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Declassified Under Authority of the Interagency Security
Classification Appeals Panel, E.O. 13526, sec. 5.3(b)(3)
ISCAP Appeal No. 2017-189, document 31
Declassification Date: May 2, 2022

PREC: PRIORITY
CLASS: ~~SECRET~~
LINE1: PAASZYUW RUEHKMA1661 0981549-SSSS--RHEHAAX.
LINE2: ZNY SSSSS ZZH
LINE3: P 081549Z APR 99
LINE4: FM AMEMBASSY KAMPALA
OSRI: RUEHKM
DTG: 081549Z APR 99
ORIG: AMEMBASSY KAMPALA
TO: RUEHC/SECSTATE WASHDC PRIORITY 5568
INFO: RUEHLGB/AMEMBASSY KIGALI 0678
RUEHKB/AMEMBASSY KINSHASA 0154
RUEHNR/AMEMBASSY NAIROBI 2597
RUEHWD/AMEMBASSY WINDHOEK 0131
RUEHSB/AMEMBASSY HARARE 0077
RUEHLO/AMEMBASSY LONDON 0255
RUEHJB/AMEMBASSY BUJUMBURA 0526
RUEHDS/AMEMBASSY ADDIS ABABA 0827
RUEHSA/AMEMBASSY PRETORIA 0592
RUEHNS/AMEMBASSY NDJAMENA 0031
RUEHFR/AMEMBASSY PARIS 0663
SUBJ: COSTS AND MODALITIES OF UGANDA'S WAR EFFORT

CLASSIFIED BY AMBASSADOR NANCY POWELL FOR REASONS 1.5
B/D

TEXT: ~~SECRET~~ SECTION 01 OF 04 KAMPALA 001661

~~NOFORN~~

E.O. 12958: DECL: 2/22/09
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SUMMARY

1. ~~(C)~~ UGANDA'S WAR EFFORT IN THE CONGO IS COSTING
SUBSTANTIALLY MORE THAN THE GOU ANTICIPATED. FOR THE
FIRST TIME IN A DECADE, UGANDA HAS FAILED TO MEET IMF
INTERIM TARGETS, AND THERE IS GROWING CONCERN THAT
SOCIAL SECTOR PROGRAMS ARE PAYING THE PRICE FOR
INCREASED MILITARY EXPENDITURES. THE WAR HAS
ENCOURAGED SIGNIFICANT CORRUPTION IN MILITARY
PROCUREMENT, AND THE UGANDAN MILITARY AND SOME
OFFICIALS ARE USING ILLICIT TRADE WITH THE EASTERN
CONGO TO PAY FOR THE WAR AND TO FILL THEIR POCKETS.



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PRESIDENT MUSEVENI HAS ATTEMPTED TO REIN IN SOME OF THE EXCESSES, BUT THE DAMAGE HAS BEEN DONE. WHILE UGANDA'S WAR AIMS REMAIN STRATEGIC AND POLITICAL, THE SEAMY UNDERSIDE OF THE CONFLICT IS PRODUCING NEGATIVE CONSEQUENCES THAT ARE RAISING EYEBROWS AMONG DONORS AND THE UGANDAN PUBLIC ALIKE. END SUMMARY.

SOME OF THE ISSUES

2. ~~(C)~~ WHEN THE CONGO WAR BEGAN IN EARLY AUGUST, THE UGANDANS WERE CONFIDENT THAT THEY COULD STAY WITHIN BUDGET BY REJIGGERING MILITARY SPENDING PRIORITIES, AND SKIMMING FROM THE EASTERN CONGO. THE REALITY IS NOW APPARENT: THE GOVERNMENT HAS ADMITTED THAT IT IS \$40 MILLION OVER BUDGET, ON TOP OF AN ALREADY CONTROVERSIAL TWENTY-FIVE PERCENT INCREASE FOR FY 98-99. THE RESULT IS THE GOU WILL NOT MEET INTERIM FINANCIAL TARGETS AGREED WITH THE IMF -- FOR THE FIRST TIME IN A DECADE. LONG-STANDING CONCERNS ABOUT EXTENSIVE CORRUPTION IN MILITARY PROCUREMENT HAVE COME OUT INTO THE OPEN IN PARLIAMENTARY DEBATE AND THE MEDIA. THE GOU'S STRATEGY OF USING TRADE WITH THE EASTERN CONGO AS A MEANS TO RECOVER SOME OF THE COSTS OF THE MILITARY OPERATION IS ALSO HAVING NEGATIVE RESULTS. WHAT STARTED AS AN EFFORT TO PAY FOR WAR COSTS, HAS EVOLVED INTO SELF-ENRICHMENT SCHEMES, WITH CORRUPTION SIGNIFICANTLY IMPACTING ON MILITARY PROCUREMENT AND ACCOUNTING ON THIS SIDE OF THE BORDER.

