek further sympathy and support. Propaganda motivations aside, Savimbi, in our judgment, spoke in terms that are consistent with the basic tenets of his philosophy.

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In the next 12 to 18 months, we believe that the fighting probably will be the most intense of the civil war, with tactical gains and losses on both sides, but that neither side will deliver a knockout punch. However, there is a growing risk of a direct confrontation between South Africa and Angola's Soviet and Cuban backers.

**Savimbi's Domestic Philosophy**

Savimbi today, in our judgment, is first and foremost an African nationalist. He has stated repeatedly his firm belief that no foreign political ideology—be it Communism or democracy—has a place in Angola unless altered to suit local conditions. As in the past before Western audiences, Savimbi promised again during his Washington visit to hold free elections and to protect basic human rights if UNITA came to

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**Savimbi's US Visit**

Savimbi set the tone for his visit to Washington by publishing his latest comprehensive statement on UNITA's goals and strategies last December in the United States. Throughout his visit, he paraphrased repeatedly the key points in his article, which is entitled "The War Against Soviet Colonialism: The Strategies and Tactics of Anti-Communist

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power. He noted, moreover, that UNITA is organized along the lines of a mass organization or a front rather than as an elitist vanguard party like that of the ruling MPLA government in Luanda.<sup>1</sup> [redacted]

[redacted] UNITA has focused on recruiting outside Angola's central highlands, the traditional homeland of the Ovimbundu. We know, for instance, that UNITA has recently been active in recruiting personnel as far afield as the Bakongo-inhabited provinces of Zaire and Luanda Norte in Angola's far north. We also believe that the MPLA's decision at its party congress last December to expand government services to the rural areas and include military representatives from outlying areas in the Central Committee in part reflects Luanda's concern about UNITA's drawing power. [redacted]

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A Savimbi in power in Luanda, in our view, provides no guarantee that a multiparty system would emerge or long endure. With few exceptions, most African leaders—including moderates like Kenya's Moi and Cameroon's Biya—have centralized power under the auspices of a one-party state. Should Savimbi follow suit, we judge that he probably would remain sensitive to the need to have some open discussion and consensus making, as well as to include in his government representatives from Angola's three largest ethnic groups: his own Ovimbundu, the MPLA's Kimbundu, and the Bakongo. [redacted]

[redacted] misrule by local authorities under the MPLA and its religious intolerance have helped UNITA to gain greater hearing among other ethnic groups. As opposed to MPLA practice, Savimbi's past public statements suggest that he would place local-level officials in or near their home provinces and encourage them to deal respectfully with local chiefs and headmen as allies rather than undermine their traditional authority. In our view, Savimbi—who claims to be a Christian and an adherent of the United Church of Christ, which funded his early university studies abroad—would be more tolerant of Angola's various Christian churches and their activities in rural areas. [redacted]

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Indeed, Savimbi reaffirmed privately during his Washington visit that he would redouble efforts to gain broader based ethnic support and include more representatives from Angola's various ethnic groups in UNITA's leadership. During the visit he demonstrated the ethnic mixture of his current leadership by asking each individual to stand and state his tribal background. [redacted]

**Economic Theory**

Savimbi has dismissed foreign economic models as irrelevant to Angola without adaptation. Rejecting a totally centrally planned and controlled economy, Savimbi advocates mixed control by the government and private enterprise. Such a system is followed in various forms by the majority of African states and is typically referred to as "African socialism." The UNITA leader claimed during his US visit to be experimenting with his version of African socialism by operating UNITA-owned and private farms near UNITA's capital of Jamba in southeastern Angola. [redacted]

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[redacted] Miguel Puna, the number-two man, is a Bakongo and [redacted] the remainder of the UNITA senior echelon contains a sprinkling of Angolans from other ethnic groups. In his December policy statement, Savimbi stated:

*Our first goal had to be to win their [the peoples'] allegiance and confidence. Without the support of the people, our roads would be mined with informers. With it, we have an intelligence network alerting us to enemy troop movements out of the cities, and we do not need to carry all our food and supplies with us—critical to a guerrilla movement that has to travel thousands of kilometers by foot and possesses neither trucks nor access to rail travel.* [redacted]

While Savimbi, in our judgment, may be overstating the success UNITA has had in broadening its ethnic base, [redacted]

Like most African leaders, Savimbi has said he is not a capitalist, and was careful to state during his visit that the government must provide essential services to the population, such as free education and medical

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<sup>1</sup> Our comments on how Savimbi would behave as a government leader are obviously speculative in nature. They are based both on [redacted] Savimbi's performance as leader of UNITA as well as on the programs he has publicly outlined for his organization. [redacted]

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**Angola: Ethnic Demography**

*Ethnic and racial rivalries underlie Angola's political and factional divisions, including ideological and personality clashes between its competing actors.*

*Angola has over 100 different tribes, but three-fourths of its estimated 8 million people belong to one of three major tribal groupings. Unlike Mozambique, for instance, where during the march to independence one primary nationalist group sought to unify the people, in Angola three rival movements drew their support from three main ethnic groups.*

