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Uganda: Obote's Dimming Prospects



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An Intelligence Assessment

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ALA 84-10072
July 1984

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An Intelligence Assessment

This paper was prepared by [Redacted]
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coordinated with the Directorate of Operations. [Redacted]

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**Uganda:
Obote's Dimming Prospects**

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Key Judgments*Information available
as of 27 June 1984
was used in this report.*

The sharp deterioration of Uganda's internal security in recent months has imposed serious strains on the Obote regime, raising the specter of a prolonged period of instability that could offer North Korea, Cuba, and the Soviet Union new opportunities to meddle in the region. Although Obote's grip on power appears to us to be slipping, he still can count on support from Uganda's northern region—primarily his own Langi (Lango) tribe. His opponents, moreover, have even narrower bases of support, and none seems capable of maintaining even the present degree of shaky government control over the country. Their weakness and inability to coalesce are key to the survival of Obote's regime.

Obote faces an uphill battle in trying to maintain the loyalty and discipline of the tribally fractured military. Effective government control over the military ended with the death of his close ally Chief of Staff Ojok, a Langi, in a helicopter crash last December. Since then, Obote, aware of the bitter Langi-Acholi rivalry within the Army, has avoided the politically volatile issue of naming a permanent successor to the post. His course, while perpetuating military factionalism, has deprived the opposing elements of an issue about which to unite.

Military indiscipline has severely hampered Army operations against various guerrilla groups. The most active of these, former Defense Minister Yoweri Museveni's National Resistance Army, draws its support from Museveni's Ankole (Banyankole) tribe and, more importantly, from the Baganda, Uganda's largest single ethnic group. The guerrillas easily overran an Army barracks at Masindi less than 200 miles from the capital in late February, replenishing their meager arms stocks and restoring the group's vitality. The guerrillas, emboldened by this and other recent successes, probably will continue to employ the hit-and-run tactics against which the Army has thus far been ineffective. Although the insurgents do not now pose a direct threat to the government, we believe the Army's military ineptitude and brutality toward civilians will continue to undermine any chance for Obote to build popular support for his regime.

Obote's rivals within the government are taking advantage of the instability in the country to build up their own political bases. Relations between Obote and some of his ministers are poor, according to the US Embassy.

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An improved economy during Obote's first three years in office has been the sole positive element of his regime, but sharply deteriorating security now threatens to undermine what progress he has made in fostering economic recovery from the destruction of Amin's misrule. A prolonged upsurge in violence could easily thwart agricultural production, transport, and marketing. It also could cause multilateral and Western bilateral donors—already distressed over the brutality of Obote's forces—to cut assistance levels from the average \$275 million in grants, loans, and debt relief disbursed over each of the past three years.

On balance, we believe the weakness and disunity of his opponents give Obote a slightly better-than-even chance to hold office until the elections now scheduled for December 1985. His loss of credibility as a national leader, however, raises serious doubt that he would risk holding them on schedule. He could resort to rigging—a tactic we believe he used as the Tanzanian-backed candidate in 1980—and he could plausibly justify postponement on the basis of Uganda's chaotic internal security situation. Even if held, the elections offer virtually no prospect for providing a forum for resolving Uganda's political problems and would serve only as the trappings to validate the perpetuation of the regime in power.

In the interim, Obote's concern over continuing threats to his regime almost certainly will prompt him to press Great Britain and the United States for expanded military and economic assistance. In our judgment, increased aid will do little to vent the underlying pressures on his regime, which stem from intense tribal rivalries, military indiscipline, and opportunistic intrigue within the government. Nonetheless, if Obote believes his needs are not being met by the West, we believe he would not hesitate to deepen military ties with North Korea or to turn to Cuba and the Soviet Union as alternatives. In our view, all would probably respond positively to Obote's requests, but they would be likely to keep any proffered aid to token levels.

We cannot discount the possibility of Obote's removal by coup or assassination—a move, in our judgment, that would push Uganda quickly to the left. Based on what little we know about the ideology and opportunism of likely contenders, almost any successor regime would be less friendly toward the West and probably would move to establish closer ties with the Communist states. This would cause new concern among neighboring countries such as Kenya, Sudan, and Zaire about security along their borders with Uganda and might prompt some of them to press the United States for increased military aid.

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Uganda: Obote's Dimming Prospects

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Introduction

Five years after the fall of Idi Amin, Uganda is still far from national reconciliation. There were high hopes among Ugandans that Milton Obote—despite claims of rigging in his election as President in December 1980—would bring back the relative prosperity and peace that Uganda enjoyed during the immediate postindependence period of the 1960s. This goal, however, has become more elusive. Initially, Obote had some success in pointing Uganda toward political and economic recovery. The government made a serious effort to restore discipline to the Army, the guerrilla threat waned, and a package of economic reforms announced in June 1981 generated optimism in the private sector.