3. ~~(C)~~ IT WOULD BE WRONG TO SUGGEST THAT POPULAR AND POLITICAL REACTIONS TO UGANDA'S INVOLVEMENT IN THE CONGO HAVE REACHED CRITICAL PROPORTIONS. THE POLITICAL CLASS IS UNNEASY ABOUT THE COSTS OF THE CONFLICT, AND THE GENERAL PUBLIC IS CONCERNED ABOUT SECURITY INSIDE THE COUNTRY WITH SO MANY UGANDAN SOLDIERS DEPLOYED ELSEWHERE. FEW, HOWEVER, QUESTION THE GOU'S RATIONALE FOR INTERVENTION -- INSECURITY ALONG UGANDA'S BORDERS. AS THE COSTS OF THE CONGOLESE WAR RISE, AND WITH DOMESTIC INSURGENCIES AGAIN THREATENING, THE UGANDAN PUBLIC'S PASSIVITY MAY END. DONORS ARE TALKING A TOUGHER GAME, ESPECIALLY THE BRITISH, GERMAN, AND DUTCH, BUT THEY HAVE SENT CONTRADICTORY SIGNALS BY CONTINUING TO FUND INCREASES IN AID. THE EUROPEAN UNION'S HANDS ARE TIED BY THE REQUIREMENT TO FOLLOW THE IMF LEAD IN SUSPENDING NEW BUDGET SUPPORT DISBURSEMENTS, BUT THE RESIDENT REPRESENTATIVE IS SEEKING AN EXEMPTION FROM BRUSSELS TO ALLOW AT LEAST 30 MILLION ECU IN FUNDING TO PROCEED.

4. ~~(C)~~ IN THE MEANTIME, THE MODALITIES AND LOGISTICS OF SUPPORTING THE WAR EFFORT HAVE MUCH OF THE SAME COVERT ATMOSPHERICS OF LOGISTICS OPERATIONS OF OTHER REGIONAL ACTORS IN THE CONGO CONFLICT. THAT MEANS SHADY AIR TRANSPORT OPERATORS, RAMPANT CORRUPTION, AND QUESTIONABLE MILITARY EQUIPMENT PROCUREMENT THROUGH DISREPUTABLE THIRD COUNTRY DEALERS IN THE MIDDLE EAST, EASTERN EUROPE, AND POSSIBLY SOUTH AFRICA.

5. ~~(S)~~ THE BULK OF TROOP AND EQUIPMENT TRANSFERS TO THE DROC TOOK PLACE BY OCTOBER 1998, ALTHOUGH THERE APPEARS TO BE A RENEWED RECRUITMENT EFFORT UNDERWAY AND ~~S E C R E T~~ SECTION 02 OF 04 KAMPALA 001661

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NEW DEPLOYMENTS TO CONGO IN RECENT WEEKS. THE GOVERNMENT HAD ALREADY BEGUN A MASSIVE PROCUREMENT DRIVE IN EARLY 1998, BEFORE THE CONGO WAR BEGAN, AMOUNTING TO POSSIBLY \$100 MILLION IN PURCHASES. SOME, LIKE THE \$28 MILLION FOR 90 T-55 UKRANIAN TANKS, ARE NOT INTENDED FOR THE CONGO. UGANDA CONTINUES TO KEEP A WARY EYE ON DEVELOPMENTS IN SOUTHERN SUDAN, AND THE LOGISTICS OF SUPPORTING SPLA OFFENSIVES WHEN THEY OCCUR. OTH
ER EQUIPMENT, COMING IT APPEARS, PRIMARILY THROUGH DAR ES SALAAM, INCLUDES ANTI-AIRCRAFT MISSILES, ARMS, AND AMMUNITION. REPORTEDLY, NORTH KOREAN ANTI-AIRCRAFT EXPERTS HAVE ARRIVED TO HELP OUT WITH THE NEW WEAPONRY. MANY OF THE WEAPONS APPEAR TO HAVE BEEN PROCURED IN EASTERN EUROPE WITH ISRAELI ARMS MERCHANTS ACTING AS THE MIDDLEMEN.