*The ruling MPLA government traditionally has received its principal support from the Kimbundu ethnic group, Angola's second-largest group and about 25 percent of the population. The Kimbundu's home territory includes the capital of Luanda, and President dos Santos and most of his closest supporters are of this tribe. The MPLA has been the most multiracial of the movements, but more recently rivalries between blacks and mulattoes have been a source of factional contention. Neto Alves, a black politburo member, led a black populist coup attempt in 1977 against the late President Neto and his fellow mulattoes, which was put down with the help of Cuban troops. Today, dos Santos and his governing coalition represent the ascendant black majority within the party, but dos Santos still has to deal*

*carefully with a mulatto-led faction of pro-Soviet ideologues headed by Lucio Lara, a founder of the MPLA in the 1950s.*

*Like Savimbi, most of UNITA's insurgent rank and file probably are Ovimbundu, the largest single group, with about 37 percent of the population concentrated in the central highlands. UNITA's leader has been making a concerted effort to broaden his ethnic base, and has achieved some success. The government tries to play on the theme of historic rivalries between the Ovimbundu and other peoples, however, frequently describing UNITA in radiobroadcasts as Ovimbundu dominated and riven by ethnic divisions.*

*The Bakongo, who inhabit Angola's far northwest and the exclave of Cabinda, once provided the primary base for Holden Roberto's now moribund Front for the Liberation of Angola (FNLA) that was the leading opponent of the MPLA in the 1975-76 civil war before being routed. Prior to the arrival of the Portuguese in the 15th century, Bakongo tribesmen dominated an area that extended over much of what is now Angola, Zaire, and Congo. Legends of past glory remain a unifying factor among the Bakongo.*

care. We believe, however, Savimbi would almost certainly pursue programs that encouraged economic growth by offering considerable scope for free enterprise and foreign private investment. During his trip to Washington, Savimbi repeatedly emphasized his desire for private enterprise in Angola.

We believe Savimbi's economic philosophy has evolved over time. Twenty years ago, he, along with other African leaders, espoused economic policies based on purer socialist models. In the wake of European colonialism in black Africa, such models appeared to many Africans to be the best hope for black Africa's economic development. Today, however, Savimbi's comments suggest that he—and some other black African leaders—perceive things

differently, especially given the poor performance they have seen in states that strictly followed socialist models. Indeed, US Embassy  from other parts of the continent reveals a trend in some countries toward less state control and more reliance on private capital and market institutions.

During his US visit, Savimbi repeatedly criticized Soviet collectivism, claiming it would always fail because it offers individuals no incentive to excel. His rejection of a Marxist-Leninist socialist model was

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stated clearly in his December policy statement:

*The second weakness of the Communists is economic. The Soviets may provide enormous quantities of arms but they refuse economic aid and, while it is UNITA's goal to damage the export economy that finances the Cuban war against our people, the Soviet and Cubans are doing much of our work for us by nationalizing all industry and collectivizing agriculture. Around the world, Communist governments lower the standard of living, destroy chances to work, and impoverish the people in a way that guerrilla wars never do.*

Moreover, he made it clear while in the United States that he believes the philosophies of Mao fail to provide an appropriate model for running an economy or a nation, despite his admiration for and emulation of Mao's guerrilla warfare tactics. [redacted]

**Foreign Policy**

While Savimbi said little about foreign policy goals during his recent visit, he did state clearly that:

- He does not want Angola caught up in an endless struggle between the United States and the USSR.
- He views the USSR and Cuba as the new colonial masters in Africa, who are causing greater damage throughout Africa than West European colonialism ever did.

Moreover, Savimbi stated his intention to visit Western Europe later this year in an effort to gain additional aid. [redacted]

The wide range of foreign governments that have at one time or another supported UNITA—from Beijing to Pretoria—suggests that a Savimbi regime would pursue a nonaligned foreign policy, but probably with a pro-Western slant. Because of his pragmatic nature, we judge that Savimbi in power would probably continue to retain close links not only to old friends that have provided him assistance—some conservative Arab and moderate Africans, together with France and conservative politicians in West Germany—but also to additional countries that he viewed as capable of playing a useful role in Angola's domestic affairs.<sup>2</sup>

<sup>2</sup> During his Washington visit, Savimbi was understandably reluctant to expose UNITA's current sources of support. [redacted]

[redacted]

Such countries could even include some East European countries, although we believe Savimbi would almost certainly view any Soviet or Cuban overtures with deep suspicion. At the same time, in our view, Savimbi could be expected to exert a strong measure of control over any foreign activities in his country.

[redacted]

Savimbi has been forthright in acknowledging his ties to South Africa, [redacted]

[redacted]

During his recent visit, for instance, Savimbi told several audiences that the geographic realities of southern Africa compel many black African leaders, including Mozambique's Machel and Zambia's Kaunda, to deal openly with Pretoria. [redacted]

The Angolan guerrilla leader is especially sensitive to charges from black African leaders that he is a South African lackey. If in power, we believe he probably would distance himself—at least outwardly—from South Africa, and might stop short of establishing diplomatic relations with Pretoria. Only one other OAU country—Malawi—has such relations. Savimbi might also attempt to work with moderate black leaders inside South Africa. [redacted]

**Insurgent Goals: On the Battlefield and at the Bargaining Table**

[redacted]

**Basic Strategy.** Various US officials with whom Savimbi talked report that he spoke both confidently and realistically—for the most part—about his goals on the battlefield and at the bargaining table. Although acknowledging candidly that UNITA cannot win an outright military victory, he told several audiences that UNITA hopes to “kill the MPLA's illusion that there can be a military solution.” This, he asserted, could only be achieved by making the war a continued standoff, and he stressed the need for defensive rather than offensive weapons to enhance his military staying power. [redacted]

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The UNITA leader admitted that the military momentum had swung last year for the first time to the Angolan forces after several years of steady insurgent progress. However, he asserted—and we agree—that the guerrillas are far from beaten and that his movement will remain a major threat to the MPLA and to Soviet-Cuban domination of Angola.

