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REPORT OF THE SPECIAL COMMITTEE ON THE SITUATION WITH REGARD
TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF
INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

(covering its work during 1968)

Rapporteur: Mr. Abdul Samad GHAS (Afghanistan)

CHAPTER VIII

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

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* This document contains chapter VIII of the Special Committee's report to the General Assembly. The general introductory chapter will be issued subsequently under the symbol A/7200. Other chapters of the report will be issued subsequently under the same symbol (A/7200) or as addenda.

I. CONSIDERATION BY THE SPECIAL COMMITTEE

1. The Special Committee considered the question of the Territories under Portuguese administration at its 607th to 615th meetings, between 7 June and 2 July, 627th meeting, on 16 August, and 633rd to 637th meetings, from 13 to 23 September 1968.
2. In its consideration of this item, the Special Committee took into account the relevant provisions of General Assembly resolution 2326 (XXII), as well as other resolutions of the General Assembly on the question of Territories under Portuguese administration, particularly resolution 2270 (XXII), by operative paragraph 17 of which the General Assembly requested the Special Committee "to continue to keep the situation in the Territories under review and to examine the extent of compliance by States with the relevant resolutions of the United Nations".
3. During its consideration of the item, the Special Committee had before it working papers prepared by the Secretariat (annexes I to VI) containing information on action previously taken by the Special Committee as well as by the General Assembly, and on the latest developments concerning the Territories.
4. In addition, the Special Committee had before it the following written petitions concerning the Territories under Portuguese administration:
 - (a) Letter dated 2 February 1968 from Mr. A.B. Nank concerning Guinea, called Portuguese Guinea, containing a request for a hearing (A/AC.109/PET.913);
 - (b) Cable dated 17 June 1968 from Mr. A.B. Nank concerning Guinea, called Portuguese Guinea (A/AC.109/PET.913/Add.1);
 - (c) Communication dated 6 December 1967 from Mr. Carlos Pinto Nunes Vunzi, General Chairman, União Progressista Nacional de Angola (UPRONA) concerning Angola (A/AC.109/PET.914);
 - (d) Letter dated 28 February 1968 concerning Angola from Messrs. Carlos Pinto Nunes Vunzi, General Chairman, and Fernando Kisangi, Deputy General Secretary, União Progressista Nacional de Angola (UPRONA) (A/AC.109/PET.914/Add.1);
 - (e) Communication dated 5 June 1968 from Messrs. Carlos Pinto Nunes Vunzi, General Chairman, and Fernando Kisangi, Assistant General Secretary, União Progressista Nacional de Angola (UPRONA) concerning Angola (A/AC.109/PET.914/Add.2);

(f) Communication dated 12 December 1967 from Ngwizani a Kongo (NGWIZAKO) (A/AC.109/PET.915);

(g) Letter dated 21 May 1968 from Mr. Benjamin Pinto-Bull, President, Frente de Luta pela Independência Nacional da Guiné dita Portuguesa (FLING), concerning Guinea, called Portuguese Guinea, containing a request for a hearing (A/AC.109/PET.992);

(h) Letter dated 8 April concerning Angola from Messrs. J.J. Zimeni, General President, and G. Kiala, General Secretary, Cartel des Nationalistes Angolais (CNA) (A/AC.109/PET.993);

(i) Letter dated 21 June 1968 concerning Angola from Mr. Francisco Lubota, Assistant Officer, Gouvernement Révolutionnaire de l'Angola en Exil (GRAE) containing a request for a hearing (A/AC.109/PET.995);

(j) Letter dated 25 April 1968 from Mr. Emmanuel Norman Lamvu, Chairman, Comité des Bons Offices Angolais (CBOA) concerning Angola (A/AC.109/PET.1002);

(k) Cable dated 13 August 1968 from Mr. Amilcar Cabral, Secretary General, Partido Africano da Independência da Guiné e Cabo Verde (PAIGC) (A/AC.109/PET.1017);

(l) Letter dated 7 September 1968 from Mr. A.B. Nank, concerning Guinea, called Portuguese Guinea, containing a request for a hearing (A/AC.109/PET.913/Add.2).

5. At its 592nd, 608th and 612th meetings, on 28 March and 10 and 24 June, the Special Committee, by adopting the 121st, 125th and 126th reports, respectively, of the Sub-Committee on Petitions, 1/ decided to grant the requests for hearing contained in the petitions referred to in paragraph 4 (a), (g) and (i) above. As regards the request for hearing contained in the petition referred to in paragraph 4 (l), which was a repetition of the request contained in the petition referred to in paragraph 4 (a), the Committee, by adopting the 132nd report of the Sub-Committee on Petitions (A/AC.109/L.500), decided to advise the petitioner, Mr. A.B. Nank, that as it expected to conclude its consideration of the question very shortly he should resubmit his request to the Fourth Committee of the General Assembly.

6. Following these decisions, Mr. Francisco Lubota, Assistant Officer, Gouvernement Révolutionnaire de l'Angola en Exil (GRAE), addressed the Special Committee at its 612th meeting, on 24 June, and replied to questions put to him by the representatives of Iraq, India, Syria and the United Kingdom of Great Britain and Northern Ireland (A/AC.109/SR.612). At the 627th meeting, on 16 August 1968, Mr. Benjamin Pinto-Bull addressed the Committee and replied to questions put to him by the representatives of the Ivory Coast, Iraq, India, Madagascar, Sierra Leone, Honduras and Syria (A/AC.109/SR.627). The third petitioner, Mr. A.B. Nank, did not appear before the Committee.

7. The general debate on the item took place at the 607th and 609th to 611th meetings, between 7 and 20 June. In that connexion, statements were made by the representative of the United Republic of Tanzania at the 607th meeting

1/ A/AC.109/L.450, A/AC.109/L.472 and A/AC.109/L.477.

(A/AC.109/SR.607) by the representative of Tunisia at the 609th meeting (A/AC.109/SR.609), by the representatives of Chile, Sierra Leone, Yugoslavia, Venezuela, Syria and Iraq at the 610th meeting (A/AC.109/SR.610) and by the representatives of Poland, India, Afghanistan, the Union of Soviet Socialist Republics, Mali and the Ivory Coast at the 611th meeting (A/AC.109/SR.611).

8. At the 612th meeting, on 24 June, the representatives of Ethiopia, the Ivory Coast and Iraq introduced a draft resolution, which was finally sponsored by the following members: Afghanistan, Ethiopia, India, Iran, Iraq, Ivory Coast, Madagascar, Mali, Sierra Leone, Syria, Tunisia, United Republic of Tanzania, and Yugoslavia (A/AC.109/L.478 and Add.1).

9. The Special Committee considered the draft resolution (A/AC.109/L.478 and Add.1) at its 612th to 614th meetings, on 24, 25 and 26 June. Statements on the draft resolution were made by the representatives of Iran (A/AC.109/SR.613), Madagascar and the United Republic of Tanzania (A/AC.109/SR.614).

10. At the 614th meeting, on 26 June, the representative of Ethiopia, on behalf of the co-sponsors, submitted an oral revision to the draft resolution, by which, in operative paragraph 17, the words "in consultation with the Special Committee" would be replaced by the words "taking into full consideration the views of the Special Committee" (A/AC.109/SR.614).

11. At the same meeting, the Special Committee adopted the draft resolution (A/AC.109/L.478 and Add.1), as orally revised, by a roll-call vote of 18 to 3, with 2 abstentions. The voting was as follows:

In favour: Afghanistan, Bulgaria, Chile, Ethiopia, Honduras, India, Iraq, Ivory Coast, Madagascar, Mali, Poland, Sierra Leone, Syria, Tunisia, Union of Soviet Socialist Republics, United Republic of Tanzania, Venezuela, Yugoslavia.

Against: Australia, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Finland, Italy.

The text of the resolution (A/AC.109/292) is reproduced in section II A below.

12. At the same meeting, statements in explanation of vote were made by the representatives of Chile, the United Kingdom and the United States (A/AC.109/SR.614). At the 615th meeting, on 2 July, the representative of Iran stated that, had the representative of his delegation been present at the time of voting, his delegation would have voted in favour of the resolution (A/AC.109/SR.615).

13. The text of the resolution, together with the records of the discussions in the Committee on this question, was transmitted to the President of the Security Council (S/8658) on 26 June. Copies of the resolution were also transmitted to States, including the administering Power, for the attention of their Governments, to the specialized agencies and to the United Nations High Commissioner for Refugees.

14. At its 633rd meeting, on 13 September, following statements by the representatives of Yugoslavia, Sierra Leone, Mali, the Union of Soviet Socialist Republics and India (A/AC.109/SR.633) regarding the communication referred to in paragraph 4 (k) above the Special Committee decided to give further consideration to the item.

15. The Special Committee's further consideration of the item took place at its 634th to 637th meetings, between 13 and 23 September. In that connexion, statements were made by the representatives of Sierra Leone, Ethiopia, and the Union of Soviet Socialist Republics (A/AC.109/SR.634), and by the representatives of Bulgaria, Chile, Ethiopia and the United Republic of Tanzania at the 635th meeting (A/AC.109/SR.635).

16. At the 636th meeting, on 19 September, the representatives of India and the Ivory Coast, introduced a draft resolution which was finally sponsored by the following members: Afghanistan, Ethiopia, India, Iran, Iraq, Ivory Coast, Madagascar, Sierra Leone, Syria, Tunisia, the United Republic of Tanzania and Yugoslavia (A/AC.109/L.499 and Add.1).

17. At the 637th meeting, on 23 September, the representative of Iraq, on behalf of the sponsors, submitted an oral revision to the draft resolution, by which, in operative paragraph 2, the words "the Secretary-General" would be replaced by the words "its Rapporteur" (A/AC.109/SR.637).

18. Statements on the draft resolution were made by the representatives of Poland, the Union of Soviet Socialist Republics, the United Republic of Tanzania, Bulgaria, India, Mali and Yugoslavia (A/AC.109/SR.637).

19. At the same meeting, the Special Committee voted on the draft resolution (A/AC.109/L.499 and Add.1), as orally revised, as follows:

(a) Operative paragraph 1 was adopted by a roll-call vote of 18 to 4, with 1 abstention. The voting was as follows:

In favour: Afghanistan, Bulgaria, Ethiopia, Honduras, India, Iran, Iraq, Ivory Coast, Madagascar, Mali, Poland, Sierra Leone, Syria, Tunisia, Union of Soviet Socialist Republics, United Republic of Tanzania, Venezuela and Yugoslavia.

Against: Australia, Italy, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Finland.

(b) The draft resolution as a whole (A/AC.109/L.499 and Add.1), as orally revised, was adopted by a roll-call vote of 19 to none, with 4 abstentions. The voting was as follows:

In favour: Afghanistan, Bulgaria, Ethiopia, Finland, Honduras, India, Iran, Iraq, Ivory Coast, Madagascar, Mali, Poland, Sierra Leone, Syria, Tunisia, Union of Soviet Socialist Republics, United Republic of Tanzania, Venezuela and Yugoslavia.

Against: None.

Abstaining: Australia, Italy, United Kingdom of Great Britain and Northern Ireland and United States of America.

20. The text of the resolution (A/AC.109/299) is reproduced in section II B below.

21. At the same meeting, the representatives of the United Kingdom, the United States, Italy, Australia and Finland made statements in explanation of their vote (A/AC.109/SR.637).

22. On 27 September, the text of the resolution was transmitted to the President of the Security Council (S/8835) and to the Chairman of the Commission on Human Rights. Copies of the resolution were also transmitted to States, including the administering Power, for the attention of their Governments.

23. Following a statement by the Chairman on behalf of the Rapporteur, the Special Committee, at its 64th meeting, on 14 October, decided without objection to include in the present chapter of its report a note by the Secretariat concerning assistance to refugees from Territories under Portuguese administration (see annex VII).