6. ~~(S)~~ THERE ARE INDICATIONS (TO INCLUDE AIRPLANE REGISTRRTION NUMBERS) THAT THE UKRANIAN AIRFORCE IS FOR HIRE IN THIS CONFLICT. UKRANIANS APPEAR TO BE INVOLVED IN THE KIGALI AND KINSHASA AIRLIFTS AS WELL. OTHERWISE, THE UGANDANS SEEM TO BE LEASING FREE-LANCE AIRPLANES OFF THE INTERNATIONAL MARKET.

7. ~~(C)~~ ONE KEY QUESTION REMAINS OUTSTANDING: DOES UGANDA COVERTLY SUPPORT UNITA IN ANGOLA? NONE OF OUR CONTACTS BELIEVE THERE ARE ANY FLIGHTS ORIGINATING AT ENTEBBE, BUT THE FACT IS THAT THERE ARE OTHER AIRPORTS WHICH COULD BE USED, INCLUDING THE MILITARY FACILITY AT NAKASONGOLA. PRESIDENT MUSEVENI CONTINUES TO VIGOROUSLY DENY ANY TIES TO THE ANGOLAN REBEL MOVEMENT, BUT SLIPS FROM LOWER LEVEL CONTACTS AND THE KAMPALA RUMOR MILL SUGGEST THAT THERE MAY HAVE BEEN EFFORTS BY THE ANGOLAN REBELS TO SOLICIT SUPPORT FROM HERE.

BAD NEWS PROCUREMENT AND TRADE

8. ~~(C)~~ CLEAN PROCUREMENT HAS NEVER BEEN THE STRONG SUIT OF THE UGANDAN MILITARY (THE UPDF). OVER THE PAST EIGHTEEN MONTHS OR SO, THERE HAVE BEEN SCANDALS AFFECTING PAYROLL, UNIFORM AND MEAT PURCHASES, MILITARY-OWNED COMPANIES, AND THE PERSONAL FINANCIAL INTERESTS OF SENIOR MILITARY PERSONNEL -- MOST NOTABLY THE PRESIDENT'S FORMER CHIEF ADVISOR ON MILITARY AFFAIRS, AND BROTHER, SALIM SALEH.

9. ~~(C)~~ THE ISSUE HAS TAKEN ON MORE OF AN EDGE SINCE THE CONGO CONFLICT BEGAN AUGUST 2. THE GOVERNMENT'S 1997-98 PURCHASE OF DEFECTIVE MI-24 HELICOPTERS FROM BELARUS AT \$11 MILLION OR ROUGHLY TWICE THE GOING PRICE EVENTUALLY CAME TO PARLIAMENT'S ATTENTION, AND IMPACTED ON UGANDA'S ERSTWHILE ALLY IN THE CONGO WAR, RWANDA. THE RWANDAN MILITARY WAS APPARENTLY STUNG BY THE HELICOPTER PURCHASE, AND LOST UP TO \$2 MILLION ON THE DEAL WHEN RWANDAN PAYMENT WAS DEPOSITED IN A UGANDAN BANK (ICB) THAT WAS CLOSED DOWN LATE LAST YEAR FOR INSOLVENCY. THE KEY ACTORS IN THE FAULTY PURCHASE WERE BUSINESS PARTNERS OF SALIM SALEH'S, INCLUDING EMMANUEL KATTO, THE COUNTRY'S LEADING RACE-CAR DRIVER AND SON OF ICB BANK OWNER THOMAS KATTO. THE HELICOPTERS WERE PURCHASED DESPITE REPORTED EFFORTS BY UPDF TECHNOCRATS TO BLOCK THE PURCHASE ON MECHANICAL GROUNDS.