Since the death of Army Chief of Staff David Ojok in late 1983, however, the security situation has deteriorated badly, aggravating a host of other pressures the regime faces. Obote's biggest headache is coping with the undisciplined, factional, and overstuffed Army and security services. Interrelated with this problem are several others including: the growing threat to stability posed by dissidents, bandits, and marauding government soldiers; the continuing specter of a coup led by disgruntled military and civilian groups; exacerbation of ethnic tensions by military actions against individual tribes; and the economic dislocation caused by deteriorating security.

Challenges to the Obote Regime

An Army Out of Control

The survival of the Obote regime depends on a military whose loyalty is questionable and whose actions he cannot control. A desultory, often brutal war with the guerrillas has dragged on since Obote assumed power in the disputed elections in 1980. Ethnic rivalries, personal animosities, and even a desire among some of the military to restore Amin to power have contributed to internal instability. The security forces on which Obote depends to maintain order are riddled with tribalism, personal rivalries,

low morale, corruption, and inefficiency, according to US Embassy sources.

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Loss of a Leader. The US Embassy reports that what little control the government had over these forces was exercised by Army Chief of Staff David Ojok, who died in a helicopter crash last December. Since then, the security situation has deteriorated badly, as evidenced by an increase of clashes in the Kampala area; recent guerrilla takeovers of two provincial capitals; an Army rampage at Namugongo, 10 miles east of Kampala; and the growing number of violent incidents directed against expatriates.

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The highly respected Ojok was a Langi (Lango)—the same tribe as Obote—and a crucial link between the President and the armed forces. Obote's own safety had depended in part on Ojok's loyalty and vigorous prosecution of the military's counterinsurgency efforts. We believe Ojok was the power behind Obote, a potential successor, and the key element in maintaining some semblance of security and order in Uganda.

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Obote's naming of Tito Okello, an Acholi, as Ojok's acting successor—avoiding the politically volatile issue of selecting a permanent replacement—reflects the problems he faces in handling the military. According to the US Embassy, the Acholi make up about 60 percent of the Army, and the selection of Okello probably stemmed from Obote's fear of an Acholi revolt if another Langi was appointed to the top military post.

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Acholi of all ranks in the Army had been unhappy over alleged favoritism shown to Obote's fellow Langi tribesmen, who constitute only 20 percent of the Army. We believe the President, aware of the Acholi resentment, probably hoped to pacify the Acholi by choosing Okello.

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Acholi grievances persist, but Obote has deprived them of a single, crucial issue about which to unite. He knows, however, that any misstep could precipitate plotting by the Acholi, who

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Uganda: A Political Chronology

Milton Obote was the first Prime Minister of independent Uganda. Although the head of the small southern kingdom of Buganda was elected President in 1962, the office was largely ceremonial, and Obote, a northerner, wielded most of the political power.^a In 1966, he seized direct control of the government by engineering a parliamentary proclamation naming him President. [redacted] he was a capable if controversial leader who tried to create a sense of national unity among his country's diverse ethnic groups. He achieved some success in suppressing Uganda's tribal, regional, and religious rivalries by establishing a strong central government. Obote held sway by using his political acumen and his security apparatus to outmaneuver or strong-arm any opposition. His supporters—mainly his own Langi tribe and other northern Nilotic groups—considered him a hardnosed pragmatist; his enemies—mainly the Baganda and other southern Bantu tribes—considered him ruthless. [redacted]

In domestic affairs, Obote nationalized some commercial and industrial concerns, but he never clearly defined his economic ideology or put Uganda on a path of economic development. In foreign affairs, Obote was primarily interested in maintaining good relations with his immediate neighbors, especially Tanzania on whom he depended for security assistance. He accepted foreign aid from all quarters, but he remained nonaligned on East-West issues. [redacted]

Despite Obote's efforts to gain wider tribal and regional support, he relied heavily on his northern Acholi and Langi backers in the military. His efforts to incorporate socialist policies were perceived as a direct threat to the perquisites of the military elite,

^a Buganda and three small southern kingdoms lost their semi-autonomous status in 1966 when Obote crushed them militarily and established the supremacy of the central government in Kampala. [redacted]

however, undermining his support within the military. As a result, he was ousted in 1971 by Idi Amin. [redacted]

In a well-documented reign of terror, Amin—a Muslim from the Kakwa tribe—purged all Acholi and Langi from the armed forces, the police, and the government and built his power base on the poorly educated Muslim minorities from the northwest. His reliance on brutal intimidation to stay in power resulted in a death toll of more than 80,000 in 1971-72 alone, according to the International Commission of Jurists; one informed source places the figure at 500,000 for the full period of the Amin regime. [redacted]