II. DECISIONS OF THE SPECIAL COMMITTEE

A. Resolution adopted by the Special Committee at its 614th meeting on 26 June 1968

The Special Committee,

Having examined the question of Territories under Portuguese domination,

Having heard the statement of the petitioner,

Recalling General Assembly resolution 1514 (XV) of 14 December 1960 containing the Declaration on the Granting of Independence to Colonial Countries and Peoples,

Recalling also all the relevant resolutions concerning the Territories under Portuguese domination adopted by the General Assembly and the Security Council,

Reaffirming its own previous resolutions concerning this question,

Deeply disturbed by the negative attitude of the Government of Portugal and its persistent refusal to implement the relevant United Nations resolutions,

Gravely concerned about the critical and explosive situation which is threatening international peace and security owing to the increased oppression and intensified military operations against the African peoples of the Territories under Portuguese domination,

Deeply concerned about the continued and increasing activities of the foreign economic and financial interests in those Territories which impede the realization of the legitimate aspirations of the African peoples,

Noting further with profound concern that Portugal continues to receive aid and weapons from certain States, and in particular from its military allies, which it uses against the population of those Territories,

Noting with satisfaction the progress towards national independence and freedom made by the liberation movements both through their struggle and through reconstruction programmes,

1. Reaffirms the inalienable right of the peoples of the Territories under Portuguese domination to achieve freedom and independence, in accordance with General Assembly resolution 1514 (XV), and the legitimacy of their struggle to achieve this right;

2. Strongly condemns the persistent refusal of the Government of Portugal to implement the relevant resolutions adopted by the General Assembly, the Security Council and the Special Committee, as well as that Government's policies and actions which are designed to perpetuate its oppressive foreign rule;

3. Strongly condemns the colonial war being waged by the Government of Portugal against the peoples of the Territories under its domination, which constitutes a crime against humanity and a grave threat to international peace and security;

4. Strongly condemns the policy of the Government of Portugal, which violates the economic and political rights of the indigenous population by the arbitrary regrouping of the African population and the settlement of foreign immigrants in the Territories and calls once again upon the Government of Portugal to desist immediately from these practices;

5. Strongly condemns the activities of the financial interests operating in the Territories under Portuguese domination, which increasingly exploit the human and material resources of the Territories and impede the progress of their peoples towards freedom and independence;

6. Condemns the rendering of military assistance in any form by any State to the Government of Portugal, either directly or indirectly;

7. Urges the Government of Portugal to apply without delay to the peoples of the Territories under its domination the principle of self-determination in accordance with General Assembly resolution 1514 (XV) and other relevant resolutions of the General Assembly and the Security Council and, in particular, to take the following action:

(a) To desist forthwith from all acts of repression, to withdraw all military and other forces which it is using for that purpose, and to proclaim an unconditional political amnesty;

(b) To recognize solemnly the right of the peoples under its domination to self-determination and independence, and to transfer authority to freely elected institutions representative of the indigenous populations in accordance with General Assembly resolution 1514 (XV);

8. Reiterates its request to all States, particularly the military allies of Portugal in the North Atlantic Treaty Organization, to take the following measures:

(a) To desist forthwith from giving the Government of Portugal any assistance, including the training of Portuguese military personnel within or outside the framework of the North Atlantic Treaty Organization, which encourages that Government to continue its repression of the African peoples in the Territories under its domination;

(b) To prevent any sale or supply of weapons and military equipment to the Government of Portugal,

(c) To stop the sale or shipment to the Government of Portugal of equipment and materials for the manufacture or maintenance of weapons and ammunitions;

(d) To put an end to the activities referred to in paragraph 5 above:

9. Condemns the policies of Portugal for using the Territories under its domination for its continued trade and other assistance to the illegal racist minority régime of Southern Rhodesia in defiance of the relevant resolutions of the General Assembly and of the Security Council;

10. Also condemns the policies of Portugal for using the Territories under its domination for violations of the territorial integrity and sovereignty of neighbouring independent African States;

11. Draws the urgent attention of the Security Council to the increased threat posed by the situation in the Territories under Portuguese domination, as well as the consequences of the violations by Portugal of the territorial integrity and sovereignty of the neighbouring independent African States;

12. Recommends the Security Council to consider urgently the adoption of the necessary measures to make mandatory the provisions of its own resolutions concerning this question, particularly resolution 218 (1965) of 23 November 1965, and those of General Assembly resolutions 2107 (XX) of 21 December 1965, 2184 (XXI) of 12 December 1966, and 2270 (XXII) of 17 November 1967;

13. Reiterates its appeal to all States to grant the peoples of the Territories under Portuguese domination the moral and material assistance necessary to continue their struggle for the restoration of their inalienable rights;

14. Reiterates its appeal to all the specialized agencies, in particular to the International Bank for Reconstruction and Development and the International Monetary Fund, to refrain from granting Portugal any financial, economic or technical assistance as long as the Government of Portugal fails to implement General Assembly resolution 1514 (XV);

15. Expresses its appreciation to the United Nations High Commissioner for Refugees, the specialized agencies concerned and other international relief organizations for the help they have given so far, and requests them in co-operation with the host and other interested Governments, with the Organization of African Unity and through it with the national liberation movements, to increase their assistance to the refugees from the Territories under Portuguese domination and to those who have suffered and are still suffering as a result of military operations;

16. Requests the Secretary-General, in consultation with the specialized agencies and in consultation with the host and other interested Governments, to develop and expand the existing programme of training indigenous inhabitants from the Territories under Portuguese administration, taking into account the needs of these Territories for cadres of civil servants and technical and professional personnel to assume responsibilities for the public administration and the economic and social development of their own countries;

17. Requests the Secretary-General, taking into full consideration the views of the Special Committee, to take concrete measures through all the media at his disposal, including publications, radio and television, to promote the widespread and continuous publicizing of the work of the United Nations concerning

this question so that world opinion may be sufficiently and accurately informed of the situation in the Territories under Portuguese domination and of the continuing struggle waged by the peoples of these Territories for their liberation;

18. Requests the Secretary-General to assist, as appropriate, the specialized agencies referred to in paragraph 14 above with regard to its implementation and to report thereon to the Special Committee;

19. Decides to transmit to the Security Council the present resolution and the records of the discussion in the Special Committee on this question;

20. Further decides to keep the situation in the Territories under review and to examine the extent of compliance by States with the relevant resolutions of the United Nations.

B. Resolution adopted by the Special Committee at its
637th meeting on 23 September 1968

The Special Committee;

Having examined the telegram of 13 August 1968 addressed to the Secretary-General by Mr. Amílcar Cabral, Secretary-General, Partido Africano da Independência da Guiné e Cabo Verde (PAIGC) (A/AC.109/PET.1017),

Gravely concerned at the report that in addition to bombings of all kinds, including the use of napalm and white phosphorus, the Government of Portugal is actively preparing to employ chemical defoliants and poison gas against the people of Guinea (Bissau),

Recalling that in several previous resolutions both the General Assembly and the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples have strongly condemned the colonial war being waged by Portugal against the peoples under its domination,

1. Condemns the Government of Portugal for the use of napalm and white phosphorus and for its preparations for the use of chemical defoliants and poison gas in pursuance of its colonial war against the people of Guinea (Bissau);

2. Requests its Rapporteur to take all appropriate measures to study and report on the use of weapons of mass destruction and all other aspects of the colonial war, particularly in Guinea (Bissau);

3. Appeals to all States to do everything in their power to prevent the possible use of weapons of mass destruction in, and to bring about the cessation of, this inhuman war;

4. Requests its Chairman to transmit the text of this resolution to the President of the Security Council and to the Chairman of the Commission on Human Rights.

ANNEXES

ANNEX I*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

Working paper prepared by the Secretariat

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* Previously issued under the symbol A/AC.109/L.451.

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I. ACTION PREVIOUSLY TAKEN BY THE GENERAL ASSEMBLY,
THE SECURITY COUNCIL AND THE SPECIAL COMMITTEE

1. Early in 1961, following the outbreak of disturbances in Angola, the General Assembly (at its resumed fifteenth session) and the Security Council became seized with the question of the situation in that Territory and a sub-committee was appointed to study and report thereon.^{a/} The question of the Territories under Portuguese administration and of the non-compliance of Portugal with Chapter XI of the Charter of the United Nations and with resolution 1514 (XV) of 14 December 1960 have been discussed in the General Assembly since the sixteenth session and in the Security Council since 1963. The Special Committee's conclusions and recommendations concerning these questions have been set out in its reports to the General Assembly at the seventeenth, eighteenth, nineteenth, twentieth and twenty-first sessions.^{b/} The decisions of the Security Council and the General Assembly on questions relating to the Territories under Portuguese administration are contained in the relevant resolutions.^{c/}

2. On 20 June 1967, the Special Committee, after hearing various petitioners from Angola, Mozambique and Guinea, called Portuguese Guinea, adopted a resolution on the question of the Territories under Portuguese administration by a roll-call vote of 16 to 3 with 2 abstentions (A/6700/Add.3, para. 1024). By this resolution, the Special Committee reaffirmed, once again, the inalienable right of the peoples of these Territories to achieve freedom and independence, in accordance with General

a/ Official Records of the General Assembly, Sixteenth Session, Supplement No. 16 (A/4978).

b/ Ibid., Seventeenth Session, Annexes, addendum to agenda item 25 (A/5238), chapter VIII; ibid., Eighteenth Session, Annexes, addendum to agenda item 23 (A/5446/Rev.1), chapter II; ibid., Nineteenth Session, Annex No. 8 (part I) (A/5800/Rev.1), chapter V; ibid., Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chapter V; ibid., Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chapter V; A/6700/Add.3 and Corr.1.

c/ Security Council resolutions 163 (1961), 180 (1963), 183 (1963), 218 (1965) and 226 (1966); General Assembly resolutions 1603 (XV) of 20 April 1961; 1671 (XVI) of 18 December 1961; 1699 (XVI) of 19 December 1961; 1742 (XVI) of 30 January 1962; 1807 (XVII) of 14 December 1962; 1809 (XVII) of 14 December 1962; 1913 (XVIII) of 3 December 1963; 2107 (XX) of 21 December 1965 and 2184 (XXI) of 12 December 1966.

Assembly resolution 1514 (XV), and the legitimacy of their struggle. In addition to condemning the colonial policy of the Government of Portugal and its refusal to implement the relevant resolutions of the General Assembly, the Security Council and the Special Committee, it also condemned the activities of financial interests which exploit the human and material resources in the Territories and impede the progress of the peoples towards freedom and independence. The Special Committee again urged the Government of Portugal to implement the resolutions of the General Assembly and the Security Council, and in particular: (a) to recognize the rights of the peoples under its domination to self-determination and independence; (b) to desist forthwith from all acts of repression and to withdraw all military and other forces it is using for that purpose; and (c) to proclaim an unconditional political amnesty and to create conditions which will enable authority to be transferred to freely elected institutions representative of the populations, in accordance with General Assembly resolution 1514 (XV). The Special Committee also reiterated its previous requests to all Member States, to the specialized agencies and to the Secretary-General which aim at bringing to an end all military, financial, investment and other aid to Portugal from bilateral, multilateral and international sources while, on the other hand, securing moral and material assistance to the peoples under Portuguese domination necessary for the restoration of their inalienable rights. The Committee requested the Secretary-General, in consultation with it, to promote through international channels widespread publicity on the work of the United Nations concerning the Territories under Portuguese domination and on the continuing struggle waged by their peoples.