10. ~~(C)~~ SCANDAL HAS ALSO SURFACED REGARDING THE PURCHASE OF THE NINETY OR SO T-55 TANKS. THE REPUTED COST OF ABOUT \$30 MILLION, OR \$200,000 PER ANCIENT TANK (TWENTY-FIVE YEARS OLD) WHEN THEY COULD HAVE BEEN MADE AVAILABLE FOR ABOUT \$50,000 HAS RAISED EYEBROWS. THE PROBABLE INTERMEDIARIES FOR THAT PURCHASE -- ZEEV SHIFF AND HEZI BEZALEL, ISRAELI BUSINESS PARTNERS OF SALIM SALEH'S WHO REPORTEDLY FRONT AN ARMS TRAFFICKING COMPANY, BUT ARE ALSO INVOLVED IN DIAMOND DEALING AND THE ENTEBBE AIRPORT CARGO HANDLING SERVICES. THE TANKS ARE NOW MOSTLY STUCK IN THE SECOND DIVISION HEADQUARTERS AT MBARARA, AWAITING THE ARRIVAL, OF THE SPARE PARTS THAT WERE NOT PART OF THE INITIAL DEAL. BEZALEL AND SHIFF'S NAMES HAVE COME UP IN CONNECTION WITH MANY OUTSIDE PROCUREMENT DEALS.

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11. ~~(C)~~ THE UGANDAN MILITARY IS ALSO PURCHASING LARGE QUANTITIES OF AMMUNITION, APC'S, ANTI-AIRCRAFT DEFENSE SYSTEMS, FOODSTUFFS, AND HAS EXPANDED RECRUITMENT. THE RESULT IS THAT MILITARY OFFICIALS HAVE MADE A KILLING. THE MINISTRY OF DEFENCE'S TOP CIVILIAN, PERMANENT SECRETARY MBONYE, IS ALLEGED (SO FAR PRIVATELY) TO BE PERSONALLY ORCHESTRATING FRAUDULENT BILLING ACCOUNTS WHICH GREATLY INFLATE THE COSTS OF ORDINARY RESUPPLY PURCHASES AND TRANSPORT. FORMER MINISTERS KUTEESA AND MUHWEZI ARE ALSO IMPLICATED, AND THE LOCAL TAX AUTHORITIES HAVE PUBLICLY COMPLAINED THAT OLD ENTEBBE AIRPORT HAS NO CUSTOMS REGIME AND HAS BECOME THE CENTER OF MAJOR SMUGGLING TO AND FROM THE CONGO. THE MILITARY HAS EFFECTIVELY RECLAIMED THE PRIVATIZED UGANDA AIR CARGO COMPANY TO RUN ITS OWN TRANSPORT OPERATION. THERE ARE INDICATIONS THAT FINANCES ARE NONETHELESS

STRAINED: A MAJOR OIL COMPANY IN KAMPALA WAS OWED MILLIONS IN BACK FUEL CHARGES BY THE UPDF, AND HAD TO THREATEN TO CUT OFF SUPPLIES BEFORE SOME PAYMENT WAS MADE.

12. ~~(C)~~ THE AMOUNT OF SMUGGLING OF GOODS FROM CONGO THAT ARE NOT DIAMONDS AND GOLD ALSO APPEARS TO BE CONSIDERABLE. AS UGANDAN TRADERS TAKE FLOUR AND OTHER NECESSITIES TO CONGOLESE TOWNS AND UPDF TROOPS, THEY REPORTEDLY BRING BACK TIMBER AND OTHER COMMODITIES THEY CAN MARKET LOCALLY. PRESIDENT MUSEVENI, IN AN INTERVIEW WITH TIME MAGAZINE MARCH 22, ACKNOWLEDGED AS MUCH WHEN HE SAID "PEOPLE NEED SUPPLIES. PEOPLE NEED TO BUY SOAP, TO BUY REEF. I TOOK BUSINESSMEN TO THE CONGO TO SELL THINGS OR BUY THINGS. IF GOLD IS GOING OUT THEN IT MUST BE THE CONGOLESE SELLING TO OUR BUSINESSMEN." HOWEVER, "I HAVE NOTHING TO DO WITH MY BROTHER'S BUSINESS. SALIM SALEH IS A RENEGADE FELLOW."

13. ~~(C)~~ UGANDAN MILITARY OFFICERS TIED TO GENERAL KAZINI, THE OVERSEER OF THE CONGO OPERATION WHO IS BASED IN KISANGANI, HAVE ALSO BECOME DIAMOND AND GOLD TRADERS -- NOT ALWAYS SUCCESSFULLY. LAST SEPTEMBER, A CLOSE ALLY OF SALIM SALEH'S, COLONEL JET, WAS KILLED IN AN AIRPLANE CRASH IN THE RWENZORI MOUNTAINS TRAVELLING TO CONGO DIAMOND CENTERS WITH A MILLION DOLLARS IN A BRIEFCASE. ALSO ON BOARD, AND RARELY SURVIVING -- THE ISRAELI ARMS DEALER SHIFF. KAZINI ALLEGEDLY HAS SET UP A NETWORK INVOLVING BELGIAN CITIZENS TO COLLECT DIAMONDS AND GOLD.

