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ANGOLA: UNITA GAINS ON THE MPLA

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This is a preliminary assessment designed to provoke discussion. Although all points of fact have been carefully researched, preliminary judgments may be fundamentally altered.

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Executive Summary

Angola's MPLA government is fighting for its life and may lose. The Marxist MPLA government has the most educated managerial cadre of the three forces which have contested for power, but its current leader lacks charisma, its top leadership is increasingly factionalized, and it is losing popular support due to worsening economic and security conditions and conspicuously increasing dependence on the Cubans.

The UNITA opposition has a charismatic leader, Jonas Savimbi, who is now the nation's preeminent political personality. It also has the support of the largest tribal group and others, and it is maintaining its popular support with forward-looking educational and agricultural policies. Savimbi also has military support from South Africa, a substantial asset which however is also a large political liability.

Savimbi's political goal is, and always has been, a broad coalition with the MPLA and other factions. He does not seek total military victory. However, the MPLA's dependence on the Russians and Cubans, and Savimbi's relationship with the South Africans, currently preclude his being invited into the government unless he forces such a decision on the battlefield. In addition, the MPLA understands that Savimbi's broad popular support and charismatic personality might quickly make him the dominant figure if he were granted even a limited role in a coalition government.

Savimbi's strategy is economic warfare. That strategy has achieved enormous recent military and economic successes. UNITA controls half the country unchallenged, operates regularly in two-thirds of the country, has seized one major government city after frightening off its Cuban defenders, has destroyed coffee earnings, and now has turned the diamond mines into a foreign exchange liability for the government. Savimbi may seize the diamond mines and thereby gain for the first time a major source of domestic revenue and foreign exchange. The Soviets and Cubans are reinforcing the government, but they will not pay an unlimited price to back the MPLA. In particular, the willingness of the Cubans to accept sustained casualties is sharply limited.

Savimbi's economic warfare now extends to foreign firms operating in Angola. He considers all foreign firms collaborating with the government to be allies of the enemy and has disavowed any responsibility for the safety of their employees. In light of his consistent strategy and clear statements on the issue, the widespread belief that Savimbi would under no circumstances attack the oilfields is wishful thinking. Certainly, he would rather take over a functioning economy than one crippled by oil sabotage. Certainly he will attack pipelines and refining facilities prior to any attacks on the oilfields proper. But there is no evidence whatsoever that he will refrain from attacking the oilfields if necessary in a military endgame.

Within this overall context, the oil enclave of Cabinda has a special situation. The production facilities--the ultimate target; destruction of them surely would demoralize and bankrupt the MPLA government. On the other hand, once they are hit, there is little else to threaten, so the attacker loses bargaining power. Cabinda's geographic isolation makes it an especially

difficult target. Thus, it is logical for Savimbi's economic warfare strategy to focus first on coffee, agriculture and diamonds, then on oil pipelines and refining and only as a last, reluctant resort to target the wells. But, equally, there is no evidence that he would exclude such an attack, and it is known that he has sabotage teams capable of the job.

Given the vicissitudes of international support and personalistic politics, one cannot firmly predict the future. Bankers Trust must therefore be comfortable with its exposure in a transition period and subsequently in any of the following scenarios. In the transition period, food and military imports will rise faster than oil exports, and other exports will decline. In the ensuing foreign exchange crisis, the Soviets will be of little help. Angolan priorities will be: first, vital military imports; second, food; third, maintenance and expansion of the oil industry. Therefore, loans to the oil sector need to be secured or to be rigidly tied (a difficult task) to the regime's needs for Cubans and food.