3. In 1967, the Security Council took up a complaint of the Democratic Republic of the Congo of 3 November 1967 (S/8218) concerning the invasion of Congolese territory by foreign mercenaries from Angola. On 15 November 1967, the Security Council adopted resolution 241 (1967) in which, among other provisions, it condemned, in particular, the failure of Portugal, in violation of the previous resolutions of the Security Council (226 of 14 October 1966 and 239 of 11 July 1967), to prevent the mercenaries from using the Territory of Angola as a base of operation for armed attacks against the Democratic Republic of the Congo. It also called upon Portugal "to put and end immediately to the provision to the mercenaries of any assistance whatsoever".

4. On 17 November 1967, the General Assembly, after having considered the Special Committee's report,^{d/} and on the basis of its decisions, adopted resolution 2270 (XXII). The operative part of this resolution is set out below.

"1. Reaffirms the inalienable right of the peoples of the Territories under Portuguese domination to achieve freedom and independence, in accordance with General Assembly resolution 1514 (XV), and the legitimacy of their struggle to achieve this right;

"2. Approves the chapter of the report of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples relating to the Territories under Portuguese domination and endorses the conclusions and recommendations contained therein;

"3. Strongly condemns the persistent refusal of the Government of Portugal to implement the relevant resolutions adopted by the General Assembly, the Security Council and the Special Committee, as well as that Government's actions which are designed to perpetuate its oppressive foreign rule;

"4. Strongly condemns the colonial war being waged by the Government of Portugal against the peaceful peoples of the Territories under its domination, which constitutes a crime against humanity and a grave threat to international peace and security;

"5. Condemns the policy of the Government of Portugal, which violates the economic and political rights of the indigenous population by the settlement of foreign immigrants in the Territories and by the forcible export of African workers to South Africa, and calls upon that Government to stop immediately the systematic influx of foreign immigrants into these Territories and the forcible export of African workers to South Africa;

"6. Strongly condemns the activities of the financial interests operating in the Territories under Portuguese domination, which exploit the human and material resources of the Territories and impede the progress of their people towards freedom and independence;

"7. Urges the Government of Portugal to apply without delay to the peoples of the Territories under its domination the principle of self-determination in accordance with General Assembly resolution 1514 (XV) and other relevant resolutions of the General Assembly and the Security Council, and, in particular, to take the following actions:

(a) To recognize solemnly the right of the peoples under its domination to self-determination and independence;

^{d/} A/6700/Add.3 and Corr.1.

(b) To desist forthwith from all acts of repression and to withdraw all military and other forces which it is using for that purpose;

(c) To proclaim an unconditional political amnesty and create the conditions which will enable authority to be transferred to freely elected institutions representative of the populations, in accordance with General Assembly resolution 1514 (XV);

"8. Once again requests all States, particularly the military allies of Portugal in the North Atlantic Treaty Organization, to take the following measures:

(a) To desist forthwith from giving the Government of Portugal any assistance, including the training of Portuguese military personnel within or outside the framework of the North Atlantic Treaty Organization, which encourages that Government to continue its repression of the African people in the Territories under its domination;

(b) To prevent any sale or supply of weapons and military equipment to the Government of Portugal;

(c) To stop the sale or shipment to the Government of Portugal of equipment and materials for the manufacture or maintenance of weapons and ammunition;

(d) To put an end to the activities referred to in paragraph 6 above;

"9. Condemns the policies of Portugal for using the Territories under its domination for violations of the territorial integrity and sovereignty of independent African States, in particular the Democratic Republic of the Congo;

"10. Draws the urgent attention of the Security Council to the continued deterioration of the situation in the Territories under Portuguese domination, as well as to the consequences of these violations by Portugal of the territorial integrity and sovereignty of the neighbouring independent African States that border its colonies;

"11. Recommends the Security Council to consider urgently the adoption of the necessary measures to make mandatory the provisions of its resolutions concerning this question, particularly resolution 218 (1965) of 23 November 1965, and those of General Assembly resolutions 2107 (XX) of 21 December 1965 and 2184 (XXI) of 12 December 1966;

"12. Appeals again to all States to grant the peoples of the Territories under Portuguese domination the moral and material assistance necessary for the restoration of their inalienable rights;

"13. Appeals once again to all the specialized agencies, in particular to the International Bank for Reconstruction and Development and the International Monetary Fund, to refrain from granting Portugal any financial, economic or technical assistance as long as the Government of Portugal fails to implement General Assembly resolution 1514 (XV);

"14. Expresses its appreciation to the United Nations High Commissioner for Refugees, the specialized agencies concerned and other international relief organizations for the help they have given so far, and requests them, in co-operation with the Organization of African Unity and through it with the national liberation movements, to increase their assistance to the refugees from the Territories under Portuguese domination and to those who have suffered and are still suffering as a result of the military operations;

"15. Requests the Secretary-General, in consultation with the Special Committee, to promote through the various United Nations bodies and agencies the widespread and continuous publicizing of the work of the United Nations concerning this question so that world opinion may be sufficiently and accurately informed of the situation in the Territories under Portuguese domination and of the continuing struggle waged by the peoples of these Territories for their liberation and, for this purpose, to prepare periodically special publications to be widely distributed in various languages;

"16. Requests the Secretary-General to enter into consultations with the specialized agencies referred to in paragraph 13 above with regard to its implementation and to report thereon to the Special Committee;

"17. Requests the Special Committee to continue to keep the situation in the Territories under review and to examine the extent of compliance by States with the relevant resolutions of the United Nations."

II. INFORMATION ON THE TERRITORIES

Area and population

5. The Territories under Portuguese administration comprise the Cape Verde Archipelago; Guinea, called Portuguese Guinea, São Tomé and Príncipe and their dependencies; Angola, including the enclave of Cabinda, Mozambique; Macau and dependencies; and Timor and dependencies. These Territories cover an area of approximately 902,220 square miles (2,077,953 square kilometres) and have over 12 million inhabitants. The area of Portugal itself is 35,500 square miles (91,900 square kilometres), and in 1960 it had a population of 9,134,000.

6. The populations of the Territories at the 1960 census together with the latest official estimates are given below:

	<u>1960 census</u>	<u>Latest estimate (1965)</u>
Angola	4,870,719	5,153,672
Mozambique	6,578,604	6,956,464 ^{a/}
Guinea	519,229	523,031
Cape Verde	199,661	224,199
São Tomé	64,406	64,068
Macau	169,299	280,356
Timor	517,079	550,694

Source: Portugal, Anuário Estatístico, Vol. II Ultramar, 1965.

a/ The population of Mozambique was estimated at 7.25 million in 1966.

General policy

7. In 1967 with well over 100,000 troops tied down in Angola, Mozambique and Guinea, called Portuguese Guinea, where guerrilla activities have continued to spread, Portugal was nevertheless reported to be more confident than ever that it could remain in Africa, and took further steps to prepare the country and the people for a long-term war.

8. As part of a campaign to secure support, official statements during the past year have increasingly stressed the theme that the war in which Portugal is involved in Africa is being imposed on it from the outside, and that in defending its overseas Territories from terrorists trained in foreign countries, Portugal is defending Western Christian civilization in southern Africa which, because of its "multiracial and pluri-cultural character" is distinct from the rest of the continent.

9. In December 1967, speaking at a ceremony in the National Assembly (at which delegates of the municipalities of Mozambique conferred on him the honorary citizenship of all the Territory's cities and towns), Dr. Salazaar, the Prime Minister of Portugal, said that Portuguese resistance in Africa "can endure indefinitely". He again declared that Portugal would not accept the rule of an "untrained majority" in its Territories in Africa, for this could only lead to "an extension of chaos in Africa and a return to the former state of backwardness". He said that the situation in the overseas Territories would be different if the country were confronted with a general and popular uprising. This, however, was not the case in the Territories as evidenced by the following facts: first, terrorists trained in neighbouring countries had killed more Africans than Portuguese; second, the African population readily sought the help and protection of the Portuguese armed forces and the local authorities; and third, except for a few places of refuge and for caches of arms and food, there was not a fragment of Territory where the terrorists could say "Here we are in control". These facts, Dr. Salazar said, showed how baseless was the myth that Africans in the Portuguese Territories were being liberated by the so-called nationalist movements. On the question as to how long Portugal would have to continue to fight, the Prime Minister of Portugal indicated that the attitude of the West and that of the African States would play an important role.

10. Anticipating a long-term war, the Portuguese Government regards economic development as a second front on the success of which the whole question of Portugal's "national survival" may depend. Concerned with the flight from the land and the manpower shortage, especially of skilled labour, the Government has introduced further measures to control and limit emigration from Portugal.^{e/} Early

^{e/} In 1967, measures prohibiting clandestine emigration were made applicable to Cape Verde, Angola, Mozambique and Guinea, called Portuguese Guinea. (Portaria 22583, 18 March.)

in 1968, it introduced a new military service law which will mobilize greater numbers of the available manpower. Both in Portugal and in the Territories greater efforts are being made to attract foreign investments, (see below), to mobilize savings and to prevent the flight of domestic capital. As explained previously, however, the development of the Overseas Territories is to be harmonized with the over-all development and defence of the Portuguese realm (A/6700/Add.3, chapter V, paras. 40-44).

11. Because the Prime Minister considers that "in the present confused state of the world", if he were to relinquish office, "such a gesture would be interpreted as a clear sign of a change in the policy of defending our home land", a number of foreign press articles during the past year have speculated on Portugal's ability to continue the war and on the future of the Territories if there were a change in government. While Portuguese press censorship makes it impossible to know of any genuine opposition to the Government, foreign correspondents seem generally to agree that, in spite of the unpopularity of the African war, there is no real opposition in Portugal on the question of the ultimate economic, political and cultural integration of the overseas Territories with Portugal. Such opposition as has been voiced by various groups in Portugal seems to be directed more against the "military solution" adopted by the Government, and the drain on the country's manpower and wealth rather than against the way in which the Territories are being administered.

12. Because of the intensified internal security measures in Angola and Mozambique, almost nothing is known of public opinion on the future status of the Territories. However, there are indications that settlers in both Territories, but more particularly in Angola, are dissatisfied with the economic controls exercised by Portugal (see annex II below). According to one report, there has recently been "quiet satisfaction" among the European settlers in Angola and Mozambique at the prospect of the closer association of these Territories with, and perhaps an ultimate political grouping in "a new southern Africa entity". There is even speculation that with a change of government in Portugal, Angola and Mozambique could successfully secede from the "Portuguese Empire". Extremists in both Territories are said to favour such action as they have confidence in the economic potential of Angola and Mozambique.

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Constitutional and political

13. Elections to the Territorial Legislative Councils. There were no constitutional or political changes in 1967 affecting the overseas Territories of Portugal. Towards the end of the year elections were held to the legislative and advisory councils in all Territories. As in 1964, these elections were held under the Electoral Law of 6 December 1963 (Decree No. 45,408).^{f/} However, in contrast to the 1964 elections, which were given a good deal of publicity in the territorial newspapers, the latest elections passed with only very brief reports of the election results, and these solely in terms of the percentage of registered voters who voted.^{g/} There is, however, no indication as to whether the brief reporting in the Portuguese Press is due to government censorship or to a general lack of public interest in the elections.

14. Territorial administration. As reported previously (A/6000/Rev.1, chapter V, paragraph 13), since 1964, the Overseas Council, in which the overseas Territories are now represented,^{h/} has been considering a new administrative code for the Territories to replace the Overseas Administration Reform of 1934. However, as at the end of 1967, the new code had not yet been completed.

15. In June 1967 (Decree No. 47,743, 2 June 1967), the Overseas Ministry was reorganized. As the introduction to the decree points out, the present structure of the Overseas Ministry was established in 1936 when the administration of the overseas Territories was less complex, and although some changes were introduced in 1957, these did not touch upon the basic structure of the Ministry. Under the new law, the Overseas Ministry has been expanded and its staff strengthened, especially in the senior ranks, to ensure a greater degree of competence in specialized subjects, and to enable decisions to be taken more rapidly. Some

^{f/} For details of the composition of the Legislative Councils in each of the Territories and the provisions of the 1963 electoral law, see A/6000/Rev.1, chapter V, paragraph 13.