[redacted]

Savimbi believes that UNITA's ability to blunt the Angolans militarily over the near-to-medium term will provide bargaining strength over the longer term, hopefully as the military struggle evolves into a political contest. Savimbi repeated during his visit his longstanding contention that, in order for Angola to be at peace, Luanda must return to the Alvor accord. The MPLA, UNITA, and National Front for the Liberation of Angola signed this accord with the Portuguese in January 1975—10 months before independence was granted—to create the framework for a coalition government and for eventual popular elections. Savimbi adamantly insists that, had the MPLA not undermined the agreement by bringing in Cuban troops, the Angolan people would have selected their government at the polls rather than on the battlefield.

[redacted]

In addition, Savimbi claims he could work comfortably with the MPLA in a new transition government—a view we find hard to believe after years of bloody and bitter conflict. He told one audience such a government could need up to three years to rehabilitate the country before free and fair elections could be held. Not surprisingly, Savimbi has expressed certainty—as he did in 1975—that he would win such an election.

[redacted]

While avoiding giving specifics [redacted] Savimbi suggested that he and other UNITA members have “regular” contact with MPLA officials—which we cannot confirm—and that, public protestations aside, strong sentiment for a reconciliation exists within the MPLA. Savimbi's belief that a successful UNITA-MPLA reconciliation could be achieved appears to be based, in our judgment, as much on his perceptions of popular yearning in Angola for such a move as on any specific talks he or other UNITA leaders might have held

with Angolan officials. Savimbi told several audiences during his trip that it mattered little who specifically sat in the MPLA leadership slots. More important, he claimed, is that all Angolans are fed up with the war and want it to end. The average Angolan, according to Savimbi, shares the view of the Catholic Church, which has repeatedly called for national reconciliation.

[redacted]

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Savimbi's optimism on negotiations contrasts with the seeming determination of the MPLA government and its Communist backers to pursue a military solution after regaining the initiative in 1985. The MPLA at a major party congress last December stated publicly that prosecution of the war against UNITA is its top priority, and Luanda has recently taken an increasingly hard public position on regional settlement talks and on the prospects for a withdrawal of Cuban troops.

[redacted]

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**Arms and Tactics.** In private discussions with US officials, Savimbi outlined the arms and tactics UNITA needs to blunt the MPLA's next major military offensive that could begin soon after the end of the rainy season in April. Savimbi repeated his request for antiarmor and anti-aircraft weapons, and believes he has gained valuable lessons from last year's fighting. He plans a tenacious defense of UNITA's stronghold territory in southeastern Angola, increased activity in urban areas, and continued—if not stepped-up—operations in central and northern Angola. Savimbi said UNITA will employ a flexible, mobile defense that makes fuller use of guerrilla tactics and tries to avoid conventional setpiece battles. He also acknowledged that UNITA would give some ground—possibly including Mavinga in the southeast—rather than risk costly losses. In private, Savimbi claimed he had no reason to believe that Pretoria would not assist him militarily if “push came to shove,” as it did in 1985.

[redacted]

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#### Implications for US Regional Interests

In our judgment, UNITA is unlikely over the next 12 to 18 months to be able to put enough military pressure on the MPLA to force it to the bargaining table. We believe the fighting this year probably will be the most intense of the civil war, with tactical gains

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and losses on both sides, but that neither side will deliver a knockout punch. While Luanda may regain some UNITA-held territory or positions, such as the town of Mavinga, the MPLA will not be able to suppress UNITA as a significant threat. Savimbi's comment to one audience in Washington that "I've been at this for over 20 years," suggests a man who expects nothing less than a protracted struggle and is prepared to continue it. [redacted]

Our most likely scenario—a continued standoff between UNITA and the MPLA—carries old problems and new challenges for the United States:

- The continued presence in Angola of large numbers of Cuban troops as well as 1,200 Soviet military advisers.
- Undiminished South African concern about its security and reticence to move toward granting Namibia genuine independence.
- Uneasiness on the part of both Zaire and Zambia about the spillover of fighting into their territory. Zairian officials are probably already concerned that Angola, with Soviet backing, may arm Zairian dissidents in retaliation for Zaire's behind-the-scenes support for Savimbi.
- Despite the apparent Soviet and Cuban aversion to frontline combat, we believe there is a growing danger that the Soviet, Cuban, and South African support to their clients in this year's fighting to come may draw these outside backers into more direct conflict. [redacted]