1. Following the transition, perhaps the most likely outcome is for Savimbi to force a coalition after several years. This coalition might be forced without damage to the oilfields, but the MPLA might well hold out until the oilfields were extensively damaged. Savimbi would then come to office committed to retaliate against the foreign firms, but he would be constrained somewhat by his coalition partners and by the country's pragmatic economic needs. The implications for banks would probably be favorable if the oilfields were providing adequate revenue, but selectively vulnerable (see 2 below) if revenue were inadequate.
2. A complete Savimbi victory, less likely but not at all impossible, would be far more risky. Such a victory would imply thorough destruction of the MPLA government, and would run completely counter to Savimbi's lifelong strategy of seeking a coalition. He has no desire for a Pyrrhic victory followed by protracted war against MPLA remnants. Hence, if it came to this, the oilfields would probably have been destroyed. There would be overwhelming pressure to reduce the loan burden by classifying many loans as unacceptable aid to the enemy of the kind Savimbi has eloquently warned against.
3. A stalemate along current lines is also possible. For instance, UNITA may get overextended, the MPLA may win an unexpected major victory, and a more dynamic MPLA leader could well emerge. This would imply heightening of the transition foreign exchange problems (see above) and a rising risk of sabotage of the oilfields.
4. Finally, UNITA is dependent on the charismatic leadership of Savimbi and would fall apart if one of the MPLA's efforts to assassinate him were to succeed. In that case, the MPLA would continue to have major political and economic difficulties, but the risk to repayment of oil facility loans would be minimal.

Foreign firms can live with any of the ultimate outcomes. They will experience severe risk, both financial and to the personal safety of their executives, in the current transition period and in early phases of three of the four scenarios.

Historical Background

The three major Angolan nationalist movements were founded in the 1960s to fight for the independence that other African colonies were achieving but which Portugal refused to grant. Portuguese intransigence made the struggle unusually bitter and thereby ensured the strength of radical, Marxist forces.

The governing MPLA has been funded by the Soviet bloc. The MPLA is based among the Kimbundu tribe and has always held the support of Luanda and its environs. The party is Marxist in character and has been heavily influenced by its members who were trained by the European communist parties. Though the MPLA has always been divided by factionalism, efforts of front-line African leaders, including Kenyetta, Nyerere, and Kuanda, solidified support behind former MPLA leader Neto in time for independence. The MPLA was able to gain power not so much through any advantage in firepower or outside support as through a "manifestly superior organizational and infrastructural capability."

UNITA has been funded by South Africa, China, and the United States, but, before independence, received far less assistance than its two rivals. UNITA bases its support on the Ovimbundu in central and southern Angola, the largest ethnic group in the country. UNITA was the smallest of the three major movements before independence (though still the most popular) and was unprepared for the civil war that erupted in 1975. Savimbi attempted to keep UNITA out of the struggle between the MPLA and the FNLA, but UNITA was caught in the cross-fire.

The FNLA, though almost non-existent at present, was the largest nationalist movement until its defeat by the MPLA one day before independence in 1975. The FNLA was heavily funded by Zaire, as well as by China and the United States. It was based among the Kikongo in the north, about 20 percent of the country's population. The movement was plagued by weak discipline, poor military leadership, and no political or ideological support framework.

These three movements conducted political and military opposition against the Portuguese government until the 1974 coup in Portugal brought swift changes for the colonies. Many Portuguese fled during the struggle, and almost all left in 1975, taking not only the country's technicians and skilled labor but also much of its infrastructure. Since 1975, UNITA and the MPLA have continued to battle while the economy, crippled by this exodus, has sunk even further. The Portuguese, not the most benevolent of colonial masters, did not have any policy of training natives to take places in management or government, so very few Angolans have the knowledge necessary to run the economy. Those who do usually find the money to escape the country.

The front-line (Kenya, Tanzania, Zambia, Zaire) leaders stepped into the Angolan saga frequently, usually to mediate and enforce a collective settlement. They might have been successful in their efforts if the three movements had not called in outside help. The FNLA received (poor) training from the Chinese. The MPLA, in turn, called on the Cubans. The Soviets supported the Cuban presence and began increased funding to the MPLA. Because the MPLA was based in Luanda, they were able to set up a government, though at the time they controlled less than a third of the country. Just as other

African states were again deciding which movement to support, South Africa intervened on behalf of the FNLA and UNITA. This intervention effectively swung almost all of black Africa behind the MPLA, and the front-line states recognized the MPLA government in Luanda.