The economic cost of Amin's reign was the physical and financial bankruptcy of the economy. Real per capita income dropped by more than one-third during 1970-79. Despite its fertile agricultural base and traditional self-sufficiency, Uganda was unable to produce enough food to feed its people. Moreover, once-flourishing cotton, copper, tea, and tobacco exports virtually ceased, making Uganda almost solely dependent on coffee from foreign exchange earnings. Skilled personnel fled the country, private-sector enterprises were abandoned or confiscated, and grossly inefficient parastatal organizations took their place. [redacted]

The chaos and brutality of Amin's regime eventually prompted the defection of all but the most ardent of his supporters. From 1973 to 1978 numerous coup and assassination attempts were engineered by officers from the northwest, including some from Amin's own Kakwa tribe. By late 1978, Amin had lost effective control of most of his Army, but, even then,

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the direct intervention of the Tanzanian Army was required to topple him. [redacted]

Amin's removal in 1979 led to a series of weak governments over the next 19 months. Yusufu Lule, a Baganda, made a short-lived bid to strengthen his authority and establish a stable government, but he was unable to overcome tribal splits and other divisions. His regime lasted only two months before he was removed by a vote of the quasi-legislative National Consultative Council (NCC), which believed he was trying to assume greater power at its expense.

Godfrey Binaisa, Lule's successor, managed to hold onto power for 11 months, but he also eventually fell victim to the country's ethnic and political rivalries. Binaisa, though a Baganda, was not well liked by his fellow tribesmen. Many Baganda initially saw Binaisa, once the Attorney General under Obote, as a stalking-horse for the former President and his fellow northerners. Some Baganda greeted the Binaisa presidency with pro-Lule demonstrations in Kampala.

Although Binaisa eventually convinced some Baganda he was not a stand-in for Obote, ethnic, personal, and ideological rivalries also prevented him from establishing a strong administration. His regime survived until leaders of the country's embryonic Army ousted him in May 1980 and established a ruling six-member Military Commission, which included commission chairman Muwanga, Ojok, and Museveni. The commission stayed in power until Obote was elected in December 1980.

historically have engaged in antigovernment scheming almost as a pastime. [redacted]

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We agree with the US Embassy that naming Okello to assume Ojok's responsibilities is only a temporary expedient—an example of Obote's penchant for putting off decisions that might cause discord. According to the Embassy, Okello's limited abilities and lack of charisma offer little hope that he can provide effective leadership. In our view, Obote's choice of Okello as interim leader has aggravated the Army's factionalism; resentment is growing in both Acholi and Langi factions as they press their candidates for a permanent successor, according to the US Embassy.

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Preying on the Populace. The bloated ranks, low pay, and lack of discipline in the Army have contributed to further serious problems for the regime. According to the US Embassy, there are about 35,000 to 40,000 men under arms in the various services. Only about 15,000 enlisted or commissioned personnel have received basic training; some 15,000 to 25,000 soldiers in regular and militia units have little or no military training. Obote recognizes the problems inherent in his inflated and undertrained force structure but is reluctant to reduce the size of the Army for fear of turning large numbers of unemployed armed men loose amidst the local population.

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The US Embassy estimates that the government can afford to feed no more than 20,000 men. [redacted] in May Ugandan defense contractors—including those that supply food—ceased deliveries because of nonpayment by the government. As a result, many soldiers stole food and supplies from civilians, and the US Embassy reports increased instances where entire villages have been looted. Among the most victimized have been the non-Acholi ethnic groups around Kampala and in southern Uganda, whose deep-seated animosity toward the predominantly Acholi troops has reinforced the soldiers' inclination to mistreat them, thus perpetuating the cycle whereby popular support for the government has eroded.

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[redacted] most incidents of the military's assault, theft, and other abuses of civilians are not reported to the police for fear of Army reprisal. Police action itself has been deterred by the Army. Recently an armed clash took place in Mbale in southern Uganda between local Army elements and police units who were sent to the town to curb military depredations against civilians. A senior police officer was killed, but Obote was unable to punish the soldiers for fear of retribution from the Army, [redacted]

In late May, in reaction to a dissident assault on a satellite communications station approximately 10 miles east of Kampala, the Army conducted a sweep of the area, during which units attacked a nearby seminary and terrorized the local population. Eyewitnesses report that the brutal savagery went on for several days, ending only when the soldiers could find no further victims or loot to carry off. The US Embassy estimated that some 85 civilians were killed. Obote, frustrated by the brutality of the Army and his inability to control it, according to the US Embassy, departed from his customary silence on such events and publicly condemned the action. [redacted]

Turning to Foreign Support. We believe Obote has long recognized the problems with the military and security forces as well as his dependence on them and has persistently sought foreign security assistance and training as a remedy. At first he relied heavily on Tanzanian troops until their withdrawal by President Nyerere in 1981. Since then, he has scrambled for help from wherever he could find it. He has turned to both the East—North Korea—and the West—primarily the United Kingdom. Shortly after Obote's visit to North Korea in late 1981, P'yongyang sent a small number of military advisers and accepted some Ugandans for training in North Korea. Obote then persuaded the United Kingdom and several Commonwealth countries to participate in a military training program and hired a private British firm—Falconstar—to train the police. [redacted]

