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Mozambique: Challenges Ahead for Chissano



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An Intelligence Assessment

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Mozambique: Challenges Ahead for Chissano

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An Intelligence Assessment

This paper was prepared by [Redacted] Office of African and Latin American Analysis, with contributions from [Redacted]

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Office of Leadership Analysis. [Redacted]

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Comments and queries are welcome and may be directed to the Chief, Africa Division [Redacted]

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**Mozambique: Challenges Ahead
for Chissano** [Redacted]

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Scope Note

This Intelligence Assessment is part of a continuing research effort by the Directorate of Intelligence on the domestic and regional problems facing key black-ruled states in southern Africa. [Redacted]

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Mozambique: Challenges Ahead for Chissano

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Key Judgments

*Information available
as of 14 September 1988
was used in this report.*

President Joaquim Chissano, who took power in November 1986 after the death in a plane crash of his predecessor Samora Machel, has skillfully consolidated his domestic position, successfully implemented economic reforms, and followed a pragmatic foreign policy that has yielded desperately needed foreign economic and military assistance. Despite these achievements, however, Chissano faces a major challenge from the 20,000-man Mozambican National Resistance (RENAMO) insurgency, which operates throughout much of the countryside. The insurgency has seriously damaged Mozambique's economic and social infrastructure and disrupted African efforts—supported by substantial Western assistance—to rehabilitate key transport routes that run through Mozambique in order to reduce the region's economic dependence on South Africa. Although neither side in the conflict is likely to gain a decisive advantage over the next two years, we believe that the civil war will continue to test Chissano's leadership skills and survivability. [redacted]

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In an effort to contain RENAMO, Chissano is likely to follow a dual-track counterinsurgency policy that uses both military and political strategies. He almost certainly will continue to try to improve the capabilities of key Army units, but we judge that on balance the beleaguered 35,000-man military will suffer serious deficiencies that will hamper its ability to make headway against the insurgency. Consequently, Chissano will also try to utilize political means to stem the fighting. While he is probably willing to open an indirect dialogue with RENAMO aimed at co-opting the insurgents, we believe he is reluctant to agree to direct negotiations for fear of legitimizing the insurgency and provoking a strong reaction from military and regime hardliners. Even if Chissano eventually agrees to direct talks, the two sides remain far apart on terms for a settlement, and progress toward a negotiated solution would be slow and tentative. [redacted]

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In addition to the war, Chissano faces serious political and economic challenges. Although we believe he will further consolidate his political position over the next two years, his efforts to open up the formerly rigid Marxist-Leninist political system and improve the ruling party's popularity will be hampered by the poor security situation and opposition from entrenched party officials. Moreover, despite Chissano's strong commitment to reform, Mozambique's severe economic problems are unlikely to be resolved as long as the insurgency remains a serious problem. Although Maputo has received generous amounts of international relief, 6 million of Mozambique's 15 million people are at risk of starvation as a result of the war and various natural disasters, while another 900,000 have fled to neighboring countries. [redacted]

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On the foreign policy front, Chissano's most difficult problem is to improve relations with South Africa without alienating Zimbabwe and other neighboring states, which provide Maputo with critical military support. In recent months, Chissano has met with South African President Botha and made other concessions to Pretoria in hopes of ending South African aid to RENAMO and securing important economic assistance. We believe relations will continue to gradually improve, but that Pretoria will still give limited backing to RENAMO as a low-cost method of ensuring that Chissano is responsive to South African security concerns. At the same time, we believe that Maputo's key African allies are likely to continue their military support to Mozambique despite the high costs of their involvement in order to protect their own security and economic interests.

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South African policy toward Mozambique will remain a key variable, however, in assessing the prospects for the Chissano regime over the next two years, in our judgment. Although we believe limited South African support to RENAMO will continue, debate is likely to intensify between South African officials over whether to emphasize military pressure or cooperation with Maputo. On the one hand, Pretoria could decide that Chissano's willingness to acquiesce in its security concerns argues for South Africa efforts to facilitate greater stability in Mozambique by ending military aid to RENAMO. While the insurgents would still be an effective military force without South African aid, the loss of their primary source of external support would be a significant psychological blow to the insurgents and could lead them to make concessions to Maputo that would facilitate a settlement. On the other hand, of course, Pretoria could easily increase assistance to RENAMO, thereby improving the insurgents' military capabilities and creating even greater security problems in Mozambique.

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Chissano will continue to expand ties to the West to obtain desperately needed aid, while protecting his ties to the USSR. Over the past 18 months, Chissano's search for additional Western military, as well as economic assistance and his unhappiness with the quantity and quality of Soviet aid have increased Western influence in the Mozambican economy and armed forces, in our judgment. While we expect Maputo's relations with the United States and other Western countries to continue to improve, Chissano almost certainly will move cautiously to avoid alarming Moscow and pro-Soviet officials in his government

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We believe Mozambican relations with the USSR will remain strong because of the primacy of Soviet military aid and petroleum deliveries, limited Western military assistance, and Moscow's longstanding position as a trusted ally. The USSR probably will work to maintain its influence in Mozambique without incurring significant new costs or commitments. Moscow will remain concerned with Maputo's expanding ties to the West, however, particularly in the security field, and will monitor events closely to protect its influence within the military, security services, and ruling party.



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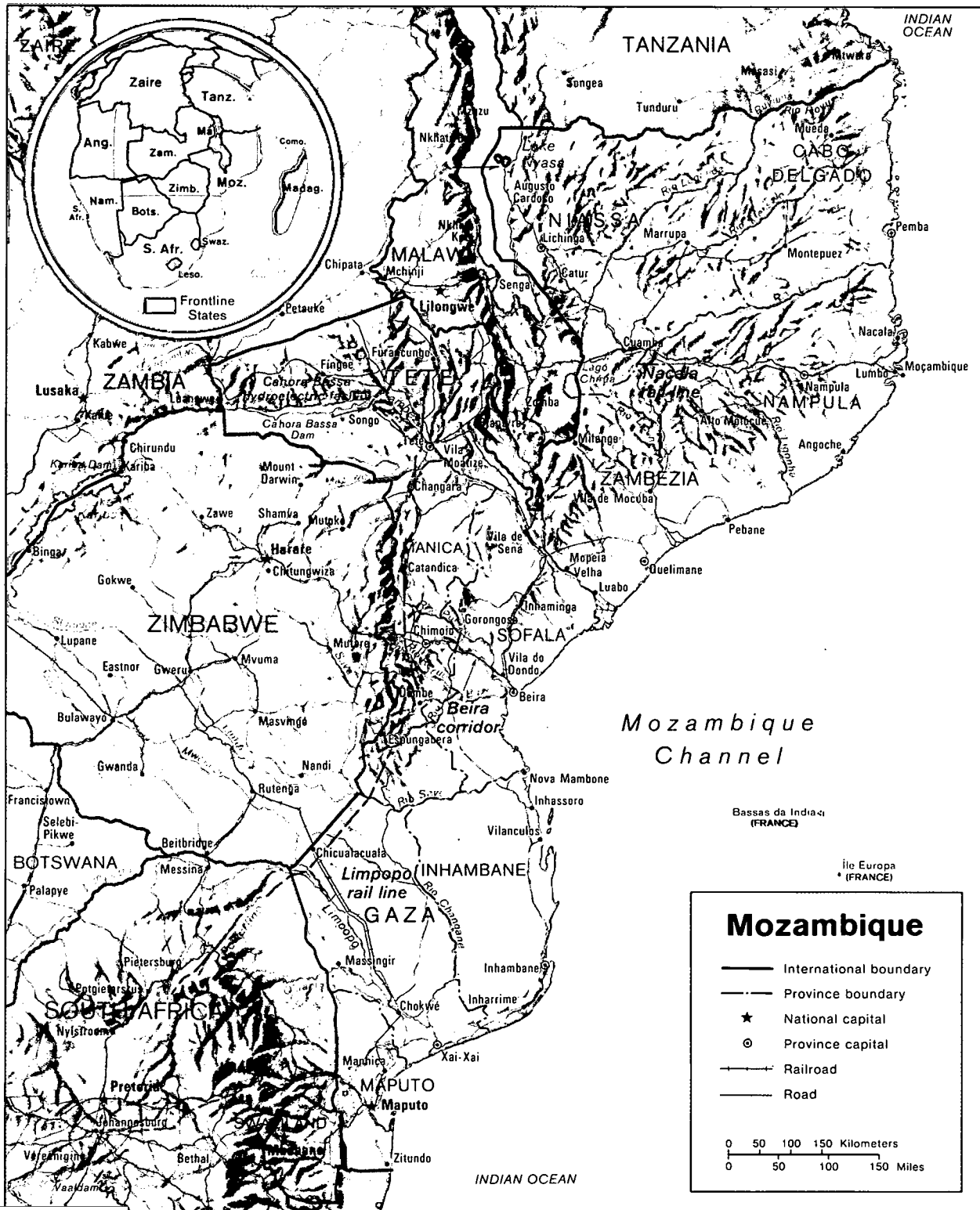
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Mozambique: Challenges Ahead for Chissano