Namibia has been a factor in the Angolan conflict since SWAPO guerrillas opened bases in southern Angola. The first overt link between Namibia and Angola came, however, at the initiative of the United States which linked withdrawal of Cuban troops in Angola to implementation of elections and independence for Namibia. South Africa immediately agreed to this, seeing the Cubans and the growing Angolan war as a ready excuse for continuing military involvement in both Namibia and Angola. Hence, South African support for UNITA became linked to its protection for Namibia and to MPLA support for SWAPO, and Cuban support for the MPLA became linked to protection against South Africa and their "puppet," UNITA.

The Government

Angola's government is fighting for its life, and it may lose. Mounting military pressure from the opposition UNITA (National Union for the Total Liberation of Angola) movement and increasing divisions and strife among the leadership are seriously weakening the government. Only the continuing presence of Cuban troops holds the government in place. The country is immersed in a civil war, and this reality shapes all aspects of Angolan political and economic life.

The Top Leadership

The Angolan government is led by Jose Eduardo dos Santos, head of MPLA-Labor Party (People's Movement for the Liberation of Angola). On paper, dos Santos has substantial powers, but these are effectively limited by the collegial nature of decision-making at the top. Dos Santos is not the charismatic leader that his predecessor, Neto, was, which has forced dos Santos to take a slow, methodical approach to maintaining support. The country is ruled by an 11-member political bureau that is basically balanced among the orthodox Marxist faction, the more nationalistic group on the right, and the centrists, of whom dos Santos is the leader. This center faction takes a non-aligned, black African nationalist ideological stand and incorporates basic socialist doctrines. Dos Santos maintains his position and control by periodically purging both political ends of the bureau. His style of leadership is proving less and less appropriate for the crises of Angola, however. His very moderation and understated political skill make him appear weak, and his acknowledged lack of personal charisma and public relations abilities become significant defects in light of the need for a strong, vibrant national leadership.

The political bureau, cabinet, and top ministry posts are staffed by blacks, mestizos, and a very few whites. Most top officials are well-educated, skilled, and dedicated. Many of the mestizos have been trained by European communist parties and tend to be orthodox Marxists and hard-liners. Their interests are closely identified with the Soviets'. The

presence and ideology of the mestizos has caused tension with the blacks, for racial, ethnic, and political reasons. The mestizos attempt to discredit the middle and right of the MPLA by challenging the orthodoxy of their Marxist credentials. This added tension increases the difficulty of dos Santos' efforts to moderate factional strife and maintain a unified government.

These political conflicts in effect tie the government to its current basic policies and ideological system, since each faction is checked by the others. The left (and the Soviet advisors) will not allow the Cuban forces to leave--the left's survival is dependent on Soviet and Cuban support. The right and center would like more room for negotiating the issue, in line with their commitment to non-aligned nationalism, and in principle would like to expel the Cubans, but their survival and patronage are also dependent on the Cubans' presence. The right and center would also like more freedom in economic policy, but their commitment to the MPLA's ideology--and the MPLA's reliance on communist assistance--gives the left political ammunition. The black nationalists resent the hegemony of mestizos and their Cuban and Soviet allies, but are disorganized; they can block new policies but not initiate them.

The top leadership was recently shaken further by a diamond smuggling scandal that has implicated several high-level officials. Further evidence of widespread corruption among bureau members and ministers is coming to light. Most believe that everyone, except perhaps dos Santos himself, is actively involved in the enormous black market, and that high government officials are stashing funds in Switzerland.