14. ~~(C)~~ MILITARY EXPENDITURES OFF-BUDGET MAY BE MATCHING THOSE DECLARED OVER BUDGET. ALTHOUGH UGANDA HAS BEEN MORE TRANSPARENT THAN OTHER REGIONAL ACTORS IN ADMITTING INCREASED MILITARY EXPENDITURES, THE GOU IS NOT ADMITTING TO THE FULL COST OF THE WAR. THE POLITICAL IMPLICATIONS OF NON-TRANSPARENT DEALS ARE ALREADY MAKING THEMSELVES FELT IN PARLIAMENT WHERE EVEN THE PRESIDENT'S SUPPORTERS ARE QUESTIONING THE LACK OF INTERNAL CONTROLS. SALIM SALEH, BY MOST ACCOUNTS, HAS BEEN SIDELINED AS A POLICY MAKER, IF NOT AS A BUSINESSMAN. THE UPDF, OR AT LEAST SOME WITHIN IT, ARE ATTEMPTING TO ESTABLISH SOME RULES FOR PROCUREMENT -- AND STANDARDS. A SENIOR UPDF GENERAL TOLD US THAT THE ISRAELI DEFENSE AGENCY HAD BEEN CONTRACTED TO VET FUTURE WEAPONS PURCHASES TO MINIMIZE THE RISKS OF FAULTY PROCUREMENTS.

15. ~~(C)~~ THE REAL ISSUE, HOWEVER, REMAINS UNNECESSARY PROCUREMENTS. OVER THE PAST TWO MONTHS, STORIES ABOUT THE IMPENDING PURCHASE OF MIG-21S HAVE BEEN MAKING THE ROUNDS, WITH POLAND ONE OF THE LIKELY SUPPLIERS. WHAT UGANDAN AIRFORCE PERSONNEL CAN DO WITH ADVANCED FIGHTERS WHEN THEY HAVE TROUBLE FLYING AND MAINTAINING HELICOPTERS IS A QUESTION NO ONE IN THE MILITARY SEEMS PREPARED TO ASK; BUT THE DECISION TO PURSUE PROCUREMENT MAY BE MOTIVATED BY CONCERNS ABOUT HOW TO PROCEED WITH THE WAR IN THE CONGO. AND UGANDA'S ARMS AND AMMUNITION

FACTORY AT NAKASONGOLA IS IN FULL PRODUCTION --
REPORTEDLY ASSISTED BY THE CHINESE AND NORTH KOREANS.

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AIR RESUPPLY OPERATIONS

16. ~~(S)~~ UGANDA'S AIR RESUPPLY OPERATIONS HAVE BEEN AS MOTLEY AS RWANDA'S AND PERHAPS SOME OF THE OTHER REGIONAL ACTORS. VICTOR BORG (OR BHOUT, BUTT, BOUT), A FORMER SOVIET CITIZEN BASED IN SWAZILAND, HAS SHOPPED HIS AIRPLANE SERVICES HERE -- BUT NOT WITH THE SUCCESS HE HAS APPARENTLY HAD IN RWANDA. THE UGANDANS, AFTER HE HAS APPARENTLY HAD IN RWANDA. THE UGANDANS, AFTER USING A NUMBER OF DIFFERENT FLY-BY-NIGHT OPERATORS PROCURED LOCALLY, OUT OF KENYA, AND POSSIBLY GULF AIR COMPANIES, SETTLED ON A SMALL FLEET OF AN IL-76; TWO KINGFISHERS, A 748, AN ANTONOV 12, AND AN ANTONOV 26. THE BIGGER AIRPLANES HAVE BEEN FLOWN BY UKRANIAN PILOTS, WHO, ACCORDING TO ONE WELL-PLACED SOURCE, ARE STILL ACTIVE DUTY UKRANIAN MILITARY PERSONNEL. THE REGISTRATION ON THE IL-76 IS UR DCC; ON THE ANTONOV 12 UR UCK. THE UKRANIAN PILOTS REPORTEDLY FIND THEIR JOB A BREEZE AFTER STINTS IN AFGHANISTAN. THEY ENCOUNTER NO HOSTILE FIRE ON THEIR FLIGHTS INTO CONGO DESTINATIONS.