Western training assistance to Obote's regime has been subject to fits and starts. The contract for the 36-man Commonwealth Training Team ran out in April 1984, and Australia and Canada decided not to

Foreign Training Assistance for Ugandan Army

Internal Training

- *Twelve British officers providing training in Uganda.*
- *Approximately 50 North Koreans.*
- *Approximately 50 Tanzanian instructors.*
- *A six-man US Special Forces training team.*

External Training

- *Fifty to 60 Ugandans training in North Korea.*
- *Four to six Ugandans training in Britain.*
- *Thirty to 40 Ugandans training in Cuba.*
- *Small number of Ugandans training in Pakistan.*
- *Fifty to 60 Ugandans training in Sudan.*
- *Approximately 30 Ugandans receiving 90-day Ranger training in Egypt.*
- *Seven Ugandans training in Nigeria.*
- *Forty to 50 Ugandans training in Tanzania.*
- *Twenty Ugandans training in China.*
- *Six Ugandans training in the United States.* [redacted]

renegotiate it; as a result, the team fell apart, according to the US Embassy. Moreover, last November, [redacted] the government decided not to renew its contract with Falconstar—primarily because of the high annual cost of approximately \$392,000, but also because Obote discovered that Falconstar managers were maintaining contacts in London with exiled Ugandan dissidents. After a lengthy period of consideration, the United Kingdom resolved to continue assistance for one more year, including maintenance of a training element in Uganda and the provision of slots for Ugandan personnel in training courses offered in the United Kingdom. Recently, the United States, in response to a request by Obote, decided to support Britain's effort by sending a small Special Forces military training team to Kampala for about six months. [redacted]

Uncertainty over the Western military aid commitment has prompted Obote to rely increasingly on the North Koreans. According to the US Embassy, the North Koreans are currently providing training for

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Army artillery specialists, VIP protection training, intelligence and security training, and paramilitary training of "youthwingers" of the ruling party—the Ugandan People's Congress. [redacted]

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Information on the number of North Koreans in Uganda is sketchy, but [redacted]

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[redacted] there are approximately 50 North Korean military, intelligence, and security advisers on assignment to Uganda. According to the US Embassy, these advisers also have been asked to train the police special forces, filling the gap created by the withdrawal of Falconstar. The US Embassy reports that about 50 to 60 Ugandan Army officers and noncommissioned officers are undergoing four to six months of training in North Korea. We believe that this program will continue. [redacted]

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The relationship between North Korea and Uganda appears to be working smoothly for the most part, although there have been some signs of friction.

The Ugandans explored the USSR's availability as a potential source of military aid last August, when a Ugandan delegation led by the Minister of Internal Affairs, Luwuliza-Kirunda, visited the Soviet Union.

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[redacted] for example, members of the North Korean contingent have complained over the lack of support from Kampala and, despite continued efforts by Ugandan officials, have refused to conduct the training of the special forces in dissident-infested areas because of their concern for their personal safety. [redacted]

[redacted]

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[redacted] In our judgment, Obote would view the introduction of Soviet advisers as a serious risk to any continued Western support. [redacted]

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The continuing chaos in the Ugandan military has prompted Obote to look to Tanzania again for help. In early May he sent his Army Chief of Staff to meet with the Tanzanian Chief of Defense to discuss the deployment of a Tanzanian combat force into Uganda. [redacted]

If Obote did feel compelled to press North Korea, Cuba, and the Soviet Union for support, we believe they would respond positively but cautiously to his request, seeking ways to expand their regional influence without getting inextricably bogged down in Uganda's morass. P'yongyang probably would be willing to increase its level of military assistance, including sending additional advisers to Uganda. It has only rarely sent more than 100 advisers to any single country, however, suggesting that any expanded aid would be modest at best. We believe Havana would be receptive to a request for troops in an emergency, but it would be sensitive to the regional political impact and would want to coordinate any actions with President Nyerere of Tanzania. The Soviets would probably view their response as a cheap way to garner favor with the Obote regime or its likely successors, but they almost certainly would keep any proffered security assistance to the token levels [redacted]

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[redacted] in late June President Nyerere decided not to commit his soldiers and is even considering withdrawing the Tanzanian advisers currently in Uganda. [redacted]

So far the risk of jeopardizing vital Western economic aid has deterred Obote from taking up recent Cuban and Soviet offers of military assistance, but we believe the potential for a turn to Havana or Moscow will grow if security continues to deteriorate. We do not have reliable evidence of any Cuban military personnel in Uganda, but 30 to 40 Ugandan officers are undergoing military training in Havana, according to