A much less likely scenario, but one that carries even greater liabilities for US interests, would be an outright MPLA victory against UNITA in the near term. Such a victory would necessitate, in our view, a sustained, Soviet- and Cuban-backed, Angolan Government push—in spite of a tenacious UNITA defense and likely South African counterstrikes—that reclaimed most of UNITA's stronghold territory in the southeast, including its capital at Jamba, and

forced Savimbi into Namibia.<sup>3</sup>

- A major blow to UNITA would provide no guarantee, in our judgment, that all of the Cuban troops now in Angola would depart. [redacted] 25X1  
[redacted] the 25X1  
Luanda government almost certainly would remain concerned about the perceived threat of South Africa and the possibility of a UNITA revival with stepped-up Western assistance. Moreover, Cuban President Castro's public announcement at a recent Cuban party congress that there can be no total withdrawal of Cuban troops from Angola until apartheid has ended suggests that the Soviets and Cubans may see a Cuban presence in Angola as useful for their long-term ambitions in Namibia and in South Africa. 25X1
- An MPLA victory would probably harden South Africa's position on Namibia. Pretoria's concerns about SWAPO incursions into Namibia would intensify, as would South Africa's desire to assist a Namibian-based UNITA in regaining lost territory in Angola. An overly confident Angola might—at Soviet or Cuban urging—increase its assistance to SWAPO in an effort to heighten military pressure on Namibia.
- Zaire would fear that Luanda, with Soviet and Cuban encouragement, would give greater attention to anti-Mobutu dissidents that invaded Zaire's mineral-rich Shaba region twice in the late 1970s. [redacted] 25X1

An equally unlikely scenario, in our view, during the next year would be UNITA gains on a scale that would lead the MPLA to negotiate seriously with Savimbi. We believe that, even if talks were to begin, 25X1

<sup>3</sup> Additionally, the death of Savimbi himself—a distinct possibility—would have similarly dire consequences for UNITA's prospects. We have no information to predict an imminent assassination attempt against Savimbi, but sporadic reports appear from [redacted] the open press of recurrent planning by the MPLA and the Cubans to assassinate the UNITA leader. [redacted] 25X1 25X1

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the obstacles to an agreement on a coalition government would be very difficult to surmount after a decade of bitter fighting.

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During and after negotiations toward the formation of a coalition government, each side would face a number of key internal strains:

- Personal rivalries within the leadership. Undoubtedly fearful of Savimbi's charisma and political skills, the MPLA has always maintained that it could never reconcile with Savimbi himself but only with UNITA's rank and file. Savimbi has repeatedly and openly stated that he regards his leading role in a coalition government as a given, and he is unlikely to compromise on the issue.
- Tribal and regional differences. These factors have deeply divided Angolan political groups beginning with the preindependence struggle against Portuguese colonial rule. More than a decade of civil war has only sharpened ethnic differences. There is no tradition of rule by compromise and consensus so necessary to the success of coalition government. In our view, Angola's rivalries are no less acute than those in such states as Nigeria, Chad, Zimbabwe, Uganda, and Ethiopia.
- Frictions between rival UNITA-MPLA military forces. Even if tribal and regional differences could be contained, any coalition government would face the severe challenge of merging the now opposing armies. In this regard, Africa's track record holds little promise, in our view. Indeed, we regard Zimbabwe, where the militaries of three rival preindependence groups have successfully merged, as the exception rather than the rule.

Moreover, the temptation to call on external backers would always be lurking in the background if the key interests of any party appeared to be threatened.

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## Mozambique: Economic Impact of the Insurgency

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Mounting insurgent activity has created severe problems for Mozambique's already weak economy. Attacks by the Mozambique National Resistance (RENAMO) have disrupted rail, road, and port transportation; reduced mine and farm output; caused electric power outages; enlarged refugee populations; and led to devastating food shortages. Falling exports and transport services to neighboring countries have caused severe foreign exchange shortages and forced Maputo to make major cuts in imports. Finance Minister Rui Baltazar Alves reported in December 1985 that GDP contracted by 20 percent last year despite the end of a severe drought.

Reacting to the economic crisis, President Machel's government has initiated a limited reform program designed to increase the role of the private sector and reduce the inefficiencies of the socialist economic system. Although production has increased somewhat, the improvement will not be sufficient to reverse the economic contraction in 1986, in our judgment. We believe economic problems will remain a major force behind the political threat posed by the insurgency to the government.

### Economic Targets

Land transportation facilities have been major insurgent targets. Rocket fire, derailments, mines, and blown-up bridges have closed the main rail lines from Maputo to Zimbabwe and from Mozambique's northern port of Nacala to Malawi for more than a year each. Also closed or operating at sharply reduced rates are the three rail lines from the port of Beira to terminals in Zimbabwe, Malawi, and at domestic coal mines and farms in Tete Province. Attacks have repeatedly interrupted traffic on the two cross-country railroads from Maputo to South Africa and Swaziland. Insurgent activity has forced road traffic to travel in armed convoys protected by troops and armored vehicles, and in some areas the military has felled trees and leveled houses to create free-fire zones along heavily attacked roads.

Although none of Mozambique's three ports has been seriously damaged, reduced rail traffic and electric power outages because of the insurgency have contributed to a steep fall in port shipments. Attacks against electric power lines to Maputo in January, for example, cut power to cargo-handling cranes and slowed loading for more than a week. Tonnage handled through Maputo has dropped by about two-thirds since 1982, according to our estimates on the basis of US Embassy reporting. Beira is being used at about one-half its capacity, according to press and IMF reporting. Malawian goods that in normal circumstances would have been shipped through Nacala have been diverted to South African ports.

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RENAMO's destruction of pylons on the electric power line to South Africa has virtually shut down Mozambique's Cabora Bassa hydroelectric complex. Railroad closures have cut coal production at Moatize by over 90 percent since 1980. Tantalum mining at Morroa in Zambezia Province has been at a standstill since the kidnaping in late 1983 of 24 Soviet geologists there.