The Institutional Infrastructure

The government has not really had a chance to create a functioning, well-established political or economic system in Angola. The country has been at war on and off for almost 20 years, so any extant political and economic structures largely support the military and the "revolution".

The MPLA has been beset with internal strife since its beginnings, as various factions fought--and continue to fight--for control. Despite this conflict, the MPLA has, until recently, been able to maintain an effective organizational structure, discipline, and ideological dynamism grounded in political education and mobilization. The present deterioration of Party organization and morale derives from dos Santos' weaknesses and to the increasing pressure from UNITA.

All institutions within the MPLA government suffer acutely from a lack of skilled labor and technical ability. The MPLA has usually had skilled men in top leadership positions, and a significant cadre of well-educated managerial-level personnel, but their abilities have not necessarily been in economic management and government. They also do not extend to the lower levels of the bureaucracy.

The government spends at least one quarter of its budget maintaining an army of about 40,000 men. Yet the military has appeared more and more incompetent over the past year, and government forces are described as being

in a state of "chronic disorganization". The army cannot effectively stop guerilla infiltration, even into home Kimbundu areas in the north. The military has been plagued by desertion, poor organization and management, and disintegration of morale (due in part to the leadership's infighting and to popular hostility toward the Cubans). The government increased military conscription in October in preparation for a major offensive against UNITA forces in November.

The Political Base

The mass base of the MPLA government comes almost entirely from the Kimbundu area in northern Angola, including Luanda, and among the educated politicized sectors of other urban areas. The various black nationalist movements in Angola have all been ethnically-based [see appendix]. The MPLA has made inroads over the past few years into the Kikongo regions in the north, formerly FNLA (Angolan National Liberation Front) strongholds. Despite this gain, though, MPLA support has weakened significantly in all other areas of the country. In a state of war, mass political sentiments usually go with whoever controls the nearest food and weapons. Yet there seems to be a growing undercurrent of discontent, a feeling that the MPLA has not lived up to its promises. Also, most Angolans despise the Cubans, which does not help the MPLA's image. The government's economic policies have alienated whatever business class exists, and the weak official arm in the breadbasket southern and central regions leaves peasants on their own or at the mercy of UNITA.

Economic Management

The Angolan economy must be divided into two sectors: the petroleum sector, and everything else. Angola's oil industry is quite healthy and has been managed relatively well. (The ironies of Angola's oil are many: Cuban troops guard American oil rigs and equipment; the United States buys two-thirds of Angola's oil exports; Angola uses 70 percent of this money to pay for Cuban troops.) Several more major offshore fields have been discovered (almost all Angolan oil is produced offshore). Industry sources estimate that the country will produce 160,000 b/d in 1983, but will increase production to 320,000 b/d by 1985.

Everything else in the Angolan economy is in terrible condition. To understand the reasons, one must look at the history of Angolan independence [see appendix]. Over the past decade, agricultural production has declined 10 percent per year and manufacturing production 12 percent per year. The government tried to implement a state farms program but moved too quickly. Funds for agriculture were funnelled to these farms while private peasant agriculture still produced almost 80 percent of agricultural output. Worker morale has declined as their paychecks become increasingly worthless (the black market exchange rate is 15 to 20 times the official) and as goods become more scarce. Merchants refuse to sell what they have for fear they will not be able to restock their supplies. Meanwhile, the black market flourishes. Such have been the results of an economy torn by war, dependent on oil prices, ravaged by colonial misrule, and now mismanaged by its current government.

The government has begun to make changes recently and to acknowledge economic mistakes. The Western press has noted the "shift to the West" as Angola tries to attract Western business and capital. The government makes an effort to keep payments current; arrears are usually in weeks rather than months. Dos Santos has begun a crackdown on corruption. Agricultural spending will shift to peasant producers, and marketing networks will remain private. The government has offered special economic privileges in an effort to attract skilled labor (causing an outcry from the egalitarian orthodox wing of the MPLA). Budget expenditures were down dramatically in 1983, with a 43 percent decline in spending on the state sector and a drastic cut in investment. These latter actions will have deleterious consequences for the economy in the future, but the decline in oil prices and the increase in UNITA activities have forced the government to hold the economy hostage to political survival.