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Although the guerrillas have no prospect of directly overthrowing the Obote regime by force, they have been emboldened by recent successes and almost certainly will continue to mount hit-and-run attacks against selected targets. We believe continuing assaults will keep tensions high, contribute to a general atmosphere of lawlessness, and make Obote more vulnerable to challenges from within his own government. [redacted]

Rivalries in Kampala

In our judgment, the civilian politicians in Kampala are as divided as the Army. We concur with the US Embassy's view that Obote presides over the civilian government but does not control it. He has problems both with his own party, the Ugandan People's Congress (UPC), and the opposition Democratic Party (DP). [redacted]

The UPC is a fragile and polarized coalition of Obote's Langi tribe and the Acholi, which together make up about 10 percent of Uganda's population. Since these tribes constitute the largest groups in the Army, the UPC has strong military support. Nonetheless, we believe it is a weak power base for Obote, because it is fragmented by the personal ambitions of a number of members—including Vice President and Minister of Defense Muwanga and Minister of State Luwuliza-Kirunda—who seek to replace the President. [redacted]

Muwanga's long competition with Obote has in the past year evolved into a bitter power struggle. According to the US Embassy, following the 1980 elections and into 1983, Muwanga was a convenient buffer between the Langi and Acholi in the Army. This buffer, however, has eroded, and a widening gap exists between Muwanga and Obote, as Muwanga has attempted to develop his own internal power base and assert himself in foreign affairs, particularly with regard to Cuba. [redacted]

[redacted] if Muwanga advised Obote on any political strategy the President would probably avoid it for fear of a hidden motive that would strengthen Muwanga at Obote's expense. So far, however, Obote is not strong enough to dismiss the Vice President, and the protracted power struggle continues to wear down the government. [redacted]

Should Obote's grip weaken further, we believe that the Soviet-oriented Muwanga, described by US officials as a ruthless politician, might be tempted to move directly against him. The press, however, reports that as the top Baganda in Obote's government Muwanga has many enemies. Among his own ethnic group, he is considered a traitor who has sold out to an anti-Baganda regime. At the same time, many in Obote's inner circle mistrust Muwanga because he is not one of their own. Although he controls the military's purse strings as Minister of Defense, he has little popular support within the Acholi-Langi-dominated officer corps. [redacted]

[redacted] in late February more than 100 Army officers demanded the removal of Muwanga from the Ministry of Defense because of his gross corruption. [redacted]

Muwanga is not the only minister aspiring to the presidency. [redacted] John Luwuliza-Kirunda, Minister of Internal Affairs and Secretary General of the UPC; Crispus Rwakasisi, Minister of State in the President's office; and Edward Rurangaranga, Minister of State in the Prime Minister's office also have presidential ambitions. The US Embassy reports that, like Muwanga, Luwuliza-Kirunda and Rwakasisi also are leftists with pro-Soviet leanings. In our judgment, all are opportunists who would not hesitate to use extralegal methods to seize power if given the chance. [redacted]

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The political opposition, the Democratic Party, has not been able to capitalize on the government's weaknesses. According to academic sources, the DP is itself split along personal and ethnic lines. It has strong support in the country's largest tribe, the Baganda, which makes up about 16 percent of Uganda's population. The US Embassy reports that the Baganda consider Obote ruthless and have been suspicious of him since he crushed their traditional kingdom during his previous regime in the 1960s. [redacted]

[redacted] late last year the government began a campaign of harassment and arrest against party members to reduce DP influence. Government intimidation, coupled with the inability of the party to reward its members with the fruits of political power, has eroded the DP's strength. In our view, the chances of the DP mounting an effective political challenge to Obote are negligible at this time. [redacted]

To shore up and broaden his base of political support, Obote recently initiated a reconciliation program designed to encourage former senior government officials in exile to return and assist in rebuilding the country. [redacted] Martin Aliko—a leading Acholi doctor held in high esteem by the Baganda—has already visited Kampala from Nairobi and met with Obote. In our view, if Aliko returns and others follow, the President would be able to present a convincing case that he is opening up the political process. [redacted]

The Fragile Economy

In addition to his political problems, Obote over the past three years has faced the challenge of rebuilding an economy shattered by the decade of Amin's misrule. Thus far, he has achieved some success in spurring economic recovery, especially in those areas of the country that have not been the target of violence and unrest. Nonetheless, economic activity remains far below pre-Amin levels. Moreover, a continuation of the recent deterioration in security almost certainly would undermine further progress. [redacted]

Obote has laid the groundwork for sustained growth by implementing economic reforms necessary to gain vital IMF financing. Since June 1981, the government has removed price controls on consumer goods, increased producer prices for coffee and food, steeply devalued the shilling, and set up a dual foreign