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### Severe Food Shortages

Abetted by alternating drought and floods over the past few years, RENAMO has caused deep cuts in the production of food and export crops. Attacks on farm installations and road transport, for example, cut corn harvests on the large state-owned Caia farm complex in Tete by 95 percent, despite a sharp improvement in weather. Farmers abandoning their land because of insurgent pressures have more than doubled the population of Moatize to about 75,000, according to US Embassy reporting. In January, insurgents destroyed the sugar refinery at Marromeu, one of only three in the country that had still been operating.

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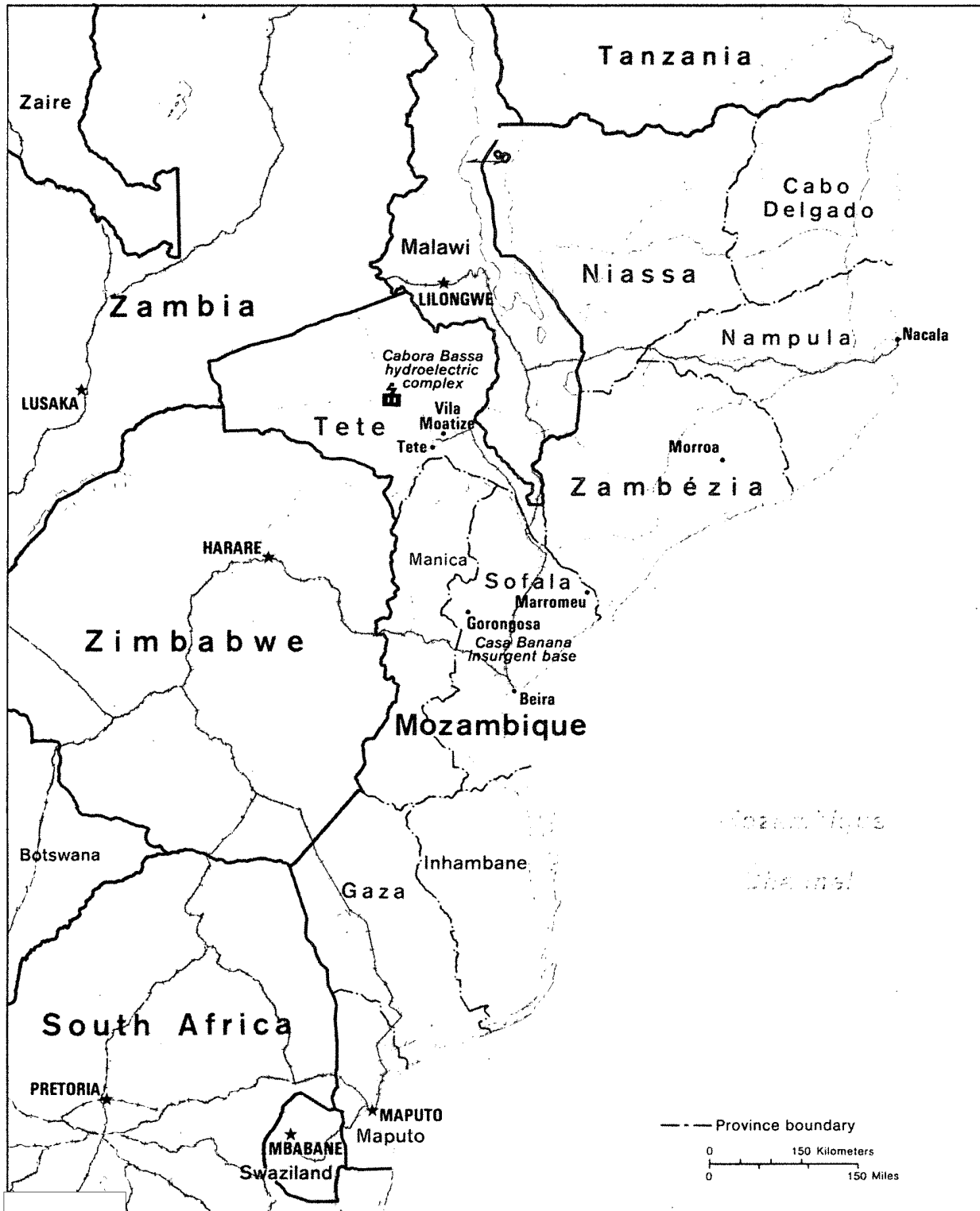
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**The Contending Forces**

*RENAMO has an estimated strength of 15,000 guerrillas and operates in rural areas of all 10 Mozambican provinces. RENAMO regained the tactical initiative early this year following setbacks in August 1985, when a government offensive, spearheaded by troops from neighboring Zimbabwe, pushed the guerrillas out of the Gorongosa mountains. Significant RENAMO developments since then include the recapture—and subsequent loss—of its former headquarters at Casa Banana and an increase in terrorist-type activities near Maputo.*

*Mozambique's Army, which numbers about 35,000 troops and several thousand militia, is poorly led, demoralized, and short of everything from boots to helicopters. The active combat role played by more than 5,000 Zimbabwean troops has been all that has prevented RENAMO from dominating the central region of Mozambique. When the Army was unable to hold Casa Banana, however, Zimbabwe temporarily ordered its forces to cease large offensive operations in the belief that it was pointless to seize territory that the government could not hold.*

Drought cut harvests of corn, rice, and other staple crops in half in 1984, according to Embassy reporting. The decline continued because of the insurgency during 1985-86, and the FAO projects that grain marketing—over and above that consumed by subsistence farmers—in the crop year beginning this May will total little more than one-tenth of requirements. Foreign exchange shortages forced Maputo to cut commercial imports of grain in 1985 and to increase heavily its dependence on deliveries by foreign aid donors to meet minimum food requirements.