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Introduction

Mozambique achieved independence from Portugal in 1975 after a decade of struggle by the avowedly Marxist-Leninist Front for the Liberation of Mozambique (FRELIMO). By the 1980s, FRELIMO's ill-conceived socialist policies had created serious economic problems and fueled the rapid growth of an insurgency backed by South Africa. In recent years, however, FRELIMO has moderated its policies in an effort to stem economic deterioration and gain critical Western aid. Mozambique is now an important test case for Western efforts to move Marxist-Leninist states toward more open political and economic systems, and it is the focal point for African efforts to reduce the region's economic dependence on South Africa because of major transportation routes that transit its territory.

Although President Chissano has turned in a strong performance since assuming power in November 1986 after the death of his predecessor in a plane crash, he faces daunting security and economic problems. The Mozambican armed forces are locked in a stalemated civil war with the 12-year-old Mozambican National Resistance (RENAMO) insurgency, which operates freely throughout most of the countryside and has devastated much of the country's social and economic infrastructure. The guerrilla war has crippled the economy and complicated Chissano's efforts to gain broad popular support for his ruling FRELIMO party. On the foreign policy front, Chissano must juggle two sets of competing priorities: he needs to improve relations with South Africa without alienating black-ruled neighboring states, and he needs to garner increased Western assistance while ensuring that the USSR continues its vital military and economic support.

This paper examines the principal challenges facing Chissano and assesses the prospects for his rule over the next two years. It focuses first on the regime's efforts to contain the tenacious insurgency through

improved counterinsurgency efforts. It then analyzes the impact of the security situation on the President's attempts to consolidate power, reform the ruling party, and cope with the troubled economy. Finally, it assesses Chissano's foreign policy, which is designed to improve relations with South Africa, while maintaining support from his black African neighbors and gaining more aid from both the East and West.

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Containing the Insurgency

Chissano's most pressing challenge is to control the formidable 20,000-man RENAMO insurgency. Although organizational changes and foreign assistance have marginally improved the capabilities of some Mozambican military units, the beleaguered 35,000-man armed forces have made little headway against the insurgency because of a wide variety of deficiencies, including major logistic and command and control problems, poor leadership and morale, and inadequate training and equipment.¹ As a result of the military's poor performance, Chissano has been forced to explore political alternatives aimed at co-opting the insurgents without making major concessions such as agreeing to direct talks.

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Problem-Ridden Counterinsurgency Effort

Chissano's hopes for containing the insurgency depend largely on his ability to obtain continued external support and to improve the performance of

¹ The 35,000-man military includes approximately 32,500 troops from regular Army and Border Guard units, a 1,000-man Navy, and a 1,500-man Air Force. Provincial military battalions totaling some 10,000 to 15,000 men are not part of the regular Army, while some units are undergoing training by Cuban advisers in an apparent effort to upgrade them to regular forces. Mozambique also has a 20,000- to 25,000-man militia but it exists only on paper because of manpower and supply shortages.

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his armed forces. Chissano has gained help from his neighbors in the form of 5,000 to 6,000 troops from Zimbabwe, 3,200 troops from Tanzania, and 400 troops from Malawi, as well as border patrols and training provided by Zambia. Nevertheless, such support is only buying him time to improve his own armed forces [redacted]

Over the past year, Chissano has made sweeping shifts in the military high command and Ministry of Defense aimed at placing younger officers with field experience in key command positions. [redacted]

[redacted] Maputo also is

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The Military Situation

Over the past year, RENAMO has shifted its major areas of operations inside Mozambique to take advantage of thinly stretched counterinsurgency forces. Following an unsuccessful attempt in late 1986 to split the country along the Zambezi River and take control of large portions of the central region, the insurgents returned to a strategy that stressed hit-and-run guerrilla operations throughout all 10 provinces.

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[redacted] (b)(1)
[redacted] as of April 1988, RENAMO (b)(3)

dominated some portions of Nampula Province and, according to US Embassy reporting, insurgent activity in Niassa and Cabo Delgado—two provinces that traditionally have been unaffected by RENAMO activity—has risen dramatically in 1988. The Nacala railway—a key transport route that runs from Malawi to the Indian Ocean—has become an increasingly attractive insurgent target. Attacks last April forced a halt to repair work aimed at reopening the 650-kilometer line, which is only protected by 400 Malawian and several hundred Mozambican troops. Government forces are spread thinly throughout the region and are primarily protecting only the larger cities, giving RENAMO virtually free rein in the countryside.

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The Southern Region

In our judgment, RENAMO moved many of its forces away from the central region into the three southern provinces—Maputo, Gaza, and Inhambane—in an effort to isolate the capital and create a climate of insecurity in FRELIMO's traditional stronghold. RENAMO attacks—directed primarily against key transport routes such as the South Africa to Maputo railway, the Limpopo rail line, and Maputo's primary road artery to the north—increased significantly over the past year. These operations have seriously disrupted the distribution of goods and food to outlying provinces as well as economically important trade with South Africa. The insurgents also have ambushed military convoys and patrols, attacked several small military bases, and overrun numerous towns, resulting in a high number of civilian casualties and widespread destruction of economic, health, and educational facilities.

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The Central Region

The intensity of insurgent attacks in the central region—RENAMO's traditional stronghold, comprising Manica, Sofala, Tete, and Zambezia Provinces—have diminished over the past year, in our judgment, because effective counterinsurgency operations have kept the insurgents off-balance and forced them frequently to move their camps. In addition, insurgent units in the region appear to have been continually short of supplies and manpower probably because resources were diverted to expanding operations elsewhere. RENAMO has failed to seriously disrupt traffic along the Beira Transportation Corridor—a key insurgent target. The guerrillas, however, continue to strike economic targets, towns, and small military camps throughout the region.

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The military has conducted several successful counterinsurgency sweeps in the region over the past year, but government troops have been unable or unwilling to maintain the constant pressure needed to dislodge RENAMO. The worsening security situation led Zimbabwean troops earlier this year to mount operations in the south for the first time, including a major combined air and ground assault on RENAMO bases along the Limpopo railway, but they only temporarily disrupted RENAMO activity.

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Eastern Zimbabwe

RENAMO has initiated a campaign of attacks into eastern Zimbabwe over the past year, presumably to raise the cost of Zimbabwe's military role in Mozambique. Insurgent attacks across the porous 800-kilometer border have averaged several per week, with a high of several per day in September 1987 and June 1988. Although Zimbabwe sent more troops to the border area, they have been unable to prevent continuing cross-border attacks.