^{g/} See the relevant section of reports on individual Territories in annexes II to VI.

^{h/} In 1967 General Venâncio Deslandes, former Governor-General of Angola, was made a regular member and Dr. Augusto de Almeida e Campos, a former President of the Farmers' Association in Angola, replaced him as an alternate. This appears to be the first time that Angola's economic interests have been represented in the Council.

departments have been abolished while others have been added. Among the new features are the establishment of permanent units for study and research in a number of key departments; the inspectorate system has also been strengthened.

16. Basically, however, the Overseas Ministry remains the central office through which all services in the overseas Territories are controlled under the authority of the Overseas Minister, whom the Constitution vests with authority covering "all matters involving the higher or general interests of national policy in the Overseas Territories...". Although designated Overseas Provinces in the Portuguese Political Constitution, and theoretically considered to be on equal footing with similar administrative divisions in Portugal, the seven "Overseas Provinces" are still administered through the Overseas Ministry as when they were colonies. For example, the health and education services in the Territories come under the Overseas Ministry instead of under the Ministry for Public Health and the Ministry for National Education.^{i/} The very special authority of the Overseas Ministry is further highlighted by the fact that the Minister's office includes representatives of the Army, Navy and Air Force. Furthermore, there are various consultative, review (contencioso) and technical bodies solely related to the Overseas Territories, as for instance, the Overseas Council, the Higher Disciplinary Council for the Overseas Territories, the Higher Council of (Overseas) Development, the Conference of Overseas Governors,^{i/} and the Economic Conference of the Overseas Territories.^{k/}

^{i/} The Overseas Ministry comprises the following departments and services:
(a) the cabinet of the Minister; (b) the office of the Secretary-General;
(c) civil administration; (d) public finance; (e) development services, including public works and customs inspection; (f) education; (g) justice;
(h) public health and assistance.

^{j/} Both the Conference of the Overseas Governors and the Economic Conference of Overseas Portugal meet from time to time, when considered necessary by the Overseas Minister (see A/4978, foot-notes 33 and 34). As far as is known, neither conference has been convened since 1960.

^{k/} Other special organizations are the Agência Geral do Ultramar (which corresponds to the former Crown Agents in the United Kingdom Territories); the Historical Archives of the Overseas Territories; the Overseas Hospital; the Higher Institute of Overseas Social and Political Sciences; the Overseas Institute; the National School of Public Health and Tropical Medicine; the Overseas Research Board and the Overseas Agricultural Garden and Museum.

Portugal's war effort

17. Military activities in the African Territories. During 1967, Portugal again increased its troops in Africa, which at the end of the year were estimated at 129,000 to 150,000, compared with 20,000 to 80,000 in 1964.^{1/} This increase was necessitated by the spread of fighting to the eastern frontier in Angola, extension of guerrilla activities in Cabo Delgado and Niassa Districts in Mozambique and widespread fighting in Guinea, called Portuguese Guinea, where the PAIGC claims control of four-fifths of the land area with the exception of towns. (There have also been reports that Portugal faces threats of open fighting in Cape Verde.)
18. While Portugal officially claims that it is in full control of all its Territories, during the year it tightened censorship and security measures in the metropole and in the Territories. In Angola, guerrillas on several occasions disrupted traffic on the Benguela railway, guerrilla attacks have been reported as far inland as Munhango and Cuemba, some 700 kilometres from the eastern frontier with Zambia, and the main roads are under constant military patrol and transport trucks move under military guard. In Mozambique, the Governor-General admitted in September 1967 that in spite of an improved situation, "the future of the Territory remains a serious concern", and the income tax system has been revised to provide more funds for Mozambique's defence efforts. However, there is even more concern about the situation in Guinea, called Portuguese Guinea, where, according to various press reports, Portugal has lost control over much of the Territory except the urban centres.
19. In order to reassure public opinion and to prove that Portugal continues to exercise sovereignty over the Territory, President Thomaz visited Guinea, called Portuguese Guinea, for two weeks in January 1968, and because the PAIGC also claim to represent Cape Verde, he also visited that Territory. The Portuguese Press has given wide publicity to the President's trip, and it is pointed out that the crowds who greeted him and the warm welcome he received on his visits give lie to the assertion that the Territory of Guinea is "dominated" by Portugal. The fact that

^{1/} There is no reliable information on the actual troop strength, and reports differ widely. For instance, in April 1967, a usually reliable paper reported that of the Portuguese army of 135,000 men, about 80,000 were in Africa and more than half of these were in Mozambique.

the President was able to leave the capital and visit many places in Guinea, called Portuguese Guinea, is claimed to prove that Portugal retains "full sovereignty" in the Territory and it is pointed out that the disturbances were "only incursions from the outside as can happen to any country with bad neighbours". Similarly, the President's visit to Cape Verde is also said to have clearly shown that there were no "oppressed and discontented people there".

20. The President's trip to the two Territories has been used by official sources as an opportunity to publicize how much Portugal has done to help the local inhabitants. In particular it is pointed out that, in spite of the drain on its resources, Portugal has not let Guinea, called Portuguese Guinea, and Cape Verde fall into stagnation but has brought them to a process of "full development", which is evidenced by such important indicators as rising territorial revenues, continuing investments to improve living conditions, and investments in the infra-structure, the health and education services and development of these Territories (see annexes IV and V below).

21. The new military service law. In January 1968, the Portuguese National Assembly began discussion of the new military service law which had first been proposed by the Government in December 1966. As reported in 1967 (A/6700/Add.3, chapter V, paras. 30 and 31), the main purpose of this new law is to release more men for combat duty overseas and to permanently increase the normal period of military service. General Barbieri Cardoso, when introducing the bill, said that a permanent increase was necessary while the "war" in Africa demanded the presence of well over 100,000 men under arms.

22. In addition to establishing for the first time voluntary military service for both men and women, the proposed law broadens the concept of military service to include duties that may be assigned by the armed forces. Men are subject to recruitment into the armed services on the first day of the year of their eighteenth birthday and their military service obligation ceases on 31 December of the year of their forty-fifth birthday. In time of peace, men will be drafted into the armed forces only when they reach twenty-one years of age. However, under new regulations introduced in November 1967 (Decree Law 48,024, 4 November), persons over sixteen who are liable for military service may not leave the country without special permission.

23. Although the Government had originally intended to increase the active military service to three years, the present text, as proposed by the Corporative Chamber, provides that "the normal period" of active military service shall be for two years, including a training period and a period in the armed forces. However, the various branches of the armed forces may, as circumstances require, prolong the period of service of any individual, and, when assigned to units of the armed forces stationed overseas, such service shall be for at least two years irrespective of the period already completed in training and otherwise. This provision apparently seeks to ensure that once men are recruited into the armed forces in fulfilment of their military service obligation they can be counted on for at least two years of active duty in the overseas Territories.

24. Women and persons who do not qualify for military service may voluntarily enlist in the armed forces in various capacities, for instance, as secretaries, car drivers and in administrative jobs. Hitherto women have only been able to serve as nurses with the armed forces overseas. While the law exempts from military service persons convicted of crimes involving a major prison sentence, a provision is included so that in cases of emergency, they may be called upon by the armed forces to perform such jobs as may be necessary. A new type of "disciplinary military service" is introduced and is to be applied to certain categories of persons or offenders, including, for instance, persons who express ideas contrary to the existence and the security of the country or the political and social order established under the Constitution.

25. No system of exemption is envisaged for university students although there are special provisions to enable professional and technical workers to continue in their own fields in the overseas Territories. The fact that university students will be required to interrupt their advanced studies to fulfil their military service obligation was criticized both by the Corporative Chamber when it considered the draft bill in 1967, and recently by several of the deputies in the National Assembly. The main concern is that, since many students do not go on to complete their doctorate once their studies have been interrupted, the new military service law will substantially reduce the number of available university teachers and, in the long run, seriously affect the country's development effort. In spite of these criticisms, the Government has not modified the relevant provisions in the proposed

bill which is expected to be approved. General Cardoso is reported to have said that the moral effect of the proposed legislation will be excellent, as no one will be able to complain that "the war exists for many but not for all".

26. Expansion and reorganization of the Portuguese navy. As reported previously (A/6700/Add.3, chapter V, para. 32), in 1964 Portugal began to modernize and expand its Navy. Continuing this process, in 1967 the Navy was reorganized (Decree-Law 47,815, 26 July 1967). Naval commands based on land are divided into four separate categories with responsibilities for ocean areas, naval regions, naval territorial defence of the overseas Territories and the naval defence of ports. The commands of naval regions and their respective headquarters are as follows: Continental Portugal (with its headquarters at Lisbon); the Azores (Ponta Delgada); Angola (Luanda); Mozambique (Lourenço Marques); Cape Verde (Mindelo); and Goa (Goa). Naval territorial defence commands are established for Madeira, Guinea, called Portuguese Guinea, São Tomé and Príncipe, Macau and Timor.

27. During 1967, Portugal took delivery of the first of the four frigates being built in France,^{m/} the Commander João Belo, and the first of the three escort destroyers under construction at the Lisnave shipyard in Portugal with United States aid under a bilateral agreement. The new destroyer, Gago Coutinho, has a 1,900-ton displacement, 20,000 horsepower, a 25-knot speed and a cruising range of 5,000 miles. Its full complement comprises eleven officers and 160 men. It is armed with rapid firing guns as well as rocket and torpedo firing equipment.

28. In December 1967, Portugal placed an order for four patrol boats of the "Cachine" class, i.e., ships of about 250 tons. The total cost will be about 107.4 million escudos. These are to be built at Mondego shipyard and are to be delivered in 1970 for use in the overseas Territories. Since 1961, new ships built at the Mondego shipyard include eleven patrol launches (lanchas de fiscalizacão), forty-one landing crafts of various types, including some of over 500 tons for military cars, and one navy patrol ship, the Boa Vista.

29. Portugal's Navy also includes two destroyer escorts first lent to it by the United States under the Act of 5 August 1953 (67 Stat 363) and since then extended under United States Public Law 90-224 of the 90th Congress H.R. 6167 of 26 December 1967.

^{m/} As reported previously (A/6700/Add.3, chapter V, para. 32), four frigates and four submarines are being built in France for the Portuguese Navy.

30. Military expenditure. Portugal's budget for 1968 again gives priority to defence and economic development. According to a Portuguese source, defence allocations in the 1968 budget estimates total 7,790 million escudos.^{n/} It is, however, also reported that real defence expenditures amount to more than 10,000 million escudos this year, or 40 per cent of all public spending, according to a recent authoritative military report that has not been published. One of the main difficulties in obtaining an accurate figure for defence allocations in the budget is due to the separation of what are considered to be "extraordinary" defence expenditures and other allocations for defence which come under the administrative budgets of the different ministries. Another difficulty is that the initial allocation is always increased during the year, and in recent years, the actual defence allocations have sometimes almost doubled by the end of the financial year.

31. Portugal's 1968 budget estimates the total revenue at 22,337 million escudos, of which 16,915.7 million escudos is ordinary revenue. Total expenditure is budgeted at 22,335 million escudos leaving a surplus of 2 million escudos.

32. The following table shows the growth of Portugal's total defence budget and the allocations for Extraordinary Overseas Forces, compared with the ordinary government administrative budget.

Table 1

Portugal's military budget 1962-1967

Year	Extraordinary Overseas Forces	Total Defence allocations	Total ordinary budget
	(million escudos)		
1962	3,296.0	5,696.0	8,237.7
1963	3,416.2	5,844.7	9,034.9
1964	3,601.4	6,548.1	9,596.2
1965	4,188.0	7,259.2	10,712.1
1966	4,370.0	6,280.0	11,026.5
1967	5,254.0	7,854.0	12,605.4

Sources: Portugal, Ministère des Finances. Projet de loi d'autorisation des recettes et des dépenses pour 1966, Lisbon, 1967, table 14; ibid., 1967, table 10, and Rapport sur le Budget Général de l'Etat pour 1967, p. 75; and Diário do Governo, 1st Series, 26 December 1967.

n/ One escudo = \$US0.35; \$US1.00 = 28.5 escudos.