17. ~~(C)~~ AFTER THE INITIAL RUNS FERRYING TROOPS LAST YEAR, MOST OF THE FLIGHTS HAVE INVOLVED FERRYING FOODSTUFFS TO UGANDAN SOLDIERS STATIONED INSIDE THE CONGO. WHEN THE MINISTRY OF DEFENSE HAD TROUBLE PAYING SOME OF ITS CONTRACTORS IN EARLY 1999, IT ATTEMPTED TO REVIVE THE COMMERCIAL FLYING OPERATIONS OF UGANDA AIR CARGO. THE MINISTRY HAS ALSO REVAMPED A C-130 AIRCRAFT THAT CAME INTO UGANDA'S POSSESSION IN THE EARLY 1970S DURING IDI AMIN'S TIME. THIS AIRPLANE HAS BEEN INCREASINGLY PUT INTO SERVICE FOR FLIGHTS INTO THE CONGO. IT IS UNCLEAR FROM THE INFORMATION AVAILABLE TO US WHETHER THE CREW IS LOCAL OR EXPATRIATE.

18. ~~(C)~~ THE UGANDANS HAVE MADE LITTLE EFFORT TO DISGUISE THE RESUPPLY OPERATION. THE AFOREMENTIONED AIRPLANES ARE PARKED AT OLD ENTEBBE AIRPORT, AND ARE CLEARLY VISIBLE TO PASSENGERS EN ROUTE TO THE NEW INTERNATIONAL AIRPORT. IF ANYTHING, THE FLIGHTS SEEM TO BE AS ACTIVE AS EVER. THE COST OF FLYING THE LARGER AIRPLANES IS LOWER THAN MANY THINK, PERHAPS AS LOW AS \$20,000 A RETURN FLIGHT FROM ENTEBBE TO KISANGANI. NONETHELESS, ONE ESTIMATE OF TRANSPORTATION COSTS TO FEBRUARY 1999 HAS THEM RUNNING AT NEAR \$10 MILLION, IT IS CLEAR THAT AIR OPERATIONS WILL CONTINUE TO CONSUME A

CONSIDERABLE PROPORTION OF INCREASED MILITARY
EXPENDITURES THE DEEPER UGANDAN TROOPS DRIVE INTO THE
CONGO.

COMMENT

19. ~~(C)~~ PRESIDENT MUSEVENI'S AIMS IN CONGO ARE NOT
ENRICHMENT BUT STRATEGIC. WHILE THERE APPEARS TO BE AN
EFFORT TO TIGHTEN UP PROCUREMENT AND DEAL WITH THE
FALLOUT OF THE IMF'S DISMAY AT INCREASED MILITARY
EXPENDITURES AT THE EXPENSE OF SOCIAL SECTORS, THE
REALITY IS THAT THE GOVERNMENT APPEARS PREPARED TO
CONTINUE SPENDING ON WAR -- DESPITE THE NEGATIVE
CONSEQUENCES. PRESIDENT MUSEVENI IN AN INTERVIEW
RECENTLY WITH THE EAST AFRICAN, SAID "WE OPERATE
CHEAPLY. WE ARE NOT EUROPEANS AND WE DON'T EAT
CHOCOLATES. ARMS ARE NOT ALL THAT COSTLY. WHAT IS
EXPENSIVE IS TRANSPORT AND FUEL. YOU CAN SUPPORT A
SOLDIER ON \$150 A MONTH. RATHER THAN LOSE ONE MILIJON
PEOPLE AS HAPPENED IN RWANDA, IT IS BETTER TO SPEND THE
MONEY. SALARY AND FOOD, SAY FOR 20,000 SOLDIERS, COMES
TO ABOUT \$3 MILLION A MONTH. FOR 12 MONTHS, THE COST
WILL BE ABOUT \$36 MILLION. GIVEN WHAT IS AT STAKE,
THAT IS NOT SUCH A LARGE AMOUNT OF MONEY." IT IS NOT
CLEAR THAT THE UGANDAN PEOPLE, AND UGANDA'S
INTERNATIONAL PARTNERS, WILL AGREE WITH THIS LINE OF
REASONING FOREVER.

POWELL

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SIT: BABBITT BARKS-RUGGLES FRAZER SANDERS SMITHG

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