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The Northern Provinces

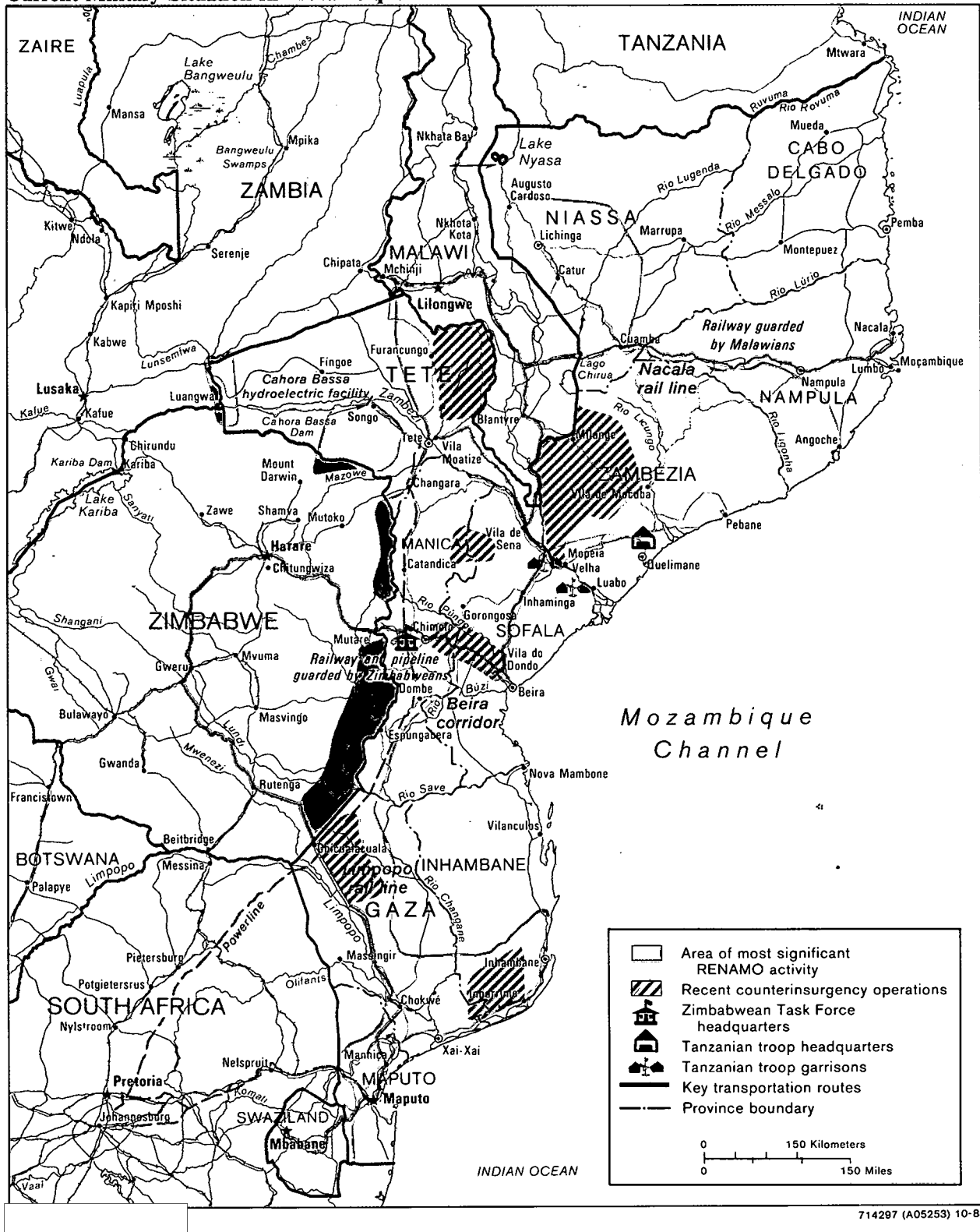
The insurgents, gradually moving some units from the central region into Nampula, Niassa, and Cabo Delgado Provinces, have established a new communications and logistic network in the north,

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Figure 1
Current Military Situation in Mozambique



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trying, with help from both Western and Communist countries, to reorient the military from a conventional to a counterinsurgency force by stressing the formation of light, highly mobile units. [redacted]

[redacted] the Army now has four combat-ready battalions of paratroopers and commandos, and military leaders plan to form three more units by 1989. The Air Force recently acquired six Soviet transport helicopters to improve troop mobility, and it is negotiating with Moscow and several Western countries to acquire additional helicopters and small transport planes. [redacted]

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Chissano's efforts have resulted in some marginal improvements in military performance. [redacted]

[redacted] the military is now capable of mounting counterinsurgency sweeps that are somewhat more effective than in the past. Mozambican troops, sometimes with Zimbabwean support, have conducted several large-scale operations against RENAMO over the past year, including major offensives in eastern Tete and western Zambezia Provinces. These operations were relatively well-run logistically and employed air support and recently trained paratroopers and commandos. [redacted]

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Nevertheless, we believe the Mozambican military remains generally ineffective. [redacted]

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[redacted] government troops in outlying areas often assume a defensive posture, with most units remaining in garrison to avoid combat. Even when government troops take to the field, they generally inflict few casualties, and RENAMO often returns after they leave the area. [redacted]

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[redacted] poor living conditions for soldiers have resulted in numerous defections, widespread desertions, and abusive behavior toward civilians. In fact, the rural population often views government troops with the same fear as the insurgents. In addition, the military has devoted little attention or resources to the critical field of civic action, which often plays a key role in building popular support for government forces at the expense of an insurgency. Finally, Zimbabwean and other allied forces constantly complain about inadequate military support from Maputo, and they often refuse to conduct joint operations because of the poor performance of government troops under fire and suspicion that some collaborate with RENAMO. [redacted]

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RENAMO leader Afonso Dhlakama [redacted]

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President and military commander of RENAMO since 1981 . . . considerable military talent but lacks charisma . . . espouses vague democratic ideals and strong anti-Communist bias . . . member of Ndau tribe from central Mozambique . . . about 34 years old. [redacted]

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Exploring Political Alternatives

Chissano's concern with the military's weak performance has led him to try to co-opt the insurgents without making major political concessions. The centerpiece of this effort is an amnesty program, enacted in December 1987, that provides a full pardon and reintegration into society for any insurgent who abandons armed struggle. Maputo claims that about 1,600 insurgents have accepted amnesty, including several midlevel military leaders and a former rebel spokesman. We believe, however, that the number is probably closer to 600, most of whom have come from the central provinces where there are serious food shortages. [redacted]

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Chissano also has been quietly exploring avenues for possible negotiations with the insurgents, but the two sides remain far apart on conditions for direct talks. While publicly rejecting negotiations, he has put out feelers to RENAMO leader Dhlakama through the Catholic Church, Kenya, and South Africa. [redacted]

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[redacted] Chissano is constrained by opposition

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from Zimbabwe and members of his own party, however, and is reluctant to make concessions; for example, he is not prepared to recognize RENAMO or discuss real power sharing—the guerrillas' key demands. Moreover, disarray in RENAMO's political organization and insurgent brutality against civilians have undermined insurgent efforts to present a cohesive political agenda and gain international support—key factors that would put pressure on Maputo to negotiate. [redacted]

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Pushing Political and Economic Reforms

Despite the continuing insurgent threat, Chissano has skillfully consolidated power during his first 2 years in office, in our judgment. He appears determined to use his growing influence to implement political and other reforms to reduce FRELIMO's elitist nature—out of a population of 15 million the party has only 50,000 members, most of whom are government employees, [redacted] and to reverse ill-conceived socialist policies that leave it virtually without support outside major urban areas. In pursuing this agenda, however, he will face major social and economic constraints and the political opposition of influential elements within FRELIMO who probably fear they will lose power as Mozambique drifts away from Marxism-Leninism. [redacted]

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Opening the Political System

President Chissano has moved cautiously but steadily to consolidate his power base and garner support for political reforms. He has increased the influence of his closest supporters and like-minded pragmatists at the expense of hardliners, [redacted]. He has placed loyalists in charge of all key government ministries and appointed capable technocrats to lesser posts (see appendix). To strengthen his hand further, he has tightened his control over the military; last year, he replaced the Armed Forces Commander, the heads of the Army, Navy, Air Force, and Militia, and all 10 provincial commanders. [redacted]

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At the same time, Chissano has worked to improve his popularity and that of the ruling party. He has visited all 10 provinces at least once since assuming power

and has solicited the views of provincial leaders and peasants. Other senior officials, particularly Prime Minister Machungo, also have traveled widely to explain new economic reform programs and to listen to local problems. Senior party officials have acknowledged past errors that cost them popular support, particularly in rural areas. They are implementing new policies that have wide popular appeal, such as a new "land to the tiller" program that gives small farmers title to their land and restricts government interference. [redacted]

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After years of antipathy toward religion, Chissano also has significantly improved relations with influential Christian and Muslim institutions in an effort to increase FRELIMO popularity and involve them in providing basic services to the population.² The government has returned expropriated Catholic Church property and is likely to renew diplomatic relations with the Vatican following the Pope's visit in September. [redacted]

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With his newfound political strength, Chissano has begun to push for limited reforms that would make the political system more responsive to the average Mozambican without undercutting the party's preeminent position. The Politburo—Mozambique's key decisionmaking body—already has approved several moves, including opening some local elections to multiple FRELIMO candidates and allowing nonparty members to hold seats in the People's Assembly, the largely ceremonial national legislature. In recent months, Chissano also has encouraged debate on possible constitutional revisions, including a proposal for greater popular participation in indirect presidential elections, which will be discussed later this year at the Fifth Party Congress.³ [redacted]