33. Government statements draw attention to the fact that, in spite of the heavy burden of overseas defence costs, 1967 had one of the best financial records in recent years, and that the 1968 budget provides for a greater increase in expenditure on development projects than on defence. While this is true, a more detailed analysis of the information (table 2) shows that, since 1966, expenditure under the ordinary budget has risen 23 per cent, expenditure on development by 32 per cent and on defence by 40 per cent, thus showing that defence expenditures have been rising more sharply than any other sector of the budget.

Table 2
Budgetary estimates for extraordinary expenditures
1962-1968
(Million escudos)

Year	Ordinary expenditure	Extraordinary expenditure			Total
		Defence and security	Development Plan	Other	
1962	8,237.7	2,197.4	1,371.1	653.6	4,222.1
1963	9,034.9	2,593.4	1,897.5	624.3	5,115.2
1964	9,596.2	2,609.3	2,021.0	556.6	5,186.9
1965	10,712.1	3,527.0	2,389.2	111.0	6,027.2
1966	11,026.5	4,011.0	2,203.3	169.5	6,383.8
1967	12,605.4	5,347.0	2,145.4	106.5	7,598.9
1968	13,663.6	5,613.0	2,920.9	137.4	8,671.3

Source: Portugal, Ministère des Finances, Rapport sur le Budget Général de l'Etat pour 1967, Lisbonne, 1967, page 43.

34. An examination of the estimates of ordinary and extraordinary revenue also suggests several reasons why there is now growing concern in Portugal over the need to stimulate economic growth and to attract foreign investments. It will be recalled that Brigadier General Arriaga said in 1966 that annual military expenditures were already costing the nation about 6.6 per cent of the gross national product and that in terms of absolute expenditure of 6,000 million escudos,

defence costs amounted to a contribution of some 700 escudos per capita (A/6700/Add.3, chapter V, para. 35). Recent estimates, however, put the defence expenditures at a cost of 8 per cent of the gross national product. It is therefore evident that for Portugal a long term war can only be supported by continued economic growth, especially since there appears to be little room left to increase revenues through taxation.

35. The 1968 budget shows that although ordinary revenue is expected to increase, most of the increases are small; the only real gains are expected from increased import duties and the new transactions tax introduced last year. Also significant is the fact that the 1968 estimated revenue is no higher than the ordinary revenue actually collected in 1966. The budget report therefore warns that, unless actual revenue for the year exceeds the estimates, it will not be possible to cover the costs of defence when the accounts are finally balanced, because, as noted above, defence expenditures inevitably exceed the original estimates by a substantial amount.

36. As seen in table 3, for the first time the surplus from the ordinary budget will finance 37.5 per cent of the extraordinary revenue. Although external loans will again contribute more than 1,000 million escudos in 1968, only about 45 per cent of the extraordinary revenue will come from borrowing, compared with 50 per cent in the two previous years. These figures suggest that normal government services are being cut to a minimum in order to pay for military expenditures.

Table 3Sources of estimated extraordinary revenue
(million escudos)

	<u>1966</u>	<u>1967</u>	<u>1968</u>
To total extraordinary revenue	6,383.8	7,598.9	8,671.3
Selected items of extraordinary revenue			
Money coining	78.5	162.5	220.0
Overseas defence tax	100.0	100.0	100.0
Internal loans	1,901.1	3,120.4	2,566.1
Development bonds (internal)	232.0	432.0	250.0
External loans	1,058.5	220.0	1,007.1
Surplus from ordinary budget	1,791.0	2,354.0	3,250.0

37. The above table also shows the importance of internal and external loans to Portugal's defence efforts. It may be noted that as a result of the combined heavy defence expenditures and extra investments under the development plans, Portugal's public debt has been rising at a faster rate than ordinary revenue. During the period 1961-1966, while ordinary revenue rose by 41 per cent from from 14,000 million escudos to almost 20,000 million escudos, the public debt rose from 19,000 million escudos to 34,000 million escudos, an increase of almost 80 per cent. At the same time, public debt servicing charges have risen from 8.1 to 13.8 per cent of the annual ordinary budgetary expenditure. Portuguese government spokesmen, however, have played-down the importance of the rising public debt and they point out that since 1965, the annual rate of increase in public debt has declined and amortizations have been stepped up.

38. In 1966, Portugal's foreign debt amounted to 6,038 million escudos compared with 510 million in 1961.

Economic relations of the overseas Territories with Portugal

39. Escudo zone balance of payments with foreign countries. In 1966, the escudo zone had a balance of payments surplus of 3,912 million escudos, compared with 1,965 million escudos in 1965. Most of the 1966 surplus was due to transactions on current account to which foreign travel contributed 2,778 million escudos and private transfers 1,444 million escudos. On capital account, the surplus was about 15 per cent lower than in 1965.

Table 4

International balance of payments of the escudo zone
(million escudos)

	<u>Portugal</u>		<u>Overseas Territories</u>		<u>Escudo Zone</u>	
	<u>1965</u>	<u>1966</u>	<u>1965</u>	<u>1966</u>	<u>1965</u>	<u>1966</u>
Trade	- 8,526	- 9,345	- 781	- 1,464	- 9,307	- 10,809
Invisibles	+ 4,918	+ 8,683	+ 3,398	+ 3,714	+ 8,316	+ 12,397
Total current and transactions	- 3,608	- 662	+ 2,617	+ 2,250	- 991	+ 2,588
Capital transactions	+ 3,061	+ 2,644	- 163	206	+ 2,898	+ 2,438
Totals	- 547	+ 1,972	+ 2,454	+ 2,044	+ 1,907	+ 4,016
Errors and omissions					+ 62	- 116
GRAND TOTAL					+ 1,969	+ 3,912

Source: Bank of Portugal: Report of the Board of Directors, Statement of the Audit Council for the year 1966, Lisbon, 1967, pp. 137-149. Data for 1965 are "revised figures".

40. Angola and Mozambique are mainly responsible for the surplus balance of the overseas Territories with foreign countries: for Angola, the surplus balance was 1,295 million escudos in 1965 and 1,104 million escudos in 1966; for Mozambique, the surpluses were 1,384 and 1,186 million escudos for the same years. Of the other Territories, São Tomé and Príncipe and Timor both usually have small surpluses, while Macau and Guinea, called Portuguese Guinea, regularly have deficits. Cape Verde had a deficit in 1965 of 18 million escudos but in 1966, it had a small surplus of 5 million escudos.

41. Balance of payments between Portugal and the Territories. An analysis of the balance of payments between Portugal and the Territories shows that in recent years, there has been a surplus in favour of Portugal in visible trade and a deficit in capital transactions. According to a Portuguese source, the deficit in capital transactions is due to the following reasons: (a) part of the income derived from overseas exports accumulates in Portugal and is not being transferred to the Territories; at the same time because of the special arrangements (e.g., for sugar and cotton), prices paid for imports from the Territories are higher than normal; (b) the largest portion of income on capital invested in Portugal by residents in the overseas Territories is not transferred back to the Territories but is held in Portugal; and (c) the item "transfers of capital" includes capital exports from the Territories.

42. Portugal trade relations with the overseas Territories. Since 1960, trade between Portugal and the overseas Territories has increased by about 75 per cent with an increasingly large trade balance in favour of Portugal (table 5), which has served to offset Portugal's own foreign trade deficit.

43. In 1966, the Territories took just under one quarter of Portugal's total exports and supplied about one-seventh of its imports. In terms of trade groups therefore, the overseas Territories are Portugal's best customer after the countries in the European Free Trade Association (EFTA). As suppliers of imports, in 1966, the Territories ranked third after countries in the European Economic Community (EEC) (which, in 1966, supplied about one-third of Portugal's imports) and the EFTA countries (which supplied about one-fifth).

Table 5

Portugal's trade with overseas Territories

(million escudos)

	<u>Imports</u>		<u>Exports</u>	
	<u>1965</u>	<u>1966</u>	<u>1965</u>	<u>1966</u>
Angola	2,060	2,401	2,343	2,218
Mozambique	1,327	1,291	1,356	1,538
Other	264	441	218	431
Total overseas Territories	3,651	3,910	4,140	4,187
Foreign	22,902	25,186	12,433	13,836
TOTAL (all trade)	26,553	29,096	16,573	18,023

44. The overseas Territories' trade is important to Portugal's economy because the Territories supply raw materials and are markets for Portugal's manufactured goods. Among the more important materials the Territories supply are cotton lint, raw sugar, oil seeds, tobacco, sisal and coffee. Of Portugal's exports to the Territories, textiles make up 28 per cent of the total volume, followed by food and beverages (16 per cent of the total of which a large part is wine), electrical metal and plastic goods, chemicals and machinery. Trade statistics show that in 1966, Portugal's export earnings in the textile sector, after deducting the cost of cotton imports amounted to over 500 million escudos.

45. Economic integration and industrial development. During 1967, a number of articles appeared in the Portuguese language papers criticizing the unsatisfactory way in which the Government was attempting to bring about economic integration of the so-called escudo zone. While most of the criticism has centred on the system of interterritorial payments which has resulted in long delays in transfers of funds from the Territories to Portugal (see the report on Angola in annex II below), proposals have been made for an over-all review of the Government's whole programme of economic integration.

46. The strongest and most comprehensive statement was contained in the conclusions of the "Round Table Discussions on Industry" which were held in Angola in December last year. This conference was organized by the Industrial Association of Angola and was attended by a number of important government officials and industrialists, including the Provincial Secretary for the Economy, Dr. Costa Oliveira; the former Governor-General of Angola, Dr. Augusto de Sá Viana Rebelo, currently the President of the Corporation of Industries; the vice-president of the Industrial Association of Mozambique; and the director of the Portuguese Industrial Association.

47. In its closing statement, the Round Table unanimously declared its support for and acceptance of the goal of economic integration of the Portuguese Realm, but noted that during the past six years the measures envisaged in the basic decree-law of 1961 (Decree No. 44,016) had not been put into effect according to the established programme, and the effects so far had not contributed to the economic development of the Portuguese Realm. Some of the difficulties arose from the disparities in the economic conditions and development of the separate "national" Territories, but there had also been administrative difficulties. The Round Table therefore called for a revision of the existing provisions and the establishment of a more realistic and objective programme. Since these recommendations highlight the failure of Portugal's policy of economic integration and point the way to future measures, some of the details are given below.

48. In particular, the Round Table suggested that the Portuguese Government, in consultation with private interests, should establish guide lines for industrial development in all parts of the "national" Territory, especially to avoid duplication of investments, and to take advantage of the best conditions as regards the availability of raw materials markets, energy sources and manpower. It also called on the Government to make extensive revisions in the present policy which exempts from duty imports of primary materials and equipment, to create sources of long and medium term credit, to establish tax exemptions for new industries and to remove double taxation between the Territories and Portugal.

49. On the question of interterritorial payments, the Round Table noted that existing measures had failed to ensure punctual liquidation of transactions, but instead had resulted in: (a) prejudicial conditions to economic activities in

the Territories and put many families in financial difficulties; (b) a discrimination in favour of foreign trade which had adversely affected investments in the Territories and the expansion of interterritorial trade; (c) high charges on currency transfers which narrowed the margin of profits from interterritorial trading and reduced the ability of domestic industries to compete in foreign markets. The Round Table also urged the Government to take urgent action to permit Territories to introduce provisional customs duties on imports so as to protect their own new industries, without prejudice, however, to the normal preferences in favour of goods of national origin.