Though oil earns by far the greatest portion of the country's foreign exchange, Angola also exports diamonds and coffee. Diamond production is declining, and at least half the gems are smuggled out of the mines. Because UNITA has made ground transport insecure, equipment and production must be airlifted and thus the diamond industry has become a net foreign exchange liability. Coffee production has been even worse: production in 1982 equalled one-tenth the normal output before independence.

Estimates of the economic loss due to the UNITA insurgency exceed \$10 billion. The country has lost dams, factories, bridges, roads, railroads, and power plants, as well as housing and other urban infrastructure.

Prestige projects continue. The Angolan airlines, Taag, recently announced it may purchase some Boeing 767s to update its fleet.

Angola's 1983 debt service ratio was between 20 and 25 percent, but debt service payments may jump by almost five times in 1986 as amortization from heavy borrowings from 1979 to 1981 comes due. Angola runs a positive trade balance because of its oil exports. The country trades mainly with Eastern Europe, though its most important trading partner is the United States, due to American oil imports. Angola has been effectively cut off from Western capital, except for money for the petroleum sector.

The Opposition

The principal opposition in Angola is the UNITA movement, under the leadership of Jonas Savimbi. UNITA controls at least half of Angola and operates in two-thirds of the country. UNITA power is strongest in the central, southeast, and west (home of its traditional ethnic base, the Ovimbundu), and is growing stronger in the northeast. UNITA, among the country's movements continues to maintain the largest base of political support.

Dr. Jonas Savimbi, 50 years old, has proved to be an effective, skillful leader and survivor. He has been described as a "spellbinding" orator, and as "intelligent, intuitive, and gifted with personal charm." In his effort to survive, he has also been extremely opportunistic. Savimbi's current role as

military leader marks a sharp change for a man who committed himself to mediation among the Angolan movements before independence and who sought every non-military option for UNITA. His strategy still divides political and military policies and goals, allowing for more specialized planning and flexibility. Western journalists allowed to travel in UNITA areas have noted the movement's organization and discipline, and its emphasis on health and education among both its own members and population groups in its sectors. Savimbi must be credited with these successes. Evidence of political acumen and leadership is his ability to garner increasing popular support despite simultaneously receiving assistance from South Africa. Savimbi has transformed UNITA from a band of ill-prepared, disorganized guerillas into a disciplined, effective military force that shows ability at governing as well as fighting. He is perceived by the West as the most able leader in Angola.

Under Savimbi, the leadership has been transformed in the past year. UNITA now has a number of skilled younger men, but their talents are primarily narrow, tactical, military ones. They are provincials without foreign contacts, military officers without economic knowledge. They come from extraordinarily poor regions where simple peasant views predominate. Most of Savimbi's people are, in short, economic primitives. Savimbi's image as more pro-Western than his MPLA opponents does not therefore imply that UNITA would be a more competent or even more sympathetic economic manager. UNITA's natural allies in the government are the black nationalists, who lack economic skill and are more concerned about removing a mestizo/white elite than about the niceties of GNP growth. Savimbi understands this, and therefore seeks a coalition with the MPLA. He needs a political linkup with the black nationalists and an institutional linkup with the mestizo technocrats.

UNITA's greatest popular drawing card is the Cuban presence; Angolans bitterly resent the mercenary soldiers. UNITA is now gaining greater strength as domestic discontent with MPLA rule, based on disorder, impoverishment, corruption, and too many Cubans, feeds the perception of a government managed by Havana or Moscow. UNITA's ability to supply (or cut off) food supplies to its people further enhances the movement's attractiveness.