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² About 30 percent of the Mozambican population is Christian, mostly Catholic; 12 percent are Sunni Muslims; most of the remainder practice indigenous African religions. [redacted]

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³ The party congress, which by statute is to be convened every four years, is the formal source of authority within FRELIMO. In practice, only two congresses have been held since independence—the Third Party Congress in 1977 and the Fourth Party Congress in 1983. The party congress is a significant political event and is often used to approve major policy changes that have already been adopted in advance by the party leadership. [redacted]

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Human Rights and the War

(b)(1) The civil war in Mozambique over the past year has
(b)(3) been marked by increasing abuses of civilians, [redacted]
[redacted] Although most inci-
(b)(3) dents appear to have been committed by RENAMO,
government troops also appear to share some respon-
sibility. [redacted]

Increasing RENAMO Brutality

(b)(1) Over the past year, reporting has documented in-
(b)(3) creasing insurgent brutality against civilians through-
out RENAMO areas of activity. [redacted]

[redacted] RENAMO has razed
entire villages, used forced labor, and been responsi-
ble for numerous cases of murder, rape, and mutila-
tion. A US Department of State commissioned report
based on interviews with 200 Mozambican refugees in
several countries also documented numerous inci-
dents of guerrilla atrocities, concluding that
RENAMO's behavior reflected a premeditated strat-
egy designed to control the population through fear
and coercion. Some of the atrocities, particularly
those committed along the Zimbabwean border, ap-
pear to have been part of a planned strategy intended
to generate popular discontent with Zimbabwe's poli-
cy of lending military support to Maputo [redacted]

(b)(1) [redacted] We believe most abuses,
(b)(3) however, probably are the actions of individual insur-
gent units operating in ethnically hostile territory or
using force to coerce increasingly scarce food and
labor from the local population [redacted]

(b)(3) RENAMO's tarnished reputation and growing inter-
national isolation has spurred insurgent leaders to
try to improve the organization's image and treat-
ment of civilians. For a start, RENAMO rebutted
charges in the State Department report. In July of
this year, RENAMO leader Dhlakama invited rep-
orters from several major US newspapers to Mo-
zambique to visit RENAMO camps in an attempt to
show them that the group was not a band of ill-
disciplined bandits. Earlier, RENAMO agreed to

allow the International Red Cross (ICRC) to deliver
food aid throughout the country, provided that both
RENAMO and government-dominated areas would
receive supplies. [redacted] there
is some evidence to suggest that Dhlakama has
ordered insurgent units to improve their treatment of
civilians. [redacted]

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Government Troops Share Responsibility

(b)(1) We believe government forces also frequently
(b)(3) civilians. [redacted]

[redacted] in one incident
earlier this year, a village was wiped out because of
suspected support to RENAMO [redacted]

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also indicates that shortages of food and other basic
supplies have led government troops regularly to
coerce these materials from the local population; in
addition, the Army's shortage of manpower has
prompted forced conscription in areas under its con-
trol. The Air Force's sparse but indiscriminate use of
airpower has resulted in a high number of civilian
casualties. [redacted]

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[redacted] Maputo is making a greater effort to ensure that the
armed forces respect human rights. A newly enacted
military-justice law, presidential orders that military
commanders prosecute human rights violators, and

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[redacted] the
behavior of government forces has improved. Maputo
also has promulgated an amnesty and pardon law
that has led to fair treatment of defecting insurgents
and the release of one-third of all Mozambicans
imprisoned for crimes against state security [redacted]

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[redacted] In addition, govern-
ment officials have met for the first time with repre-
sentatives of Amnesty International and have agreed
to a visit by the organization later this year. [redacted]

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Nevertheless, we believe longstanding ideological and racial divisions within the party and the poor security situation pose obstacles to Chissano's political agenda. Although hardliners are in a minority in the Politburo, FRELIMO's traditional emphasis on unity and collective decisionmaking, in our view, ensures that they will retain enough influence to hamper Chissano's ability to push through more controversial policies. We believe even those entrenched party officials who are not ideologically motivated probably oppose significant political reforms that might threaten the supremacy of the party or their own privileged positions. Racial tensions between blacks and lighter-skinned Mozambicans—the latter constitute 2 percent of the population, yet hold 15 percent of all government positions—are also a factor in FRELIMO's political dynamics.

Although Chissano has eased tensions by reducing the number of mixed-race and white Mozambicans in senior positions, racial considerations greatly influence his personnel decisions and affect his ability to implement policy, in our judgment. Finally, the military's inability to provide security to much of the rural population, the lack of an official presence in broad areas of the countryside, and abuses inflicted on the local population by government troops all work against Chissano's moves to improve FRELIMO's standing among the rural populace.

Promoting Economic Recovery

Chissano has accelerated a major reform program—began by former President Machel in 1984—aimed at stemming the country's economic deterioration. Major features of the program have included periodic currency devaluations—totaling more than 90 percent since early 1987—increased privatization, reduced government expenditures, and improved price incentives for farmers. International donors and creditors have responded favorably to the program over the past year; the IMF granted a \$50 million loan, the World Bank offered \$720 million in new grants and loans, and official foreign creditors agreed to reschedule repayments on \$1.6 billion in Mozambican debt. As a

⁴ Lighter-skinned Mozambicans include mulattoes (people of mixed race), Goans (Mozambicans of Indian descent), and the fewer than 10,000 whites who remained in Mozambique after independence.

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result of the reforms and increased international aid, the economy—after four years of sharp contraction—grew by 4 to 5 percent in 1986 and 1987, according to IMF statistics.

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The reforms, however, depart sharply from FRELIMO's traditional socialist economic policies, and, despite their initial economic successes, a consensus within the party for further changes is not assured. We believe that many influential ideologues are opposed to far-reaching economic reforms, and lower-level officials—most of whom have supported the reform program from its inception—are also beginning to express doubts. During the annual National Party Conference in July, the government-controlled media reported that party members registered concern about the survival of the socialist sector in the face of increased privatization, rising prices of basic goods, and plans to reduce the public-sector workforce.

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even senior officials who favor reform are increasingly concerned about the impact on the urban population, and they have plans to reintroduce state controls and subsidies on basic goods such as corn, cooking oil, and fuel.

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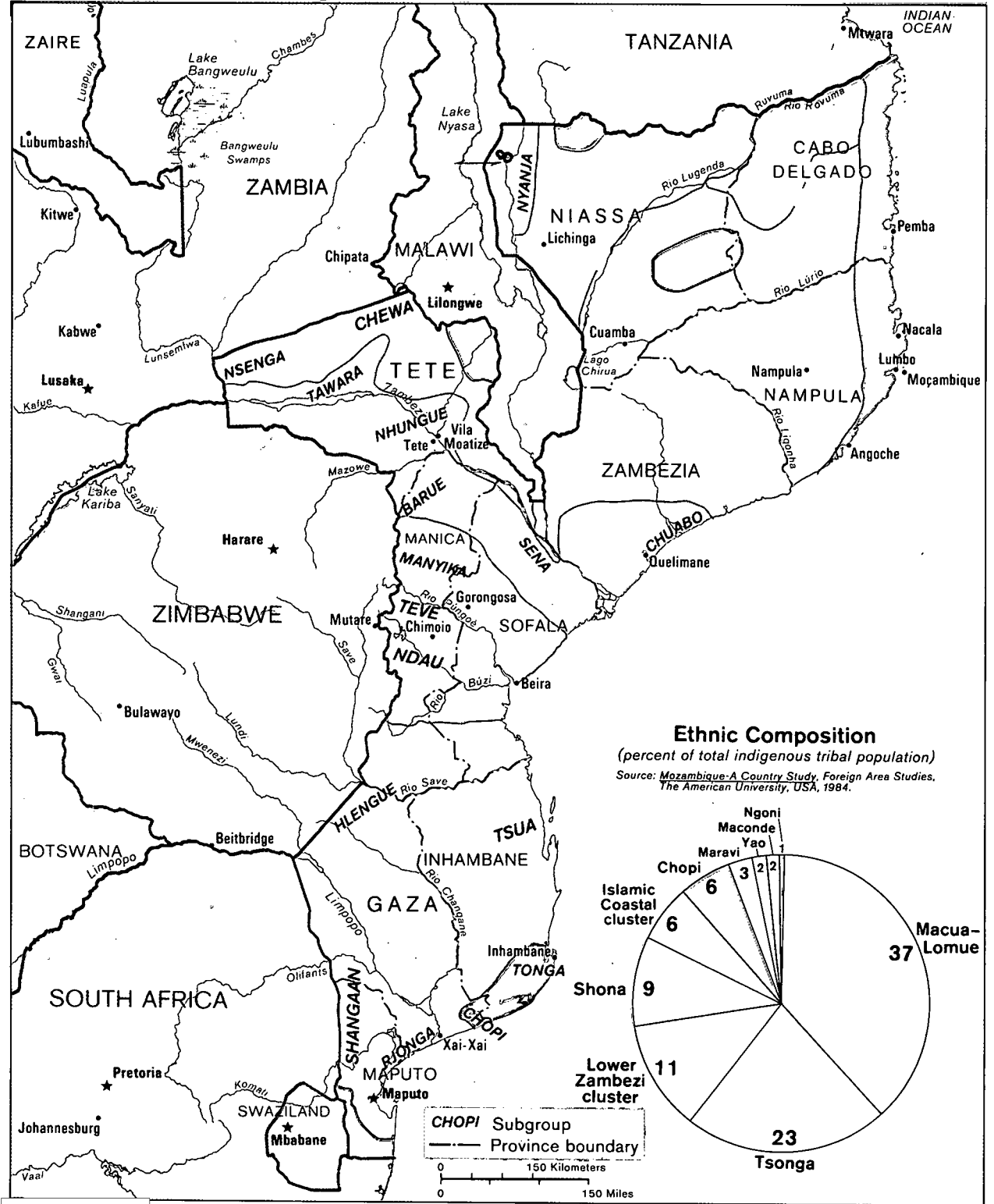
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Chissano's efforts to reinvigorate the economy, however, are primarily hindered by the effects of the insurgency. The dislocations resulting from the war have overwhelmed many of the potential benefits of the reform program while economic growth has occurred almost exclusively in the trade and light industry sectors located in relatively secure areas near Maputo and other urban centers. Some results from the war include:

- Agriculture, which provides the livelihood for 80 to 90 percent of Mozambique's population, has shown little improvement, and food production fills only about one-tenth of requirements. The fighting has driven farmers from productive land, caused critical shortages of fuel, spare parts, seed, and fertilizer, and severely hampered distribution of farm commodities and food aid.

Figure 2
Ethnic Composition in Mozambique



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Mozambique: Balance of Payments, 1982-87^a

Million US \$

	1982	1983	1984	1985	1986	1987
Current account	-497.4	-415.7	-308.3	-301.1	-409.3	-418.7
Trade balance	-606.7	-504.8	-444.0	-347.2	-463.6	-556.1
Exports	229.2	131.6	95.7	76.6	79.1	85.9
Imports	835.9	636.4	539.7	423.8	542.7	642.0
Service balance	29.8	-0.5	-32.1	-92.9	-158.7	-210.6
Transport	55.1	33.6	10.0	0.7	11.0	-3.7
Labor	38.2	52.0	31.3	15.8	27.0	32.2
Interest	-60.3	-88.2	-80.9	-117.3	-204.7	-250.0
Other	-3.2	2.1	7.5	7.9	8.0	10.9
Transfers	79.5	89.6	167.8	139.0	213.0	348.0
Capital account	395.3	42.8	-73.0	-39.7	-51.5	-60.4
Loans	724.6	339.3	264.8	238.8	284.0	308.6
Amortization	-329.3	-296.5	-337.8	-278.5	-335.5	-369.0
Overall balance	-102.1	-372.9	-381.3	-340.8	-460.8	-479.1
Financing	102.1	372.9	381.3	326.7	486.9	479.1
Arrears	0	285.2	205.6	152.7	482.2	-711.2
Debt relief	0	0	213.1	193.0	0	1,181.6
Other	102.1	87.7	-37.4	-19.0	4.7	8.7

Source: International Monetary Fund. Data for 1987 are estimated.

^a Mozambique is experiencing severe trade and current account deficits, despite economic reform. Exports have declined by almost two-thirds since 1982 to about \$85 million in 1987, according to IMF estimates. Insurgent attacks on roads and railroads have eliminated foreign exchange earnings from transport services, which historically offset large trade deficits. Most capital inflows consist of foreign loans, rather than investment in production facilities.

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- UN officials estimate that more than 40 percent of Mozambique's population is suffering adverse effects from the fighting and, to a lesser degree, from natural disasters; some 3.3 million people are at serious risk because of a lack of food, shelter, and medical care.
- The insurgency also continues to limit foreign exchange earnings from export crops such as cotton and cashews and from mineral exports. The war has

disrupted vital freight transportation routes through Mozambique, which were at one time the principal source of foreign exchange.⁵

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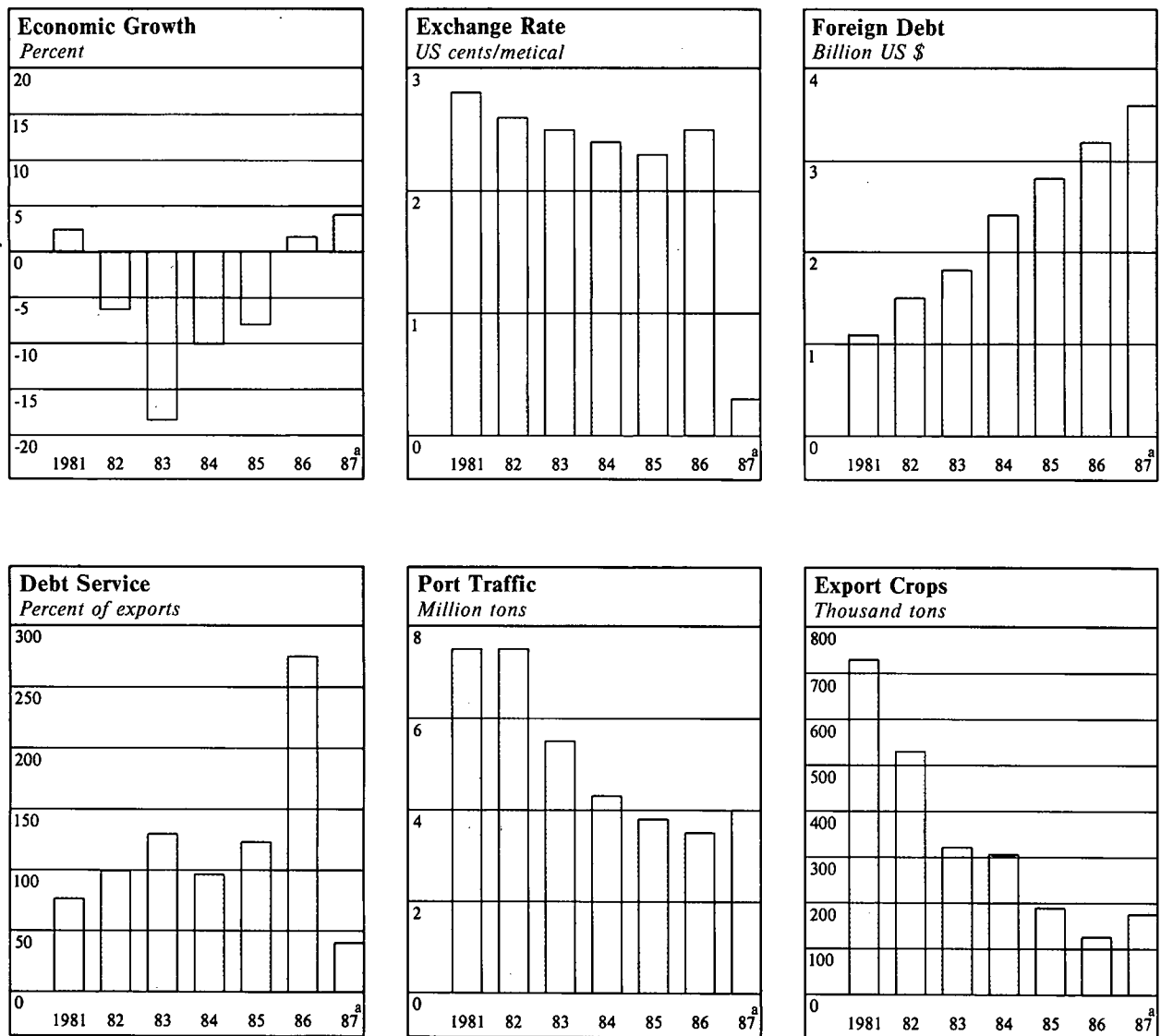
⁵ The reopening of the Beira railroad in 1986 to shipments by Zimbabwe, Zambia, and Malawi, for example, has not increased Mozambique's net foreign exchange earnings because increased revenues from the Beira route have been offset by sharply reduced freight transport on the South Africa-to-Maputo rail line because of insurgent attacks

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Figure 3
Mozambique: Selected Economic
Indicators, 1981-87

Note scale change



^a Estimated.