The US Economic Role

US economic involvement in Uganda is relatively extensive. The United States, although a negligible source of imports, is Kampala's largest single export market, accounting for about two-fifths of all sales in 1982. The United States also is a major bilateral aid donor, contributing some \$19 million—most of it development assistance—over the past two years. Over the same period, Washington donated about \$30 million for Ugandan-related refugees, displaced persons, and returnees. We estimate that US commercial bank exposure in Uganda, although only a small proportion of Uganda's \$630 million external debt, accounts for some one-third of all lending from Western banks. American private investment, as far as we can determine, is negligible. [redacted]

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exchange market in an effort to rationalize prices and encourage private-sector production. In addition, Kampala has held down monetary expansion, sharply raised interest rates, limited government use of domestic credit, and streamlined the tax system. [redacted]

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These policy measures, along with generally improved internal security during the first three years of Obote's presidency and high levels of external assistance—from the IMF, the World Bank, the African Development Bank, and various bilateral aid donors—have led to economic growth averaging more than 6 percent annually since 1980-81, according to IMF statistics. The recovery has been especially buoyant in the dominant agricultural sector; indeed, Uganda reached food self-sufficiency again in 1983, according to the IMF, and official purchases of export crops—almost entirely coffee—have almost doubled in volume over the past three years.² Industrial output, particularly in important agro-processing, also has expanded rapidly. These gains have carried over to the balance of payments, where official statistics show that large aid flows and higher coffee exports have permitted not only an increase in imports but also

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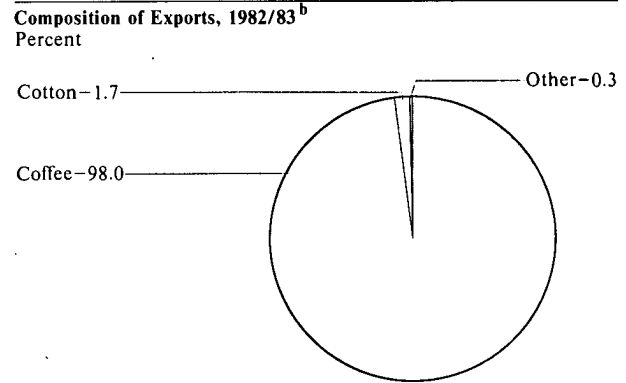
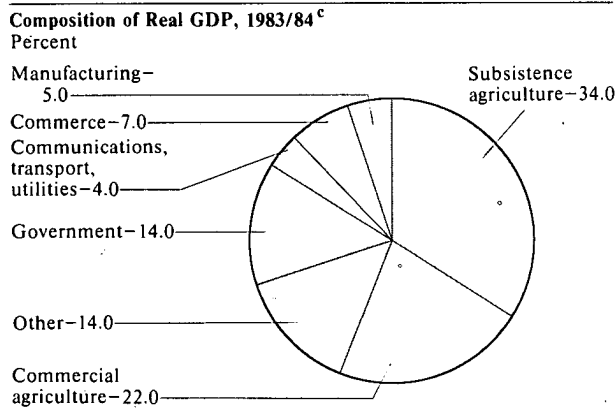
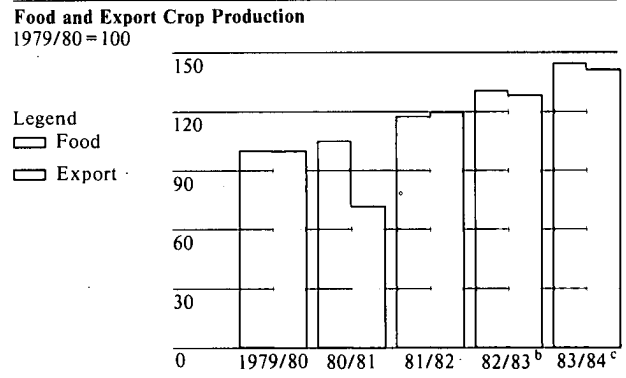
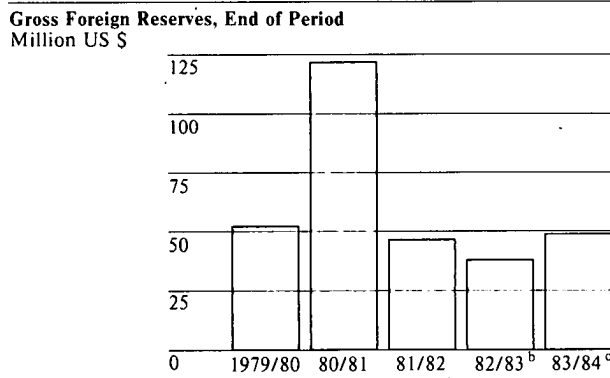
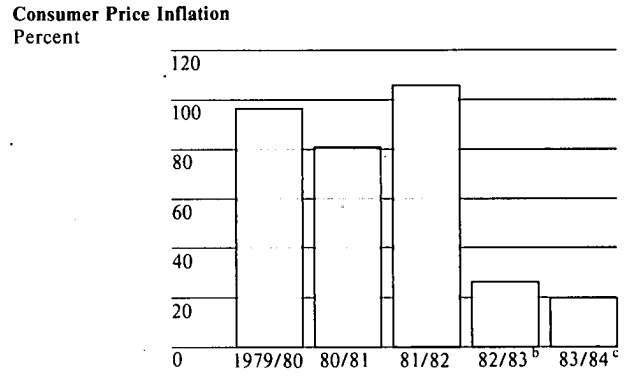
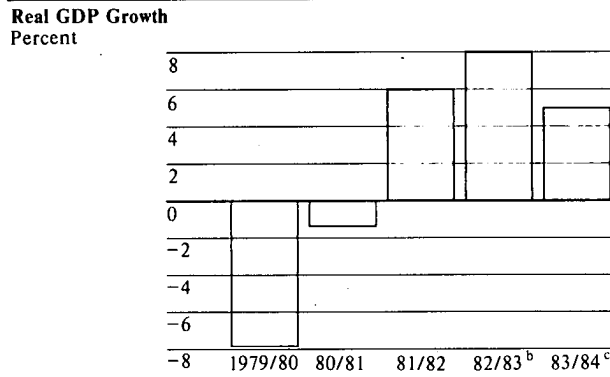
² The increase in official coffee purchases overstates the recovery in production, because it includes stock drawdowns and reduced black-market sales. [redacted]