The goal of UNITA is not a military victory but recognition of UNITA's right to join the government and to produce for Angola a truly inclusive coalition government. However, the stand-off among the MPLA leadership and their dependence on the Cuban presence and on Soviet support currently preclude an invitation to Savimbi. Hence, UNITA's hopes of national government currently rest with its military success or failure. Savimbi is not hurrying, though. His current major offensive, launched November 3, is directed at gaining control of the northeast diamond fields. He hopes to use diamond revenues to fund his movement and expand its capabilities before any final offensive.

UNITA's principal military strategy has been to isolate the government in cities while gaining control of surrounding land and food supplies. Recently, however, UNITA has successfully attached several large towns in major military engagements. The most notable success came in August 1982 with the fall of Cangamba, a major town in the central region. The government charged that this was achieved only with the help of South African warplanes, but American

government sources believe that UNITA took the town largely on its own. (UNITA does continue, of course, to receive substantial South African assistance.) At the least, UNITA has the capacity to threaten large towns, a significant increase in its capabilities. Thus, Cangamba marks a watershed in the opposition movement, effectively escalating a guerrilla war into a major civil war. Outside of these major actions, the movement continues a massive sabotage campaign aimed at infrastructure and military establishments all over the country. UNITA forces are predominant within 150 km. of Luanda and can strike at will much closer than that. UNITA has effectively cut the strategic central railway and kept it out of operation for several months. UNITA members sabotaged the Luanda refinery in 1981 but have not yet attacked the oilfields, even though UNITA policy is specific in targeting all economic enterprises as fair game.

Despite the recent successes, Savimbi's troops are still in no position to defeat MPLA military forces. Earlier this year, most observers felt that neither the government nor UNITA could win decisively against each other in the near or even distant future. The picture has changed in UNITA's favor, but it is still far from being the dominant power in Angola and could find its supply lines overextended.

Savimbi's military strategy is now focused on economic attrition and sabotage. This has long been his stated strategy. His destruction of the coffee industry and his drive against the diamond industry give substance to his words.

This strategy implies a growing foreign exchange squeeze on the government. Savimbi's successes mean that imports of food must rise, even though Angola is already in arrears in paying for past food imports. Swaps with Brazil of food for oil are declining. The rising need for Cuban troops and Soviet weapons also implies a larger foreign exchange requirement at a time when revenues other than oil are declining. Brazil, Britain, France, the U.S. and the Soviet Union are all putting greater pressure on the government for payments. A projected 20 percent increase in oil revenues over the next few years will not cover the new requirements.

Savimbi's strategy explicitly includes threats against foreign individuals and firms doing business with the government or in government territory: "From now on UNITA declines any responsibility for what may happen to foreign nationals who insist on staying in the war zones." Savimbi treats all foreigners as collaborators of the MPLA and has said his next objective is to "penetrate the still viable economic zones and capture foreigners."

In this context, it would be a serious error to assume that Savimbi will refrain from attacks against oil pipelines and refining facilities and perhaps eventually the oil fields themselves, if he makes further military progress.

The International Environment

Without the support of Cuban troops, the MPLA government would fall to UNITA. This was not the case even a year ago,. Hence, the Angolan government finds itself dependent on mercenary forces, embroiled in an international

power game between East and West, and part of the protracted racial conflicts of southern Africa. Given also the country's dependence on the international oil market, Angola today is more affected by forces outside its control than at any time in its history.

Twenty to twenty-five thousand Cuban troops protect the government, paid for with Angolan oil revenues. But relations between the Cubans and the MPLA are becoming increasingly strained, and Angolans in general hold the Cubans in contempt. Furthermore, the myth of the Cuban army's invincibility is wasting away. At the battle for Cangamba, most Cuban troops were safely airlifted out two days before the city fell, an incident which did not ease tensions with the MPLA. Though Cuba is paid for its efforts, Castro is not likely to keep his soldiers in Angola if UNITA victory becomes probable or if avoiding it requires sustained, serious Cuban casualties. Castro wants to gain a foothold in Africa, but he cannot afford the casualties of sustained major warfare. Cuba's principal interests in Angola are to provide support and assistance for an ideological ally, take an active role in African liberation efforts, and assist Soviet efforts to expand influence in southern Africa as repayment for Soviet support.