**Foreign Exchange Constraint**

The impact of the insurgency on the country's ability to earn foreign exchange has hurt the economy more than direct damage from armed attacks, in our judgment. Sketchy data indicate that exports declined

from about \$230 million in 1982 to only \$75 million in 1985. The shutdown of cross-country railroads, moreover, has slashed foreign exchange earnings from services, which historically had offset large merchandise trade deficits. As a result, Mozambique has had to pay more since 1983 for foreign services than it has earned. Maputo has reacted by cutting imports by nearly one-fourth since 1982. The large current account deficit—about \$600 million in 1985—has been covered by foreign aid inflows and a rapid buildup of arrearages on foreign debt repayments.

Shortages of imported commodities have caused production losses throughout the economy:

- A variety of press and US Embassy reports indicates that shortages of spare parts have idled large numbers of farm tractors throughout the country, and that fuel shortages limit the usefulness of serviceable tractors.
- Four of the five sawmills in Cabo Delgado Province are inoperable because of lack of maintenance and spare parts, according to Embassy reporting.
- Fuel shortages that have held up truck and train deliveries have hamstrung a program to distribute clothing and other consumer products to rural areas to barter for farm crops. With nothing to trade, local officials have been unable to induce farmers to increase planting for urban food markets and to expand the harvesting of cashew nuts, which have declined by more than three-fourths since 1982 and have fallen from first to third among Mozambique's exports.
- Shortages of raw materials, fuel, and spare parts have severely restricted production of items ranging from soft drinks and hand-pushed plows to vegetable oil, shoes, and batteries during the past few years.

The cuts in imports and fall in industrial and farm production have shrunk the tax base significantly. As a result, government revenues have fallen by nearly one-half since 1982 to about \$380 million in 1985.

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**Loss of Services Income**

*Central to Mozambique's bleak economic performance is its loss of competitiveness in providing services to South Africa and other neighboring countries. Foreign exchange earned from transport, labor, tourism, and electricity sales had covered a large annual Mozambican trade deficit. Spurred by the deterioration of services following Mozambique's independence in 1975, the South African government and private firms have constructed major alternative facilities:*

- *South Africa has developed a large new Indian Ocean port at Richards Bay and has significantly upgraded railroads to ports at Durban, East London, and Port Elizabeth since Mozambique's independence. As a result, South African shipments handled by Maputo dropped to less than 1 million tons in 1985, compared with 4.3 million in 1979 and nearly 7 million in 1973. In addition, South Africa now has sufficient port and rail capacity to handle virtually all overseas trade by neighboring countries that formerly had relied heavily on Mozambique—Zimbabwe, Zambia, Malawi, Swaziland, and southern Zaire.*
  - *South African mines have reduced their hiring of Mozambican migrant workers from about 120,000 at independence to 45,000 currently, and Pretoria has ended a gold-for-labor agreement that had netted the Mozambican Government about \$2.5 billion in foreign exchange annually.*
  - *Major new hotels and casinos constructed by South African firms in Bophuthatswana, Lesotho, and Swaziland have provided attractive alternatives to formerly popular Mozambican hotels and beaches.*
  - *Large new electric power plants fueled by coal have eliminated South Africa's need for electricity from Mozambique's hydroelectric plant at Cabora Bassa.*
- 

Despite this reduction, the pressing need to battle the insurgency induced the government to increase military spending in 1986 to 42 percent of budgeted expenditures. In contrast, Mozambique has closed large numbers of schools since 1983 because of funding shortages.

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**Government Reaction**

Rising concern over the continuing economic deterioration induced the government to launch a limited economic reform program during its fourth party congress in early 1983. The program, which is designed to increase the participation of private firms in the economy and attract foreign investment, has five elements:

- Distributing agricultural land from state farms to cooperatives and private farmers.
- Increasing selected prices, particularly of food, to encourage production and marketing.
- Returning some nationalized manufacturing firms to private ownership.
- Strengthening Western economic ties by joining international financial organizations such as the IMF and the IBRD and soliciting private investment by US and other Western firms.
- Reestablishing economic ties to South Africa

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Steps taken to implement the program thus far indicate that the government is willing to make a substantial effort toward increasing Western and South African ties and stimulate production by reducing government control. In 1984 Mozambique joined the IMF, the IBRD, and the Lome Convention; signed an OPIC agreement with the United States; and enacted a liberalized investment code that guarantees profit repatriation and offers tax incentives to potential investors. Maputo also signed an accord with South Africa at Nkomati in 1984 designed to end South African aid to RENAMO and attract South African investors. Following these initiatives, the Paris Club agreed to reschedule Mozambican debt in October 1984, and the IBRD granted a \$45 million loan in 1985. Maputo currently is considering IMF conditions for a standby agreement.