50. As noted last year (A/6700/Add.3), economic development in Portugal and in the Territories has been hampered by the lack of capital. Various efforts are being made to improve the domestic capital market and to attract foreign investments.

51. In May 1967, on the request of the Portuguese Industrial Association, the Business and Industrial Advisory Committee (BIAC) of the United States set up a group of experts on the investment possibilities in Portugal. In particular, the group of experts was asked to examine the current situation in Portugal as regards the legislative and administrative provisions likely to have an effect on the possibilities for foreign private investment and to formulate recommendations likely to stimulate such investment. The BIAC report on private investment opportunities suggests various measures to be taken by the Government to introduce a favourable atmosphere for foreign investments,^{o/} including the removal of certain government restrictions under the condicionamento industrial legislation, the establishment of a domestic capital market and the training of technical and specialized manpower.

52. In August 1967, the Government introduced some measures to "normalize" the domestic monetary market. These included new interest rates for bank operations and the authorization of a new series of development bonds to raise 400 million escudos. In December 1967, Portugal raised another loan of \$US12 million by private sale through Dillon Read and Company Incorporated.

^{o/} In 1967, the Banco Português do Atlântico put out a special handbook under the title Foreign Investor in Portugal. Among other things, this handbook described the procedures for establishing a company in Portugal, regulations on external transactions, the Portuguese tax system, the labour situation in Portugal and investment incentives.

53. Third National Development Plan, 1968-1973. A number of articles in the Press have drawn attention to Portugal's ambitious Third National Development Plan for 1968-1973 which includes individual plans for each of the Territories. The Plan has been in preparation for the past two years by planning and study groups in metropolitan Portugal and by specially established commissions on economic planning and integration in the Territories.

54. The stated objectives of the Plan are the acceleration of the rate of growth of the gross national product; a more equitable distribution of income; and the progressive correction of the disequilibrium in development between different regions. The investment targets are reported to have been drawn up in harmony with the requirements for "the defence of the territorial integrity of the Nation"; maintenance of internal financial stability and external solvency; the "equilibrium" of the labour market and the gradual adaptation of the Portuguese economy to new economic groups. In adopting the investment targets in the Plan, the Government statement notes that if, on the one hand, it was essential to ensure the success of the defence effort, it was also irrefutable that economic development was the best foundation for sustaining the defence effort necessary for the nation's survival.

55. The Plan envisages total investments amounting to 167,530 million escudos (\$US5,590 million), of which 44,500 million escudos (\$US1,590 million) or about 25 per cent of the total will be for the seven Overseas Territories. As seen from the following table, Angola and Mozambique together account for over 91 per cent of the total investments in the Overseas Territories.

Table 6

Third National Development Plan, 1968-1973

Investment targets by Territory

Territory	Investments 1968-1973	
	Amount (million escudos)	Percentage of total for all Territories
Total all Territories	44,480.0	100.0
Cape Verde	488.2	2.2
Guinea, called Portuguese Guinea	1,259.3	2.8
São Tomé and Príncipe	637.5	1.4
Angola	25,045.0	56.2
Mozambique	15,555.7	35.2
Macau	423.8	1.0
Timor	560.5	1.2

56. Although the development plan for each Territory is said to have been worked out in the context of the economy of the Portuguese Realm as a whole, the objectives to

be attained and the main sectors of investment vary from Territory to Territory. For Angola, the investments under the Third National Development Plan aim at raising the rate of growth of the Territory's national product to an average of 7 per cent per annum. In recent years, Angola's rate of growth has not exceeded 5 per cent per annum. The largest investments are concentrated in agriculture, fisheries, extractive and transforming industries, priority being given to activities which will contribute to the solution of the Territory's balance-of-payments problem with Portugal. (The distribution of investments by sector in each Territory is given in table 7A.)

57. For Mozambique, the target is to raise the rate of growth of the Territory's gross national products to 7.1 per cent per annum, compared with an estimated annual growth of 6.5 per cent over the period 1953-1962 for the monetary sector alone. (If the non-monetary sector is taken into account, the rate of growth would be lower.) To achieve the envisaged rate of growth in Mozambique, the Plan calls for changes in the Territory's fiscal policy in order to stimulate fixed capital formation and a review of expenditures on public service, taking into account their productivity. The largest investments are concerned with increasing both production and productivity in the agriculture, silviculture and livestock sectors as well as in related transforming industries.

58. For the other Territories, because of the smallness of their economies, the limited range of their productivity and their dependence on external factors, it was not possible to construct models for their economic growth. The investments envisaged in these Territories are based on the resources available and a balance of their various requirements. In Cape Verde because of the rapid population increase, the only numerical target for the Territory is expressed in terms of the number of new jobs that are to be created in the next six years. In Guinea, called Portuguese Guinea, the goal is social progress and the integration of the subsistence sector in the monetary economy. In São Tomé and Príncipe, the goal is to bring about a more balanced economic structure through the participation of all the population in the production sectors of the Territories.

59. Detailed information on the financing of the investments in each of the Territories is shown in table 7B below. Total foreign capital included amounts to 15,353.5 million escudos or about \$US550 million. In terms of the total investments in the Territories, foreign investments account for about 35 per cent, limited to four Territories as follows: 42.7 per cent in Angola; 26 per cent in Mozambique; 31.3 per cent in Guinea, called Portuguese Guinea; and 22.8 per cent in Cape Verde. Nearly all the foreign investment in Angola is concentrated in the mining sector.

Table 7A

THIRD NATIONAL DEVELOPMENT PLAN 1968-1973
Investment targets for the Overseas Territories
(million escudos)

<u>Sectors</u>	<u>Cape Verde</u>	<u>Guinea called Portuguese Guinea</u>	<u>São Tomé and Príncipe</u>	<u>Angola</u>	<u>Mozambique</u>	<u>Macau</u>	<u>Timor</u>	<u>Totals</u>
I Agriculture	84.2	86.6	186.9	2,260.5	2,323.3	4.8	111.0	5,057.3
II Fisheries	246.7	24.5	21.9	529.0	-	-	14.1	1,836.2
III Industries	17.0	508.8	122.5	14,960.1	5,502.5	30.6	63.6	21,205.1
Extractive	10.0	407.8	72.5	11,599.5	130.5	-	25.0	12,245.3
Transforming	7.0	101.0	50.0	3,360.6	5,372.0	30.6	38.6	8,959.6
IV Rural improvements	-	-	-	-	115.7	-	-	115.7
V Energy	37.0	40.9	-	1,389.5	640.4	147.9	12.0	2,267.7
VI Trade	3.4	7.5	20.2	139.3	103.3	-	6.9	280.6
VII Transport and communications	335.0	349.0	177.8	3,626.1	5,428.6	45.8	181.8	10,144.2
VIII Housing	120.5	95.8	17.3	205.1	-	149.7	65.4	653.8
IX Tourism	7.8	10.0	2.4	113.0	20.0	28.0	14.6	195.8
X Education and research	76.6	74.6	71.5	1,390.9	1,009.4	9.9	66.6	2,699.5
XI Health	60.0	61.6	17.0	431.4	412.5	16.1	24.5	1,023.1
TOTAL	988.2	1,259.3	637.5	25,045.0	15,555.7	432.8	560.5	44,479.0

Table 7B

THIRD NATIONAL DEVELOPMENT PLAN 1968-1973

Source of investments in the Overseas Territories
(million escudos)

Sources	Cape Verde	Guinea called <u>Portuguese Guinea</u>	São Tomé and Príncipe		Angola	Mozambique	Macao	Timor	Totals
I National sources	762.7	865.3	637.5	14,361.0	11,505.7	432.8	560.5	29,125.5	
1. Government	758.7	808.8	370.8	7,791.7	5,645.7	166.5	538.7	16,080.9	
Central	758.7	808.8	370.8	2,000.0	2,240.0	-	538.7	6,717.0	
Territorial	-	P.M. a/	-	5,791.7	2,780.7	139.9	=	8,712.3	
Local	-	-	-	-	-	8.6	-	8.6	
Autonomous bodies	-	-	-	-	-	18.0	-	18.0	
Loans	-	-	-	-	300.0	-	-	300.0	
Beira Railway	-	-	-	-	325.0	-	-	325.0	
2. Credit institutions	-	-	-	480.0	100.0	-	-	580.0	
3. Private companies	4.0	56.5	266.7	6,089.3	5,760.0	266.3	21.8	12,464.6	
Self financing	4.0	56.5	266.7	5,189.3	5,210.0	266.3	21.8	11,014.6	
Share capital	-	-	-	900.0	560.0	-	-	1,450.0	
II External (foreign)	225.5	394.0	-	10,684.0	4,050.0	-	-	15,353.5	
TOTAL	988.2	1,259.3	637.5	25,045.0	15,555.7	432.8	560.5	44,479.0	

a/ Small amount. This accounts for a slight difference in the total in the last column.

tional relations of Portugal affecting the Territories under its
tration p/

relations with South Africa. During 1967, Portugal's relations with South were strengthened through a series of exchange visits of government ls, including the Ministers for Defence, and the signing of a new agreement development of the Cabora Bassa hydroelectric scheme on the Zambesi River in Mozambique. According to the Foreign Minister of Portugal, Mr. Franco Nogueira, this agreement, together with that relating to the joint development of the Cunene River (see A/6000/Rev.1, chapter V, para. 66 to 68) were just "the prelude of a closer and more perfect co-operation between Portugal and South Africa which in turn will result in an increase of trade."

61. In a press conference held on 30 August 1967, Mr. Nogueira developed the theme that the southern part of Africa constituted a separate area distinct from the rest of the continent and that in this region, in spite of their many differences, for instance, in religious outlook, the form of government and the approach to relations with Africans, Portugal and South Africa not only had many interests and problems in common, but also shared the same system of values and were both equally determined to defend these values. In calling for closer co-operation in southern Africa, Mr. Nogueira stressed that for Portugal, "which is African for many reasons," this was not only its duty but in its own interest.

62. As reported previously, under an agreement signed in 1964, South Africa will provide R.2.5 million^{q/} towards the cost of a dam on the Cunene River and, in return, South West Africa will have the use of the hydroelectric power generated for an irrigation scheme. In May 1967, a further agreement was worked out between the two Governments, which provides for the establishment of a South African

p/ Information concerning the specialized agencies and other international institutions is not included here because General Assembly resolution 2311 (XXII) of 14 December 1967 calls for separate consideration of the question of the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations.

q/ One rand = \$US1.40.

pumping station on the Cunene at Eriksondriff and a hydroelectric generating station at the Ruacaná Falls. In return, South Africa has undertaken to purchase annually 90 million kwh from the Portuguese station at Matala, to help in the financing of that station, and to construct a dam for regulating the river. Later in August, a six-man delegation from South Africa visited Portugal for discussions on technical details.

63. During July, an eleven-man team of Portuguese experts visited Johannesburg and Pretoria to help work out an agreement for South Africa's purchase of electricity from the projected Cabora Bassa dam, which is expected to cost \$US70 million. Under this new agreement, South Africa has agreed to buy 1,000 megawatts a year from 1974, increasing to 1,700 megawatts in 1980.^{r/}

64. As Mr. Nogueira noted, these formal agreements between Portugal and South Africa for the joint economic development of hydroelectric projects in Angola and Mozambique are expected to lead to closer trade and other relations as well. South Africa's Minister of Economic Affairs, Mr. J.F.W. Haak, is also on record as expressing the view that there is a great need for closer economic co-operation in southern Africa and it is already growing. South Africa's exports to Mozambique in 1965, for instance, had amounted to just over R.13 million and South Africa already supplies approximately 25 per cent of Mozambique's iron and steel requirements. South Africa's trade with Angola is also increasing. On the question of South Africa's role in electric power generation, Mr. Haak said that in June 1967, the Government's policy was to accept surplus energy into its own power grid, thus guaranteeing by the provision of an immediate market, the economy of operation at power stations which could be designed and built for maximum capacity.