Source: International Monetary Fund and US Embassy.



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Mozambique's Growing Social Crisis

UN officials estimate that over 40 percent—or about 6 million—of Mozambique's population of 15 million and as many as 900,000 Mozambican refugees now in neighboring countries are victims of the civil war and, to a lesser degree, of natural disasters such as drought and floods. Of those most seriously affected, over 2 million peasants and over 1 million other displaced persons lack such basics as adequate food, shelter, clothing, and medical care. In addition, almost 2.7 million are without access to dependable food supplies because of interruptions in food production and marketing networks. [redacted]

The UN cites the effects of the war on population centers and public facilities as prime causes of a deepening social crisis that threatens future generations. Medical surveys indicate a deterioration in health care since the early 1980s; at least one-third of all rural health units have been destroyed in the last six years, and attacks on the health infrastructure are increasing, according to humanitarian workers. Infant mortality in areas affected by war and drought [redacted] rose from 159 deaths per 1,000 children under a year old in 1980 to an estimated 325 per 1,000 by 1987. Vaccination campaigns in all but the capital of Maputo are reaching fewer children; more than 50 percent were vaccinated in the early 1980s and only one-third by 1986. By the mid-1980s, health workers noted severe nutritional deficiencies in up to 13 percent of young children and observed stunted physical growth in more than 35 percent of older children. More than

one-third of all primary schools functioning in 1981 were destroyed by 1987, leaving at least 500,000 children with no access to education. [redacted]

The Search for Food Relief

The UN and the Mozambican Government presented an urgent appeal for humanitarian assistance to the international donor community in April 1988. They requested some 944,000 metric tons of food—valued at \$183 million for the 1988/89 crop year (May 1988 to April 1989) and \$194 million over the next two years for rehabilitation of agriculture, health, education, and transport. [redacted]

Despite determined national leadership, strong donor support, and assistance from UN agencies and over 40 private humanitarian organizations, the lack of security and weakened transportation and communication sectors throughout the country have left millions of Mozambicans facing starvation. Moreover, because of these constraints, Maputo asked for only that amount of food it could reasonably expect to deliver—100,000 tons less than the UN-estimated shortfall. Between 80 and 85 percent of the food assistance moves to rural areas only by armed convoys or costly airlifts, while other parts of the countryside are completely outside government distribution routes. Meanwhile, worsening food shortages are occurring in some areas previously thought to be self-sufficient, and pest damage threatens this year's cassava crop, which is second only to corn as a major food source. [redacted]

Managing Regional Relations

Chissano's foreign policy has as its top priority improving relations with South Africa while maintaining critical military support from Mozambique's black African neighbors. In recent months, Chissano has made new approaches to Pretoria in hopes of ending South African aid to RENAMO and securing

important economic assistance. Although Zimbabwe, Zambia, and Tanzania disapprove of Maputo's initiative toward South Africa, we believe the importance of Mozambique's transportation network and political stability toward them—along with Chissano's diplomatic skills—have convinced them to continue their military commitment against RENAMO [redacted]

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Exodus of Refugees

Civil strife, and to a lesser degree localized drought and the search for greater economic opportunity, has impelled between 915,000 and 1,025,000 Mozambican refugees to move into Malawi, Zimbabwe, Tanzania, Zambia, Swaziland, and South Africa, according to UN and host country figures. Some 600,000 had sought refuge in Malawi by the end of June 1988, up from 70,000 in January 1987. Zimbabwean camps shelter nearly 70,000, and another 5,000 to 7,000 are dispersed throughout the countryside. Swaziland, Zambia, and Tanzania each have at least 20,000 registered refugees, with tens of thousands unregistered living precariously outside the camps. While South Africa treats refugees as illegal immigrants—it repatriated 27,000 Mozambicans in 1987 and nearly 6,000 in the first two months of 1988—the South African homelands of Gazankulu, Kangwane, and KwaZulu have accepted more than 40,000 Mozambican refugees

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In our judgment, intermittent heavy fighting near border areas will force more Mozambicans to become refugees. Prospects are poor for substantial voluntary repatriation because of the inability of international agencies or the Mozambican Government to arrange secure and adequate facilities for returnees. Additional refugees are likely to complicate Maputo's relations with its neighbors, as host countries become increasingly concerned with security in their border areas and with the use of scarce resources needed for their own populations

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Improving Cooperation With South Africa

Over the past year, Chissano has accelerated efforts to cultivate Pretoria, and [redacted] relations are as good now as when the bilateral Nkomati accord was signed more than four years ago.⁶ He has publicly stated that Mozambican

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⁶ The Nkomati accord is a nonaggression pact signed in March 1984, calling on South Africa to end its assistance to RENAMO, and for Mozambique to terminate military assistance to the African National Congress. [redacted]

policy is designed to develop "interdependence" with South Africa, reflecting, in our judgment, his belief that he needs South African cooperation to improve his country's security and economic situation. Chissano met with South African President Botha in September 1988—the first meeting between the presidents of the two countries since 1984—

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Chissano has taken a number of initiatives to assuage South African security concerns and set the stage for better relations. He has kept a tight rein on the military activities of the black South African insurgent group, the African National Congress (ANC), in Mozambique. He has also refused to endorse calls by the FLS for economic sanctions against Pretoria, reduced harsh anti-South African rhetoric, and helped arrange a South African-Angolan meeting in May 1988

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At the same time, Chissano has greatly expanded bilateral channels of communications with South Africa. He revitalized two important joint commissions, encouraged the formation of joint working groups on specific economic issues, and increased bilateral contacts through the South African trade office in Maputo.⁸

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Botha has responded positively to Chissano's overtures because, in our view, he hopes to show other Frontline States and the rest of black Africa that cooperation with Pretoria can bring important benefits. After meeting with Chissano's representative, Botha told his cabinet that South Africa must

⁷ The FLS are a loosely organized caucus of black-ruled states (Angola, Botswana, Mozambique, Tanzania, Zambia, and Zimbabwe) that have considered themselves since the mid-1970s to be on the "frontline" in the struggle for independent black majority rule in southern Africa. [redacted]

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⁸ The two bilateral commissions—a joint security commission and a joint liaison commission—were established by the Nkomati accord to discuss security and other issues. Maputo in 1985 suspended both commissions after the two sides accused each other of violating the terms of the accord [redacted]

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RENAMO's Role in South African Policy

RENAMO is a key element in a broader South African policy toward Mozambique that combines military pressure and economic inducements to force Maputo to acquiesce in South Africa's security concerns. Although this policy has been highly successful [redacted] since the signing of the Nkomati accord with Mozambique in 1984, differences have surfaced between the South African Defense Force (SADF) and the Department of Foreign Affairs over the right mix of coercion and cooperation to apply toward Mozambique. In addition, recent insurgent attacks on economic targets in Mozambique, which are partially financed by Pretoria, have brought into sharper focus the potential conflict between the two tactics. [redacted]

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Pretoria's Military Pressure . . .