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Maputo distributed about 13,000 hectares of state-owned land during 1983-84 from the Limpopo agro-industrial complex in Gaza Province to private farmers. Prices of manioc, sweet potatoes, fruits, onions, ducks, and turkeys were deregulated in May 1985, and other farm prices were increased. As a result, a variety of vegetables that had been unavailable for more than two years began to appear in Maputo's urban markets by mid-1985, according to press reporting. [ ]

The government also has turned over more than 20 manufacturing firms to local businessmen, and a small number of US and other foreign firms are interested in investment projects. The UK-based London Rhodesia Company (LONRHO), which has large farm and industrial investments in neighboring southern African countries, has begun projects in farming, mining, tourism, and railroad rehabilitation that may total \$30-40 million by 1990. US firms have undertaken preliminary oil exploration activities and are looking at mining and farming projects. South African firms have completed feasibility studies for a large farm project, and a Zimbabwean firm has entered a small joint venture project with the Mozambican Government to mine bauxite. [ ]

#### Gloomy Outlook for 1986

The economic impact of insurgent attacks will continue to outweigh the positive effects of Maputo's limited reform program during 1986, in our judgment. We believe that Zimbabwe's reluctance during February and March to engage in large-scale offensive operations in Mozambique made it easier for RENAMO to attack roads, trucks, and farms in the central third of the country. As a result, the problems of distributing farm inputs, such as fertilizer and spare parts, and of moving farm products to urban markets over the already badly disrupted transport system worsened. Food imports will plummet in 1986 because of foreign exchange shortages, and the country will require almost 450,000 tons of food aid deliveries, according to Embassy reporting. Fuel shortages will increase this year, in our judgment because requirements for arms imports and servicing of massive foreign debt—which now exceeds \$2.4 billion, according to Embassy reporting—will continue to drain foreign exchange. [ ]

#### Mozambique: Balance of Payments

Million US \$

	1982	1983	1984	1985 <sup>a</sup>
Current account	-577	-505	-476	-610
Exports	229	132	95	75
Imports	-836	-636	-539	-650
Net services	30	-1	-32	-35
Capital account	395	69	-144	-150
<b>Financial gap</b>	<b>182</b>	<b>436</b>	<b>620</b>	<b>760</b>

<sup>a</sup> Estimated.

[ ]

The insurgency and foreign exchange crisis also will undermine any positive effects from the return to private ownership of urban businesses and the enthusiasm of private foreign investors. Fuel, electricity, and raw material shortages will continue to hamper factory output. Major investors will have to bear significant additional costs for security because of the Army's inability to provide protection.

[ ] private farmers are providing room and board to troops in return for protection.

[ ]

We believe Machel is acutely aware of the negative impact his government's socialist policies have had on Mozambique's economic situation. In a speech to the Mozambican People's Assembly, he criticized "ultra leftist errors" that had reduced food production by interfering with the distribution of tractors and other farm inputs to private farms and cooperatives. Machel's concern with redressing the shortcomings of the socialist system, however, has little chance of offsetting the economic impact of the insurgency, in our judgment. As a result, we expect the economy to contract again this year and to continue to comprise a major part of the political threat posed by the insurgency to the Machel government. [ ]

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**Chad's West African Neighbors:  
Accommodating Qadhafi**

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Libya's continuing occupation of northern Chad and Qadhafi's increasing propensity to interfere in the affairs of his neighbors are worrying moderate West African leaders and forcing many to opt for accommodation rather than risk Libyan subversion of their regimes. Libya already has attempted to undermine the pro-Western governments in Niger, Nigeria, Cameroon, and the Central African Republic by providing arms, training, and funds to dissident and exile movements. It has recruited students and migrant workers in these countries to undergo ideological and military training in Libya, and most recently it has carried out terrorist attacks. Libya also has stepped up efforts to gain influence among large and influential Muslim populations in these states. These moderate regimes have found it almost impossible to stem Libyan infiltration across their porous borders or curb illicit activities by officially accredited Libyan diplomats.

sizable Libyan communities in Kano and Maiduguri have access to religious and economic circles that facilitate recruitment efforts.

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The Embassy in Lagos reports that Libyan activity among Chadians resident in Nigeria has included subversion and efforts to undermine Chadian President Habre's reconciliation programs.

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**Nigeria**

Nigeria has tried to provide a counterweight to growing Libyan influence in West Africa, but it has been powerless to prevent Tripoli from meddling even within Nigerian borders because of serious domestic troubles and a large and influential Muslim population. The US Embassy reports that Islamic fundamentalism is growing in northern Nigeria, especially in schools and universities, where growing numbers of students criticize Western culture and idealize Muslim asceticism. To accommodate this movement and to garner Arab economic aid, President Babangida recently announced Nigeria's membership in the Organization of the Islamic Conference, a move that has triggered an inflammatory debate between the country's Muslims and Christians. We believe Babangida will remain reluctant to condemn Libyan activities publicly for fear of offending the Muslim communities.

Frequently changing governments have left Nigeria vulnerable to Libyan influence peddling among the leadership, in our view.

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Libya has exploited Lagos's preoccupation with internal problems to recruit West Africans residing in Nigeria to fight in northern Chad. We suspect the

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[Redacted]

[Redacted]

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**Niger**

Niamey's ability to oppose Libyan subversion is complicated by Niger's proximity to its more powerful neighbor, the vastness and ungovernability of the northeastern border region, and its tenuous economic circumstances. The US Embassy reports that President Kountche is keenly suspicious of Qadhafi's regional objectives and believes he is on Qadhafi's hit list, but he rarely takes public stands against Libya. Kountche has noted to US officials that Qadhafi has attempted to infiltrate the Nigerien Army without success, turn minority tribesmen against the regime, and penetrate student and labor movements. There are some 1,100 Nigeriens in Libya, including politically motivated opponents, mercenaries who have joined the "Islamic legion" in the Libyan Army, and individuals seeking employment. Kountche fears that many of these people will return to Niger to subvert his regime, according to Embassy reporting.