The Soviets, meanwhile, maintain no combat presence but do provide advisors and support personnel. Total Soviet aid amounts to hundreds of millions of dollars. The Kremlin has undertaken the Angolan adventure through its client, Cuba, with an interest in countering American and Chinese moves and in realizing expanded Soviet influence in western and southern Africa. An MPLA loss would clearly damage both Cuban and Soviet prestige, but it seems unlikely that either country will choose to significantly increase their assistance for the MPLA regime if UNITA clearly gains the upper hand.

The other major international tangle involving Angola is the southern African conflict, specifically the Namibia issue [see appendix]. South Africa has conducted military operations into Angola against Namibian black nationals (the SWAPO organization) and to "protect" infrastructure vital to its interests. In fact, the rationale for the Cubans' presence in Angola is to protect the country from South African attacks (though the attacks are primarily in the south and the Cubans in the north). Savimbi's success, ironically, merely complicates the Namibian problem. The greater Savimbi's success, the more dependent the MPLA becomes on the Cubans. Since Namibian independence now depends on the withdrawal of Cuban troops, a settlement thus becomes increasingly distant. Savimbi holds no love for the South Africans but accepts their aid because he "has no choice." South Africa hopes to gain a non-communist, relatively friendly northern neighbor from a UNITA victory in Angola and in the process to neutralize SWAPO.

The Angolan government maintains cordial ties with most other African governments. Zaire, which has interfered in Angola for years, does not actively support UNITA and maintains a detente with the MPLA for the moment. Zaire does seek, however, the establishment of a friendly, stable, non-communist government in Angola to diminish its own internal secessionist elements and to maintain unimpeded access to railroads and ports for mineral exports.

Western Europe has warmed to the dos Santos government. French and Swedish aid to Angola has been increasing; the French are undertaking an airport renovation and expansion project in Luanda. Italian companies are investing in manufacturing and agricultural projects. In turn, the Angolan government has confirmed its participation in the Lome III negotiations, bringing it closer to the EEC and opening the doors for EEC aid.

Though it imports most of Angola's oil, the United States remains the only country in the world not to recognize officially the MPLA government. The United States has continually misunderstood the situation in Angola. American interests focus on preventing Soviet bloc access to Angolan minerals and ports, and on preventing the consolidation of a harsh Marxist regime.

Other countries are moving into the Angolan economy despite the war. Brazil and Angola signed a telecommunications agreement in late October.

One international consequence of the war has been that UNITA has been capturing more and more foreign nationals in its raids. This has caused no major incidents so far, but the risk to foreign nationals becomes greater the closer UNITA operates to Luanda. UNITA may be collaborating with kidnappings by dissident groups elsewhere in southern Africa.

Certainly the East-West and southern Africa conflicts have been and continue to be crucial to the Angolan conflict. Their importance lies, however, in the distortion of domestic political will they have caused in Angola. If all foreign assistance were removed from Angola, UNITA would eventually gain control of the country, because of its broad base of political support, its military effectiveness, and its organizational and management abilities. Furthermore, the survival and strategy of each major nationalist movement have depended heavily on the size and sources of external support each received.

Pressures for Change

Angola's future depends on four major variables: (1) UNITA's and South Africa's military efforts; (2) Cuban and Soviet policy toward Angola; (3) intra-MPLA factionalism; and (4) the international oil market.