65. The growing economic ties between the Territories under Portuguese administration and the other countries in southern Africa have led to various speculations about the possibilities of establishing an economic community and about the existence of defence agreements. In November 1967, the president of the Johannesburg Chamber of Commerce suggested in a public speech that a common market

^{r/} For further details on the Cabora Bassa dam see report on Mozambique in annex III below.

should be established in southern Africa comprising Malawi, Southern Rhodesia, Angola, Mozambique, Botswana, Lesotho, Swaziland, South West Africa and South Africa. He noted that the area represented by these countries would be about half the size of the United States of America and would have comparable mineral deposits and energy resources.^{s/}

66. Various reports during 1967 have suggested that Portugal and South Africa are also developing closer co-operation on defence matters. In April, for instance, South African Defence Minister Piet Botha met with the Portuguese Defence Minister General Gomes de Araújo. On that occasion, General Araújo was quoted in the Press as saying that the visit of the South African Defence Minister "should facilitate the reinforcement of indispensable co-operation on essential and opportune matters between our two nations." Mr. Botha was reported to have said that he was fully aware of South Africa's long and unprotected frontiers, and that South Africa's task had been "greatly facilitated by the strength and resolution of its Portuguese neighbours in Angola and Mozambique." South Africa's opposition leader, Sir de Villiers Graaf, has also stressed the importance of Angola to his country. He is reported to have said that, "While Angola is controlled by Portugal, it offers South Africa a completely safe border and a buffer state against the disorder and chaos in the rest of Africa."

67. Portuguese and South African government officials have repeatedly denied the existence of any defence agreement between their two countries. In August, Prime Minister Vorster was quoted as saying that, in fact, no such defence agreements existed because "they were not necessary," as the countries concerned "were good friends and, as such, were aware of their duties to each other."

68. The latest addition to press reports on this question comes from The Times, London. On 12 March, it devoted an entire article of a news team inquiry to various reports on the steps secretly being taken by Portugal, Southern Rhodesia and South Africa in the forging of a triple alliance.

69. Relations with other countries in southern Africa. Apart from South Africa, Portugal's relations with other countries in southern Africa are based

s/ The recent discoveries of large petroleum deposits in Angola (see annex II below) have also added to the interest in a common market.

on the important position of Mozambique through which their transit trade passes. Southern Rhodesia, in particular, has extensive economic relations with Mozambique (see A/6300/Rev.1, chapter V, (part II), annex, appendix V).

70. On the question of the United Nations sanctions against Southern Rhodesia,^{t/} as reported last year, (A/6700/Add.3, chapter V, para. 266) Portugal takes an attitude officially described as one of strict neutrality: it has not considered itself obliged to take part in the sanctions or to deny the right of transit for Southern Rhodesia's external trade. Nevertheless, in 1967, first in February (S/7735) and then in September (S/8188) and in March 1968 (S/8481), the Minister for Foreign Affairs of Portugal has addressed letters to the President of the Security Council requesting compensation for financial and economic consequence of "the imposed sanctions."

71. In the letter of February 1967, the Portuguese Government estimated Mozambique losses in foreign exchange earnings in 1966 at just under £10 million, In September the Minister for Foreign Affairs of Portugal claimed that the total losses suffered by Mozambique between January and August 1967 amounted to over £5 million, and in the latest letter, that the additional losses from September 1967 amounted to £2,141,194 at the rate of 80 Portuguese escudos to a pound.

72. The official Portuguese figures of the losses suffered by Mozambique between January and August and between September and December 1967 are set out below.

Losses suffered by Mozambique

January-August 1967

September-December 1967

	<u>Amount</u>	<u>Average loss per month</u>	<u>Amount</u>	<u>Average loss per month</u>
		(pounds sterling)		
Port of Lourenço Marques	411,957	51,500	302,846	75,700
Port of Beira	778,150	98,000	397,612	100,000
Limpopo Railway Line	1,528,000	190,000	566,310	144,000
Beira Railway Line	2,568,922	321,000	874,426	218,100

^{t/} See also A/7200/Add.1, annex, paragraphs 105 and 106.

73. Although Portugal has not officially recognized the illegal régime in Southern Rhodesia, there is a representative of the régime in Lisbon. As in the case of South Africa, there has been considerable speculation in the English Press as to whether Portugal and Southern Rhodesia have common defence arrangements. Statements by officials in both Territories show that, "in sentiment" at least, there is a close and warm relationship. For example, the so-called Rhodesian Minister of Education, speaking in August 1967, commenting on relations between the two countries said that, "Events subsequent to our declaration of independence nearly two years ago have brought us even closer together, and we shall always be gratified for the staunch support we have received from our Portuguese neighbours in Angola and Mozambique in our struggle." He went on to say that not only were the Portuguese "the first Europeans" to come to Africa, but he would like to add the wish that "together with the South African and Rhodesian friends, they will never leave it."

ANNEX II*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

ANGOLA

Working paper prepared by the Secretariat

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GOVERNMENT AND ADMINISTRATION.

Constitutional and political

1. There were no constitutional or legislative changes in 1967 affecting the system of government and administration of the Territory.
2. With a view to strengthening the political ties of the Territories with Portugal, it has now become a normal administrative practice for the Overseas Minister to visit Angola and Mozambique once a year. During his two-week stay in the Territory in late May 1967, the Overseas Minister, Mr. Silva Cunha, held working sessions with the local government officials, visited different parts of the Territory and met with various important local individuals and interests. As he said in a statement before his return to Lisbon, his visit had enabled him to hear personally about local problems and anxieties, to examine at first hand the work of the territorial administration, to correct any inadequacies, to initiate action towards finding solutions to pending problems, and even to resolve some of them.
3. The Overseas Minister considered that the most important problems affecting the Territory were: (a) the question of monetary transfers between Angola and Portugal, which also had serious consequences in the business sector in the metropole; (b) the local system of taxation; (c) the shortage of public service staff, especially in the technical branches; (d) public service conditions; (e) the infra-structural needs of the Territory, more particularly means of communication, electric power and the improvement of living conditions in urban centres (agregados populacionais); and (f) the elimination of obstacles to the full economic integration of the Portuguese realm.
4. The measures taken to deal with these problems and the progress made are included in the relevant sections below.
5. In spite of the reform of the Overseas Organic Law of 1963 and the promise that there would be "greater representation in the local organs; more power for these organs in the sphere of local administration; greater intervention of the provinces in the direction of national policy", there has been little change in the territorial administration, and authority remains vested in the Overseas Minister.

Whether there is to be any further decentralization will probably only be known after the completion of the draft of the new Administrative Reform which has been in preparation for several years.

6. In Angola, Governor-General Rebocho Vaz took steps during the year to delegate some of his authority to the other Provincial Secretaries who head important government departments and in theory correspond in responsibility to cabinet ministers in the central Government. To the Secretary-General of Angola who is the Provincial Secretary in charge of the political and civil administration of the Territory, he delegated his disciplinary authority over the public service, and responsibility for the administration of the Public Security Police (PSP), the PIDE (intelligence police) and the Provincial Organization of Volunteers and Civil Defence. He also delegated administrative authority over various other matters to the Provincial Secretaries.

7. A number of events during the year revealed a growing dissatisfaction among the economic interests in Angola concerning their ineffective participation in the Legislative Council in matters affecting their activities.

8. At the last session of the 1967 Legislative Council, which took place in October, several representatives complained that the Council was more by-passed than consulted, and that measures had been taken by the Governor-General without fully consulting the interests of the industrial and commercial sectors. Coincidentally, in October, for the first time also, the government-controlled Press published detailed accounts of the discussions; there appears to have been complaints that the Government was deliberately keeping from the public statements made by duly elected representatives.

9. Under the present system,^{a/} the Legislative Council only sits for two ordinary sessions of thirty days duration each. These sessions may be extended by the Governor-General, but the total duration may not exceed three months. As a result, the Legislative Council cannot exercise real legislative authority and cannot even be consulted on most of the legislation which the Governor-General may wish to enact. The October discussions showed that representatives in the Legislative Council also felt that to some extent their role was being usurped by

a/ Official Records of the General Assembly, Nineteenth Session, Annex No. 8 (Part I) (A/5800/Rev.1), chapter V, paras. 31-34.

the Economic and Social Council which comprises a majority of government officials and which the Governor-General must consult in the exercise of his legislative functions (A/5800/Rev.1, chapter V, paras. 41-45). There were specific complaints, for instance, that the Legislative Council had not been able to discuss the report of the Territory's 1966 accounts, nor had it been consulted on the final text of the Third National Development Plan which was to come into effect in 1968.

10. The Governor-General subsequently submitted the Third Development Plan and the 1968 budget estimate to the Legislative Council for its observations. The Plan and the budget were both approved. The Governor-General also announced that, in 1968, he intended to ask the Legislative Council to meet for three to four days a month so that it could have more time to deal with various problems.

11. The most heated discussions occurred concerning the fishing industry and the tax system. Dissatisfaction was voiced on behalf of the industry with the activities of the Fisheries Institute which had been set up by the central Government in 1960 and which during one period apparently had been the cause of certain losses to the industry. The speeches of some members, very significantly, seemed to imply that the business and industrial interests found themselves not so much against the territorial Government but against the policy of the central Government in Lisbon. A brief account of the debate and the measures taken is given in the section on fisheries below.

Representation in the Overseas Council

12. Since the amendment of the Overseas Organic Law in 1963 (see A/5800/Rev.1, chapter V, para. 26), Angola has been represented in the Overseas Council by two members elected by the Legislative Council and an alternate member resident in Lisbon. One of the elected members was a former administrative inspector; General Venancio Deslandes, a former Governor-General of Angola, was the resident alternate.

13. Late in 1967, former Governor-General Deslandes became a full member, and Mr. Almeida Campos was elected by the Legislative Council as the alternate representative resident in Lisbon. Mr. Campos has lived in Angola for over thirty years, where he was engaged in business and was at one time the president of the Angola Farmers Association; his appointment gives Angola's business interests a stronger representation in the highest permanent consultative organ in the Government on matters relating to the Overseas Territories.

Elections to the Legislative Council

14. In December 1967, elections were held to the Legislative Council and to the Economic and Social Council.^{b/} Unlike the elections held in 1964, there was very little news in the Portuguese and local papers on the election results. The only information available is the percentage of the electorate voting and the names of those elected. Fifteen representatives to the Legislative Council were elected by direct suffrage. The total number of persons voting in the direct elections was reported as 84.84 per cent of the total number of voters which has been published. The other members of the Legislative Council and members of the Social and Economic Council were elected by various "organic" groups.

15. The percentage of electorate voting in indirect elections to the Legislative Council by the various organic groups was:

<u>Organic groups</u>	<u>Number of members elected</u>	<u>Percentage of electorate voting</u>	
		1964	1967
Taxpayers paying a minimum of 15,000 escudos in direct taxes	3	100	68
Economic interests	3	100	100
Workers' interests	3	100	96
Cultural and religious groups	3	81	93
Administrative bodies	4	96	98
Indigenous authorities of <u>regedorias</u>	3	100	100

Civil registration

16. Under the civil registration system, registration is obligatory for persons coming under Portuguese civil law, and it is one of the Government's stated objectives to register all inhabitants living in the regedorias, (see A/5800/Rev.1, chapter V, paras. 63-64). However, up to the present time, the civil registration

^{b/} For details on the 1964 election, the election system and the legislative organization in Angola, see A/5800/Rev.1, chapter V, paras. 30-45 and 112-115.

regulations in force in Angola are still those of 1908. A new Civil Registration Code was introduced in Portugal in 1967 (Decree-Law No. 47,678 of 5 May), but its extension to the Overseas Territories is still under study. Provisionally, however, some parts of the new Code have been extended to Angola in amended form. One of the provisions makes it possible for Africans (vizinhos de regedorias) with or without Portuguese nationality, to be registered with the Civil Registry in Angola without proof of parentage. This seems to be intended to facilitate the legal return of Angolans who have been living outside the Territory. According to a government statement, the full extension of the Civil Registration Code to Angola is expected to take sometime in view of the "complexity" of the subject.