[Redacted]

Kountche believes that Qadhafi has territorial designs on Niger's far northeastern territory, on the basis of a claim in the unratified Laval-Mussolini accords of 1935 [Redacted] the Libyans built an airstrip last year at Toummo, just inside their border. [Redacted]

[Redacted]

[Redacted]

**Cameroon**

In our view, the porous border between Cameroon and Chad, which allows large numbers of Chadian refugees to seek safehaven from the intermittent insurgency in southern Chad, also provides Libya with opportunities to penetrate Cameroon's predominantly Muslim north. [Redacted]

[Redacted]

Moreover, the US Embassy reports that Yaounde may reestablish relations with Israel later this year. We believe such a move could trigger resentment among Muslims—which make up about one-third of Cameroon's population—and further stimulate the rise in Islamic fundamentalism recently noted by the Embassy. [Redacted]

President Biya is wary of the Libyans and seeks to keep them at arm's length. According to the US Embassy in Yaounde, Biya fears Libya may retaliate for his diplomatic and material support of President Habre—Cameroon has provided some \$800,000 to N'Djamena to help pay military salaries. Nevertheless, by permitting a five-man People's Bureau in Yaounde, Biya hopes to maintain cordial ties to Tripoli and avoid giving Qadhafi a pretext for meddling in Cameroon's internal affairs. [Redacted]

**Central African Republic**

We believe that Qadhafi probably hopes to overthrow President Kolingba's regime, which supports President Habre and has close ties to France and Zaire. [Redacted]

[Redacted]

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[Redacted]

The Embassy notes that the Libyan People's Bureau in Bangui has not been effective in promoting better bilateral relations because of many clumsy acts committed by its personnel. The Libyans have been observed surveilling the airport and the President's residence at odd hours, and authorities in Bangui allege Libyan involvement with Central African high school and university students, who are currently on strike. [Redacted]

[Redacted]

Bangui has tried to pull away from Tripoli in the past, without offending Qadhafi, but recently has more boldly protested Libyan subversion. Press reporting indicates the Central Africans expelled two Libyan diplomats in early April for their alleged involvement in the student strike [Redacted]

[Redacted] Nevertheless, we believe that Bangui's firm response to Libyan subversion probably stems from the sense of security provided by the presence of some 1,500 French troops, who are prepared to intervene in Chad in the event of renewed hostilities. We expect Libya to continue efforts, however, to weaken the Kolingba regime and embarrass the French in the eyes of Central Africans. [Redacted]

**Outlook**

Niger, Nigeria, Cameroon, and the Central African Republic remain vulnerable to Libyan meddling and thus are likely to tread lightly where Qadhafi is concerned. While taking strong private stands against Libyan aspirations, they probably will publicly project an image of openness to Qadhafi and at least give the appearance that they are willing to accommodate him:

- In our view, Niger remains easily accessible to Libyan encroachment, although the Libyan sightings in northeastern Niger are probably related to operations in Chad or to Libyan interest in what Tripoli believes may be a mineral-rich region.

- Nigeria's serious economic and political problems make it an attractive target for Libyan inroads, in our view. Since President Babangida came to power last January, Nigeria has not defined its policy toward Libya or Chad. The northern cities of Kano and Maiduguri provide fertile ground for Libyan influence peddling among Chadian exiles and Nigerian Muslims.

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- Although Cameroon remains one of Chad's most stable West African neighbors, Chadian refugees are attractive to Libya as potential recruits for Libyan-backed aggression in Chad. Qadhafi may hope to exploit the budding of Islamic fundamentalism to gain access in an effort to undermine the pro-Western Biya regime.

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- Although the Central African Republic has been the target of recent Libyan subversion, we believe that it will continue to take a strong stand against Qadhafi so long as French troops remain to protect the regime. Nevertheless, Tripoli almost certainly will continue to try to exploit latent anti-French sentiment among Central Africans and attempt to raise the cost to Paris of its backing for the Habre government by opportunistically striking out at French installations. [Redacted]

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Until a durable solution is found to the Chad conflict, these moderate West African states will continue to provide attractive targets for Libyan subversion aimed at undermining pro-Western states and French and US interests in the region. [Redacted]

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[Redacted]

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**Africa  
Brief**

**Mozambique**

**Bank Scandal Jeopardizes IMF Agreement**

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Revelations of high-ranking, large-scale corruption in the foreign exchange department of the Bank of Mozambique may jeopardize a much-needed new IMF agreement for Mozambique, according to US Embassy reporting. Several bank employees have been detained, and there are unconfirmed reports that a former director and the current governor of the bank are implicated in the embezzlement scheme, which is said to involve the diversion of \$10 million to foreign personal accounts. The arrests coincide with final government deliberation over adopting an IMF-World Bank reform strategy advocated by the accused bank governor. The scandal is likely to delay announcement of new reforms, previously anticipated at the end of this month, and international donors may be less forthcoming in responding to Mozambique's desperate need for capital inflows.

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