UNITA has shown effective military and governing abilities. Its popular support grows and its military successes multiply. Savimbi is moving to strangle the government, but he attempts to maintain the support of his people and provide for their needs; he has so far not overstepped his reach. But, given the Cuban presence, UNITA must still depend on South Africa. If UNITA can gain control of the diamond mines, it may be able to cut this support somewhat as well as finance a major push toward Luanda. Signals to watch will be the course of further UNITA military efforts, government responses, and the course of South African policy toward UNITA.

The Cubans are also watching UNITA. Cuba is shifting men from Ethiopia to Angola, and the Russians are providing more equipment, especially helicopters. Castro has invested a large amount of prestige and money in the Angolan adventure, but he is not likely to stay on a sinking ship. While a

UNITA victory is still not certain, it is nevertheless more possible than ever before. Castro may decide to increase his presence in Angola, but the economy cannot afford to pay much more for such support, and Castro would be compounding the risk of failure if he did so. The Soviets have less to lose and would probably get out earlier and more quietly if Savimbi gains. Signals to watch are military campaigns, news--or silences--from Moscow and Havana, and sudden changes in government military strategy.

The struggle among the MPLA leadership may prove fatal sooner than UNITA. Lackluster moderates such as dos Santos do not inspire people in times of crisis, and dos Santos could lose out to a more radical wing of either the right or left. The struggle only weakens the military effort against UNITA. Signals to watch include further shake-ups of the political bureau and cabinet and increased signs of political turmoil--arrests, disappearances, sudden replacements.

Scenarios for the Future

The most likely scenario for the next three to five years sees UNITA pressing its campaign through all parts of Angola, taking control of the diamond mines, and threatening Luanda. Government factionalism and growing frustration over the military situation lead to several changes in the political bureau, removal of dos Santos, and a mounting division in the MPLA. The non-oil economy collapses in the face of government weakness and the war. Heavy debt service payments force a debt moratorium. Oil revenues increase, but these are offset by sharply higher military and food import costs. South Africa steps up attacks in support of UNITA. Soviet bloc aid increases, but Cuban troop levels remain relatively constant. Under this scenario UNITA forces a coalition within a few years. This scenario implies a severe risk, but not a certainty, of retaliation against banks and companies perceived as having helped the MPLA government. Presumably, such things would be negotiated among the coalition partners and would be influenced by pragmatic need for continuity. The risks might well be mitigated by advance contacts. In the military endgame of such a scenario, there would be severe risk of military attacks on the oil fields.

The less likely, but not impossible, scenario of a rout of the MPLA, would make such retaliation much more likely. UNITA would then have a free hand to deal with firms which collaborated with the enemy, but would have strong pragmatic interest in good relations with such firms. More importantly, however, such an outcome is so undesirable to both parties that it could only come as the conclusion of a devastating war, which almost certainly would devastate the oilfields. Like the Sandinistas in Nicaragua, the new government would face an overwhelming need to repudiate some loans, and it would focus on any loans which could be labelled political financing of the enemy. Refinancing existing oilfields would easily fall into such a category.

Alternatively, more effective government military action could hold UNITA at bay, producing a stalemate. Intra-governmental squabbling continues, but the center of the MPLA maintains its control and gradually tightens its grip through purges of the left and right. Dos Santos is replaced by a more vibrant leader. The military stalemate lowers UNITA's morale and Savimbi

decides to step up economic sabotage--including attacks on the oil fields. Oil production is disrupted and oil companies demand greater security. Exchange earnings fall, and development of new fields is delayed. South Africa maintains support of UNITA. Cuban troops remain. The government carries through some economic reforms, but the economic situation remains critical. With the debt service crunch in, say, 1986, the government announces a debt moratorium. European assistance increases, but the government is forced to pay its loans according to rigid priorities: military needs first, food second, maintenance and expansion of oilfields third.

Finally, successful assassination of Savimbi might lead to a complete reversal of UNITA's recent successes. UNITA is highly personalized and this creates a huge vulnerability. This scenario could mean business-as-usual management of the economy, with oil revenues growing and the need for military and food imports gradually declining.