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Figure 2
Uganda: Selected Economic Indicators, 1979/80-1983/84^a

Note scale changes



^a Fiscal year 1 July-30 June.
^b Provisional.
^c Projected.

Source: International Monetary Fund Statistics.

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some reduction in external arrearages and the maintenance of a small foreign exchange cushion. Moreover, the IMF reports that rapid growth in public-sector revenues, mainly from external trade taxes, has allowed the government to boost spending while maintaining a budget deficit—not including an unknown level of extrabudgetary expenditures—of less than 5 percent of GDP.³ Reflecting Kampala's fiscal and monetary restraint, the increase in supply due to higher producer prices, and lower import prices, inflation has plummeted from almost 100 percent annually during the first years of Obote's administration to 20 percent in 1983-84, according to the Fund. [redacted]

Nonetheless, economic rehabilitation is far from complete:

- Our calculations indicate that, even if Uganda were to maintain last year's 5-percent expansion of GDP, real per capita income would not reach pre-Amin levels until the close of this century.
- Despite a strong recovery in export agriculture, production is far below the peak levels of the early 1970s. Industry still is wracked by import shortages and transport bottlenecks; average capacity utilization has risen only to 30 to 35 percent, and many factories are closed, according to IMF and World Bank reporting.
- Unrepaired damage to Uganda's transport, communications, and power networks constrains production and sporadic outbreaks of violence have caused further disruption.
- Living standards of wage and salary workers have dropped because inflation, in part fueled by the removal of price controls on consumer goods, has outstripped pay hikes. [redacted]

In addition, the balance-of-payments position, although improved, still is not strong. Export earnings are constrained by Uganda's International Coffee Organization export quota and low prices in the non-ICO market, at the same time that imports must continue to expand in order to maintain economic

³ The government, at times, has chosen to finance the deficit by delaying payments to domestic suppliers. [redacted]

momentum. Hefty debt service costs—running between 40 and 50 percent of export earnings, according to IMF data—place an added burden on the external accounts. Moreover, despite government efforts to adjust the official exchange rate in line with currency markets, US Embassy reporting indicates that the shilling in April sold at close to a 25-percent discount in an active black market. [redacted]

Kampala also has made little progress in overcoming structural obstacles impeding growth. The country still is, and probably always will be, unable to generate the level of domestic investment necessary to sustain economic growth. This situation is exacerbated by high defense spending, which continues to divert scarce resources away from development projects, and a near-total reliance on fluctuating coffee exports as a source of foreign exchange. Moreover, Kampala's weak administrative capabilities—the result of corruption and low morale among civil service employees, poor data bases, and manpower and fiscal constraints—limit Uganda's ability to efficiently use aid. [redacted]

If, as we expect, the recent deterioration in security persists and widens, we think Uganda's shaky economic recovery could be derailed. Extensive guerrilla and Army operations—particularly if directed at economic targets—could result in the destruction and hoarding of export and food crops, damage to agricultural storage and processing facilities, and major disruptions in domestic transport and marketing networks. Declines in marketed agricultural production would quickly translate into drops in export earnings. Capital inflows would further diminish if Western donors—already distressed over the brutality of Obote's forces and the disruption of aid flows to refugee camps within the country—cut assistance levels. As a result, imports of much-needed agricultural and manufacturing inputs would soon dry up. Moreover, under these circumstances, we think Obote would be tempted to reverse current economic policies by lowering prices to placate urban consumers, increasing defense spending at the expense of social and development programs, and augmenting the government's control over production. [redacted]