South African security officials view RENAMO as a low-cost vehicle to ensure that Mozambique and other Frontline States, particularly Zimbabwe, restrict ANC activity and remain weak. They also see the insurgents as an obstacle to FLS efforts to use transportation routes through Mozambique to reduce their economic dependence on South Africa. Although South African military officials acknowledge that Maputo is keeping a tight rein on the ANC, they distrust Chissano and are unhappy with his continued ties to the ANC and anti-South African rhetoric. Consequently, the South African military believes that constant pressure is needed to ensure that Chissano restricts ANC activity; they frequently warn Maputo to clamp down on the ANC, and occasionally intervene directly, such as the two attacks in Maputo over the past year against presumed ANC personnel and residences. [redacted]

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Nevertheless, in our judgment, most South African military officials do not see RENAMO as a viable alternative to the current FRELIMO regime, and they are unwilling to provide the substantial resources needed for a RENAMO military victory. Moreover, the SADF may also be concerned that a more serious RENAMO threat to the Maputo regime

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would lead to an increased Communist presence to bolster government defenses, possibly even including the deployment of Cuban troops. [redacted]

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[redacted] South African military officials view the insurgent's political organization as feckless, and probably reason that the insurgents could not govern effectively in any case. [redacted]

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. . . and Economic Rewards

At the same time, the South African Foreign Ministry is encouraging security cooperation by promoting modest economic assistance programs that reinforce South African leverage. Pretoria is giving Maputo a \$3 million low-interest loan and technical assistance to improve the port at Maputo—the closest harbor to South Africa's industrial heartland. It also has agreed to provide financial and logistic support to help reopen and protect the Cahora Bassa hydroelectric facility, and recently rescheduled \$13 million in Mozambican debt at concessional terms. In addition, Pretoria is negotiating a new work-permit system for the more than 70,000 Mozambican migrant workers in South Africa who pump critical foreign currency into Maputo's economy; South African businesses are considering providing financial assistance to help protect the railway that runs from South Africa to Maputo [redacted]

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South African foreign affairs officials have been pleased with Chissano's pragmatic policies, and they believe that Pretoria can work with him to improve bilateral relations. [redacted]

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[redacted] Foreign Minister Botha is encouraging increased economic ties to Mozambique, while also pushing to limit South African ties to RENAMO. Foreign affairs officials are advocating improved economic ties to Mozambique, partly in an effort to resurrect their influence in a policymaking process dominated by security officials. [redacted]

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RENAMO attacks on economic targets in Mozambique, however, appear to be complicating Pretoria's dual-track approach. Over the past year South African repair crews have repeatedly rebuilt track

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and bridges destroyed by RENAMO that had delayed the export of thousands of tons of South African goods through the port of Maputo. RENAMO attacks also are a major stumblingblock to reopening the Cahora Bassa hydroelectric facility—a key issue in South African–Mozambican relations whose successful outcome is viewed by Maputo as an important sign of good faith by Pretoria. [redacted]

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Prospects for Continued South African Support
In our judgment, limited South African support to RENAMO is likely to continue to be part of Pretoria's two-track policy toward Mozambique. Debate probably will intensify, however, between South African military and foreign affairs officials over which track should be emphasized. Chissano's apparent willingness to cooperate with Pretoria as well as RENAMO's political weakness may give added leverage to South African officials who favor playing down aid to RENAMO. [redacted]

Although less likely, in our judgment, Pretoria could decide that Chissano's willingness to acquiesce in its security concerns and cooperate on key economic projects argues for South Africa to facilitate greater stability in Mozambique. Under such circumstances, South Africa probably would end military aid to RENAMO, provide security assistance to help Maputo defend key transportation and communication links, and try to use its influence with the insurgents to facilitate serious reconciliation talks. Although termination of South African aid would lead to a gradual erosion in RENAMO's military capabilities, the insurgents have become largely self-sustaining and, in our judgment, would remain an effective military force. The end of South African assistance, however, probably would have a significant political and psychological impact on RENAMO, further isolating the insurgents and undermining the influence of those officials in the political wing who are closely tied to Pretoria. Such a change in RENAMO's internal political dynamics, along with the realization that a military victory was now impossible could lead RENAMO's leadership to make significant concessions to Maputo that would facilitate a political settlement. [redacted]

improve bilateral relations and distance itself from RENAMO. [redacted] (b)(1)

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[redacted] On the economic front, Pretoria is helping to upgrade the port at Maputo and is cooperating on a number of important projects, such as the reopening of the Cahora Bassa hydroelectric facility.⁹ [redacted] (b)(3)

Despite this warming trend, deep-seated mutual suspicions and irreconcilable differences over apartheid remain. Chissano does not want to sever all ties to the ANC or completely eliminate anti–South African rhetoric, both as a matter of principle and to maintain his standing in black Africa. Moreover, he probably remains convinced that Pretoria continues to provide support for RENAMO in direct violation of the 1984 Nkomati accord. From Pretoria's point of view, its two-track policy of combining military pressure and economic benefits has been effective, and many South Africans—particularly military officials—are reluctant to reduce military pressure by cutting off support to RENAMO and halting attacks against the ANC in Maputo. [redacted]

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Maintaining Regional Military Support

At the same time, Chissano is working to improve relations with neighboring black-ruled states to strengthen their commitment to his counterinsurgency effort. Frontline State leaders have repeatedly gathered to discuss the situation in Mozambique, and Chissano has met individually with all of his key regional allies over the past year. Frontline State leaders have agreed not to criticize Mozambique's growing cooperation with Pretoria—probably recognizing that Chissano has few options—and have affirmed their support for the fight against RENAMO. [redacted]

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In June, Zimbabwe and Mozambique signed a two-year military cooperation accord that formalizes Zimbabwe's longstanding military presence in

⁹ The Cahora Bassa hydroelectric facility, built in the late 1970s with Portuguese financing, was intended to supply about 10 percent of South Africa's electrical needs. RENAMO attacks in the early 1980s, however, destroyed a large portion of the transmission lines to South Africa. [redacted]

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Mozambique. Harare's 5,000- to 6,000-man force protects the Beira transportation corridor, escorts convoys from Zimbabwe across Mozambique's Tete Province to Malawi, and engages in occasional offensive operations against RENAMO in the central and southern provinces. Zimbabwe also has deployed several hundred troops to protect work crews repairing the Limpopo railway, which has the potential to carry a substantial portion of Harare's international trade.

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[redacted]
[redacted] Harare also is paying an increasingly high human price from frequent RENAMO "punishment" raids across its porous eastern border.

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[redacted]
[redacted] Thus, we believe that Harare will maintain its current commitment while gradually deploying additional troops—perhaps as many as 3,000—to help protect the Limpopo railway.

Malawi, which also has vital economic interests in Mozambique, is continuing to improve bilateral cooperation with Maputo and appears committed to maintaining a military presence on the Nacala railway.¹⁰ Chissano and Malawian President Banda met in early July in Lilongwe, capping a year of significantly increased bilateral exchanges on security and refugee issues. In May 1987, Banda deployed some 400 troops from the 7,000-man Malawian Army to guard the western portion of the Nacala railway. The Mozambican military has been unable to protect its portion of the Nacala line, however, and Lilongwe's limited resources probably preclude a deployment of more than a few hundred additional men for that purpose.

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Zambia signed a military agreement with Mozambique in May allowing Zambian troops to conduct hot-pursuit operations across the border and providing

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for the training of 600 Mozambican militia to protect the border area. Zambian units along the border have engaged RENAMO insurgents on several occasions in recent months inside Mozambique. [redacted] In our judgment, however, logistic and morale problems will severely limit the ability of the Zambian military to prevent RENAMO incursions or mount effective hot-pursuit operations inside Mozambique.

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Tanzania has no vital economic or security interests inside Mozambique, and its commitment to the counterinsurgency effort has waned. The Tanzanians earlier this year announced plans to withdraw their 3,200 troops from central Mozambique to protect their own border area from increasing RENAMO incursions.

[redacted] there are other important motivations for the Tanzanian withdrawal, such as cost, lack of logistic support by Maputo, growing domestic criticism, and Dar es Salaam's belief that a military victory over RENAMO is not possible. Tanzania has agreed, however, to stretch out its withdrawal through the end of the year and to train at least 1,000 Mozambican troops to take over its responsibilities.

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[redacted] Although Dar es Salaam's redeployment may help stem growing insurgent activity in the north, the Mozambican military will be hard pressed to fill the vacuum in Zambezia Province.

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Balancing East and West

While trying to stay on good terms with all his neighbors, Chissano is seeking desperately needed economic and military aid from both East and West. Ties between Mozambique and Western nations continue to grow, and Western states are gradually increasing their economic and military assistance. This development has complicated longstanding close relations with Moscow, but Chissano has been careful to protect his ties to the USSR to ensure continued delivery of critical military aid and petroleum supplies.

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Attracting Greater Western Aid

Chissano's successful efforts to improve relations with the West have secured new aid and investment essential for the economy and armed forces and further isolated RENAMO in the international arena. Since assuming the presidency, Chissano has visited numerous Western countries—including the United States, the United Kingdom, France, Italy, the Vatican, and Sweden; ministerial exchanges between Maputo and Western capitals have occurred frequently. He has presented a more balanced view of global events in the government-controlled media, and begun to take a more genuinely nonaligned stance in the UN. On the economic front, he has adhered to Mozambique's IMF program, enacted measures to strengthen the private sector, and encouraged Western investment in key sectors such as agriculture, mining, and light industry.