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Outlook

President Obote's prospects for solving the root problems facing his regime are bleak. Economic progress has been the sole positive element of his administration, but it is fragile and very susceptible to further deterioration of the security situation. [redacted]

On balance, we believe that the most likely scenario for the regime is for Obote to cling tenaciously to power and attempt to pursue relatively moderate policies to avoid the loss of vital Western economic and military aid. If Obote believed the survival of his regime were at stake, however, he would not hesitate to turn to any source—including Cuba, North Korea, and the Soviets—that could bolster his position. [redacted]

In our view, ethnic and regional divisions will continue to fuel political tension, which almost certainly will heighten as elections now scheduled for December 1985 draw nearer. Tribes that believe the election will leave them without a stake in the government might vent their frustration through acts of terrorism, demonstrations, or violence. Nevertheless, the fragmented nature of the opposition and the lack of a successor of national stature capable of commanding broad support and respect give Obote a slightly better-than-even chance to serve the remaining 18 months of his elected term. [redacted]

Obote's loss of credibility as a national leader, however, raises serious doubt that he would risk holding the elections on schedule. He could resort to rigging—a tactic we believe he used as the Tanzania-backed candidate in 1980—and he clearly maintains the option of declaring a postponement, which he could plausibly justify on the basis of Uganda's chaotic internal security situation. Even if held, the elections offer virtually no prospect for providing a forum for resolving Uganda's political problems and would only serve as the trappings to validate the perpetuation of the regime in power. [redacted]

A continuing deterioration of the security situation, such as occurred in the past six months, could present Obote with some difficult policy decisions. Confronted with a further loss of control, Obote might feel compelled to turn leftward, particularly if continuing

Army excesses undermined his ability to attract military help from Western countries. If fear that the internal security situation was becoming unmanageable led Obote to rely more heavily on P'yongyang or to turn to Havana or Moscow, he would probably incorporate more leftist policies in order to assure their support. [redacted] 25X1
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We cannot discount the possibility of Obote's removal by a coup from within the government or the military. According to a US Embassy official, the large number of armed military personnel constantly present on the streets of Kampala pose a continuing threat of assassination. Whatever the cause—personal rivalry, competition among ethnic factions, military dissatisfaction, or concern over the divisive impact of the regime on the country—Obote's removal would almost certainly intensify Uganda's ethnic and political cleavages and accelerate a descent into anarchy. Under these circumstances, the prospects for the emergence of a regime headed by left-leaning opportunists already in positions of power would be greatly enhanced. [redacted] 25X1
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Signs To Watch

Several developments would serve as positive indicators for the Obote regime:

- Obote takes steps to consolidate power in the UPC by replacing radical extremists. 25X1
- The President demonstrates progress in establishing control of his Army and identifies a politically acceptable replacement for late Chief of Staff Ojok.
- Obote undertakes serious efforts to integrate Ugandan exiles into the government to reconcile the country's diverse ethnic groups and broaden the base of support for the regime. [redacted] 25X1

We believe, however, that we are more likely to see evidence of further instability as the regime moves toward elections. In particular, we should be alert for signs of increasing security deterioration or a sharper turn to the left:

- Increased coup plotting in the military that the government is unable to check. 25X1

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- Increased internal squabbling among the leadership, particularly if it appears that a more radical faction, such as the Muwanga clique, is gaining the upper hand.
- A sharp reversal of recent economic progress, particularly if politically sensitive shortages of food, fuel, and other necessities occur.

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Implications for the United States

Obote is desperate for continued economic and military aid. We do not believe his reliance on North Korea for help or his tentative openings toward Cuba and the Soviet Union indicate a basic tilt to the Soviet Bloc or an intent to alter his government's nonaligned policy. Rather, we believe his actions reflect an awareness of his regime's military weakness and his dependence on support from whatever countries are prepared to provide it.

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The decision by London and Washington to give military assistance, however, almost certainly has sharpened Obote's awareness of Western concern over Communist inroads in Uganda. We believe he will view this British-American action as only an initial step toward solving a continuing problem and will be encouraged to press for more assistance. If he believes the West is not being responsive enough, he will be increasingly likely to threaten to call on Communist support as a bargaining lever for greater Western concessions.

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If Obote should fall, the resulting chaos and struggle for power would provide Moscow and Havana ample opportunity to use Uganda as a base for destabilization efforts in the region. Neighboring countries are already alarmed about the possibility of refugees and violence spilling over their borders. Despite their disinclination to provide direct military assistance to Obote, most of Uganda's immediate neighbors have tried to cooperate with him to encourage stability in the country. A breakdown of these efforts would prompt pro-Western countries such as Kenya, Sudan, and Zaire to look to the United States for greater assistance.

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