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These pragmatic but dynamic diplomatic activities have paid off with additional economic aid from a broad spectrum of Western countries. Traditional donors—including Italy, the Nordic countries, France, and the Netherlands—have increased their development assistance, and, despite the adverse security situation, they continue to provide hundreds of advisers to serve throughout the country. Other, non-traditional donors such as the United Kingdom, the European Community (EC) as a whole, Canada, Japan, and Spain also have increased their economic aid to Mozambique, either bilaterally or through the Southern African Development Coordination Conference (SADCC).¹¹

The United States, Maputo's leading supplier of emergency food assistance, provided some 112,000 metric tons of food valued at \$29 million plus \$11 million in transportation costs in FY 1988. In addition, in both FY 1988 and FY 1989 the United States plans to provide \$15 million in economic aid to the Mozambican private sector and \$50 million to SADCC—some of which will go to Mozambique.

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¹¹ SADCC was formed in 1979 by nine black-ruled southern African states in an effort to lessen their economic dependence on South Africa and promote regional development. SADCC members are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe.

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[redacted] US investments probably will increase next year, because several US companies appear prepared to begin joint ventures with Maputo. [redacted]

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Western donors also are starting to provide limited military aid to improve security for their economic projects in Mozambique. London has taken the lead by training a battalion of Mozambican troops in Zimbabwe to guard the Limpopo railway, giving limited nonlethal assistance to Tanzania and Malawi in support of their operations in Mozambique, and supporting efforts by a private British firm to train and equip a 200-man special unit to guard the Nacala railway.

Moreover, France, Portugal, and Spain in recent months have begun limited military assistance programs that include training and nonlethal support to improve security around specific economic projects, such as the rehabilitation of the Nacala railway.

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Ensuring Crucial Soviet Bloc Assistance

Meanwhile, Chissano is maintaining close relations with the Soviet Bloc, his traditional and primary source of military aid. Moscow's delivery of an estimated \$125 million worth of equipment in 1987 and \$78 million in the first six months of 1988. We estimate that 800 Soviets provide critical advisory

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¹² The USSR has provided about \$2 billion in military aid to Mozambique since independence.

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since 1980 as well as most of Mozambique's petroleum supplies on concessionary terms [redacted]

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Nevertheless, [redacted] there are frustrations in the bilateral relationship. [redacted]

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Moscow believes Mozambique makes inefficient use of economic and military aid and lacks a strong commitment to socialism. During Chissano's visit to Moscow in August 1987, Gorbachev publicly criticized the performance of FRELIMO, seeming to attribute Mozambique's poor military and economic performance to the party's incompetence. [redacted]

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Maputo, for its part, has been unhappy with the quantity and quality of Soviet military and economic assistance. [redacted]

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[redacted] the Soviets have provided insufficient amounts of spare parts and maintenance training as well as obsolete and inappropriate equipment for fighting an insurgency. The Mozambicans also have criticized Soviet economic support and used the high-level exchanges in February celebrating the 10th anniversary of the Soviet-Mozambique Friendship Treaty to stress the need for more practical Soviet economic aid. [redacted]

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(b)(1) support to government-counterinsurgency operations, instruction at military academies, training of elite units, air transport, logistics, and maintenance. [redacted]

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[redacted] mixed Soviet and Mozambican crews fly Mozambican military-transport aircraft, and a few Soviet Bloc or Cuban pilots may fly attack helicopters and fighter aircraft against RENAMO because of a shortage of qualified Mozambicans. In addition, we estimate as many as 800 Cuban advisers are involved in training the Mozambican militia, several hundred East Europeans provide intelligence support, and a few North Korean advisers are training commando units. Moscow and Maputo's political ties include a Treaty of Friendship and Cooperation signed in 1977, frequent party-to-party contacts, and mutual support in international forums. On the economic front, the Soviet Bloc has provided over \$350 million in economic aid to Maputo

In our judgment, Moscow's concern about Maputo's expanding ties to the West, particularly in the security field, has prompted the Soviets to be somewhat more responsive to such criticisms. [redacted]

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¹³ Although this economic aid is small in contrast with that of Western countries, it exceeds Soviet Bloc largess to any other African country, except Ethiopia and Angola. [redacted]

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In response to Maputo's criticism of a lack of Soviet support for the economic reform program, Moscow recently rescheduled Mozambique's debt at concessionary terms and significantly increased economic aid. New Soviet assistance includes a \$30 million package of consumer goods, a \$58 million two-year grant to help develop export-oriented industries, and large increases in petroleum deliveries at concessional terms. On the political front, the Soviets—stressing the central role of the party in guiding economic and military reform—have sent civilian advisers to work with FRELIMO's secretariat.

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Outlook

We expect the fighting in the civil war to continue to ebb and flow over the next two years, with neither side gaining a decisive advantage. RENAMO will continue to operate freely in much of the countryside, relying largely on hit-and-run tactics, and occasionally launching larger operations against poorly defended targets. The insurgents, however, will continue to lack the capabilities to threaten any major urban areas or gain full control over large segments of territory. In addition, RENAMO is unlikely to improve its political organization or gain increased domestic and international backing, further constraining its ability to threaten the government.

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Chissano is likely to continue to follow a two-track counterinsurgency policy that employs both military and political strategies in an effort to contain the insurgency. Although foreign advice and training will improve the combat capabilities of some units, we believe that overall military performance will remain seriously deficient over the next two years. A lack of attention to key nonmilitary factors aimed at winning the "hearts and minds" of the rural populace will further diminish the effectiveness of the government's counterinsurgency efforts. Likewise, Chissano's efforts to induce rebel surrenders are unlikely to diminish RENAMO's military capabilities, and prospects

for a negotiated solution are slim at best. We believe that Chissano is probably willing to open at least an indirect dialogue in hopes of co-opting the insurgents, but is reluctant to agree to direct talks for fear of legitimizing the insurgents and provoking strong reaction from his own military and regime hardliners as well as Zimbabwe.

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We believe Chissano's political position will remain secure over the next two years. He is likely to use the Fifth Party Congress scheduled for later this year to further consolidate his base of support, probably by enlarging the Politburo with handpicked supporters and bringing new blood into key party and government positions. While he probably will push through some limited political reforms, we believe he will proceed cautiously on liberalization to avoid alienating party elites or threatening FRELIMO's preeminent position.

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In our judgment, prospects for a significant economic recovery, particularly in the critical agricultural sector, are poor as long as fighting continues at current levels. Consequently, the risk of widespread starvation will remain high despite continued international aid, and the number of refugees and internally displaced persons will continue to grow. Economic growth probably will come reasonably close to the government's target of 6 percent in 1988, thanks to the new dynamism in the private sector, generous debt relief, and new foreign aid disbursements. Nevertheless, this growth will likely improve living conditions for only a small segment of the population—primarily those located in relatively secure areas near urban centers. Opposition within FRELIMO is likely to constrain Chissano's ability to push through more far-reaching changes, such as increased privatization, and may even lead him to backtrack on price reforms, reductions in the public-sector work force, and other issues.

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In the international arena, we believe that Chissano's most difficult challenge will be to persuade South Africa to moderate its policy toward Mozambique without alienating his black African neighbors.

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Maputo will continue to work to improve cooperation with Pretoria, but any increase in ANC operations from Mozambican territory, evidence of continued South African aid to RENAMO, or South African cross-border attacks against the ANC could quickly escalate tensions. In our judgment, Mozambique's neighboring allies are likely to continue to provide critical military support—despite concern over Maputo's improving relations with Pretoria and rising costs to them of the war—largely because of their own security and economic interests. [redacted]

Similarly, Chissano must delicately balance relations with the East and West. In our view, Maputo will continue to cultivate the West—with an increasing emphasis on the need for military aid to combat RENAMO and protect economic projects—while taking care to avoid alarming Moscow and pro-Soviet FRELIMO officials. Western donors are likely to

increase aid levels in response to Mozambique's food shortages and economic reforms, but limit military assistance to training and nonlethal equipment. [redacted]

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Soviet influence in Maputo almost certainly will remain strong. We believe the USSR's primary objective will be to maintain its military and political influence without incurring significant new costs or commitments. Soviet military assistance over the next two years probably will remain at roughly the same level as in 1987 because of Mozambique's relatively low global priority for Moscow and inability to pay for large quantities of new equipment. Moscow will remain concerned with Maputo's expanding ties to the West, however, particularly in the security field, and will monitor the situation closely to protect its standing within the Mozambican military, the security services, and FRELIMO. [redacted]

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