MILITARY ACTIVITIES

17. Although, as reported above, since 1966 there has been less preoccupation in Angola with the military situation, in 1967 Portuguese armed forces bulletins reported military activities in nine out of the Territory's fifteen districts. The districts affected were Cabinda, Zaire, Uige, Luanda and Guanza-North in the north; Luanda, Moxico and Cuando-Cubango in the east, and the central district of Bié. Both official and other reports indicate that during the year guerrilla activities were less intense in the Cabinda enclave and the northern districts, while the eastern region of Angola bordering on Zambia became the main centre of military action.

18. In the Cabinda District, defence and security measures have been increased since the first discovery of petroleum deposits there. In 1967, estimates suggested that there were at least 5,000 troops stationed there, and, as reported below (see section on Mining), Portuguese authorities are committed to provide whatever military protection to the oil fields may be necessary. Portuguese sources claim that the new economic boom in Cabinda is attracting the return of numbers of Africans who left after 1961.

19. Although there were only occasional reports of military activities in Cabinda during 1967, renewed fighting broke out at the end of November. According to the reports of the Mouvement Populaire de Libération de L'Angola (MPLA) its forces clashed with Portuguese troops at the Lumbala military port and at various points on the coast of the enclave. In January and February 1968, a

Portuguese military bulletin acknowledged guerrilla activities in Cabinda at Tando-Zinze on the northern border of the district, at Chimbuande on the eastern border, at Sanga on the north-eastern border, and an attack on Portuguese military quarters at Sangamongo.

20. In June 1967, the Governor-General said in an interview published in the Portuguese Press, that except for the Dembos forest, peace had been restored in the whole area north of the line joining Ambriz with the Cuango River (where it intersects the eastern border) which had been affected by the 1961 uprising. It is reported that military garrisons are deployed along the main roads, for instance, the Carmona-Luanda road which is the main route of coffee shipments to the port of Luanda, and that the majority of the farms in the Dembos region are still in ruins. New roads are being built in this region as part of the Government's strategic policy. The actual work has been undertaken by the Territorial Roads Board with the assistance of the armed forces and Bailundo labour from the south. The Volunteer Corps helps keep guard on the coffee farms which have returned to normal activity. A Portuguese military official, the commander of the Carmona region, has been quoted as conceding that about 500,000 Africans escaped from the northern districts into the Democratic Republic of the Congo or went into hiding after 1961, but that of these, some 200,000 had since returned to Angola and had been settled in villages controlled by the armed forces.

21. In 1967, guerrilla activities increased in the eastern and south-eastern regions which became Angola's main "front". The two nationalist movements involved are reported to be the União Nacional para a Independencia Total de Angola (UNITA) and the MPLA. According to the Portuguese military communiqués, guerrilla activities have occurred at a number of points; over a widespread area from Henrique de Carvalho in the north-east in the Lunda District (where the Angola Diamond Company is located) to the Caprivi Strip, in the south, and as far inland as Munhanga-Cuamba in the Bié District which is about 700 kilometres from Zambia by road. As at March 1968, Portuguese military communiqués were reporting action at a number of points and fighting in the area of Serpa Pinto which is the capital of the Cuando Cubango District. According to newspaper reports, because of the frequent surprise attacks, nobody travels in this area unarmed or without an escort.

22. Portuguese policy has been to remove Africans living in the border regions to points further inside where they are resettled in easily defended villages. It is reported that each group of some twelve villages is put under the control of a military unit; each typical village comprises about fifty African men with their wives and children.

23. From December 1966 to December 1967, there were four derailments and traffic halts on the Benguela Railway. In April 1967, following a guerrilla attack on the railway at 30 kilometres from Teixeira de Sousa, the Portuguese Government issued a statement warning the Government of Zambia and the Democratic Republic of the Congo that their permanent use of the Benguela Railway could not be guaranteed if they refused to co-operate in keeping the line in service.

24. Allocations in the Territory's budget for national defence and the armed forces increased tenfold from 1961 to 1968. The 1968 budget allocates about 1,000 million escudos for defence, representing some 20 per cent of the total ordinary expenditure. The breakdown by the various services is not yet known. The following table shows defence budget allocations and actual expenditures in 1961:

Defence budget and expenditure

<u>Budget allocation</u> <u>(million escudos)</u>	<u>Actual expenditure</u> <u>(million escudos)</u>	<u>Percentage of total</u> <u>ordinary expenditure</u>
1961 208	204	10.79
1962 206	220	10.48
1963 357	405	11.69
1964 474	443	13.03
1965 474	616	15.29
1966 626	607	14.50
1967 782
1968 1,000

Sources: Banco de Angola, Relatório e Contas, 1961-1966; for 1967 and 1968, as reported in the Press.

25. In October 1967, the Commander-in-Chief in Angola, General Amadeu Soares Pereira, completed his term and was replaced by the Acting Commander-in-Chief, the Air Force General Almeida Viana. In January 1968, the Portuguese Government

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announced the appointment of the Army General Edmundo da Luz Cunha as the new Commander-in-Chief in Angola. General Edmundo da Luz Cunha had been Assistant Director of the Army's Department of Education.

26. The Portuguese forces in Angola include army, navy and air force personnel, marines and paratroopers. In the eastern region, apart from military bases at Luso and Gago Coutinho in Moxico District and an air base at Henrique de Carvalho in Lunda District, there are military posts deployed over Lunda, Moxico and Cuando-Cubango Districts. The marines have a base at Sazaire (Santo António do Zaire) on the Zaire river. At an air base at Negage in Uige District, 800 troops cultivate some 1,500 hectares. In 1967, following the discovery of the new oilfield by Cabinda Gulf Oil, a new command for naval defence of the ports was set up at the port of Cabinda. Apart from the areas where there are reported military activities, the available information indicates that Portuguese troops, in effect, have achieved a military occupation of the Territory which "safeguards it from any attempts that might be made to disturb public order".

27. The Governor-General, Mr. Rebocho Vaz, has repeatedly emphasized the importance of the rural re-grouping of Africans (see section on Settlement) and para-military activities to secure the defence of the Territory. In 1967, during his stay in Angola, the Overseas Minister issued special legislation formalizing the structure of the Provincial Organization of Volunteers and Civil Defence (OPVDC) in a statute.^{c/} The OPVDC is directed by a senior military officer, the provincial commander, who reports to the Governor-General. A Civil Defence Co-ordinating Committee advises the Governor-General; its membership includes the Secretary-General, the director of the OPVDC, a representative of the armed forces, the Commander-General of the Public Security Police, the Vice-Director of PIDE and the Director of the Servico de Centralizacão e Coordenacão de Informacões (Information Control Department). The OPVDC school (Escola Provincial de Voluntários e Defesa Civil) maintains training courses of civil defence instructors and volunteer commanders. Instructors are in charge of civil defence training courses for civilians throughout the Territory. Under the new statute of the OPVDC, the Servico Rural (Rural Guard) has been transferred to the jurisdiction of the Public Security Police.

^{c/} See A/6700/Add.3, chapter V, para. 118.

28. New Public Security Police posts established in 1967 include one each in the districts of Cuanza-North, Malanje and Luanda, two in Lunda District, two in Moxico District and three in Cuando Cubango District.

29. The budget estimates for 1968 allocate a total of 200 million escudos to the PIDE, the OPVDC and the Public Security Police.

ECONOMIC CONDITIONS

General

30. Although detailed figures for 1967 are not yet available, preliminary information indicates that, during the year, both coffee and mineral exports rose above the 1965-1966 level and total trade was estimated to have increased by 20 per cent.

31. In spite of the new incursions of guerrilla in the eastern region, Press reports generally give the impression that talk of the war no longer dominates conversation in Luanda and the new large iron ore and petroleum mining projects have brought an atmosphere of optimism and confidence for the Territory's economic future. This optimism has been re-inforced by figures published in 1967 showing that over the period 1961-1963, Angola's gross national product has been rising at the rate of about 4.5 per cent per annum. The new six-year Development Plan which envisages investments over the period amounting to 25,045 million escudos, with about 43 per cent foreign capital, is also considered a definite sign that Angola has regained the confidence of financial interests and has made a good start on a path of accelerated economic development.

32. However, as acknowledged by the Overseas Minister, the Territory has many serious problems (see above). In connexion with the problem of transfers of funds, although the judicial police and the secret police were ordered to put a stop to the illicit export of capital from the Territory in 1966, and legislation was introduced in 1967 to help to solve the exchange problem, the Angolan escudo was being sold on the black market at a price 20 per cent lower than the official rate.

33. There are also the problems of a rising cost of living and a shortage of long and medium term credit. These problems, which were already causing concern in 1966, became worse in 1967. Defence expenditures have increasingly become a burden and the new round of taxes introduced in 1967 was seriously criticized in the Legislative Council in October. The Governor-General has since given

notice that prices of petrol and gas oil will not be increased again in the near future, and the whole tax system is to be revised. Salaries of civil servants are also to be increased to meet the rising cost of living.

Balance of trade and payments

34. Final trade figures for 1966, with exports valued at 6,400 million escudos and imports at 6,002 million escudos, do not differ substantially from the preliminary reports cited last year (A/6700/Add.3, chapter V, para. 132).

35. The new figures show only a small adjustment downwards of the value of imports so that the surplus trade balance was 412 million escudos instead of 350 million escudos. On the basis of preliminary figures for the first nine months, it is expected that Angola's trade in 1967 will prove to have been about 20 per cent higher than in 1966, with a total value of about 15,000 million escudos. During 1967, imports continued in an upwards trend both in volume and in value. Although the volume of exports rose by almost 15 per cent over the previous corresponding period, due to a weakening in prices, the value of exports did not keep pace with the rising imports so that at the end of September, the Territory had a trade deficit of 531.9 million escudos, compared with a surplus of 258.6 million escudos in the same period in 1966. Since it seems likely that the remaining three months would not bring about a reversal in the trend, final trade figures for 1967 may show a trade deficit, the first since 1960. Nevertheless, because this deficit is related to the import of capital goods, government officials anticipate that the deficit will be more than reversed once development is under way.

36. In 1966, agricultural products accounted for 62.9 per cent of the value of the Territory's visible exports, compared with 64.4 per cent in 1965 and 66.4 per cent in 1964. This decline has been due mainly to the limitations on coffee production and exports. The contribution of the mineral and mining output to the Territory's exports rose from 19.2 per cent by value in 1965 to 20.0 per cent in 1966. Most of this increase was from diamonds since exports of petroleum products and iron ore continued the 1964 decline. According to preliminary figures for 1967, the value of coffee exports is expected to rise by 18 per cent to a new high of 3,600 million escudos; diamond exports are estimated at 1,200 million escudos and iron ore at about 200 million escudos.

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37. There was no major change in the direction of Angola's external trade. In the period 1963-1966, Angola's principal clients have been Portugal (taking an average of 33 per cent of Angola's exports), the United States of America (25 per cent), the Netherlands (13 per cent), and the Federal Republic of Germany (6 per cent).

38. Portugal continues as the principal supplier of Angola's imports. In the period 1963-1966, Portugal accounted for an average of 45 per cent of value of the Territory's imports. Other important suppliers were the Federal Republic of Germany (10 per cent), the United Kingdom of Great Britain and Northern Ireland (10 per cent), the United States (9 per cent) and France (some 4 per cent). Angola's imports are heavily concentrated on consumer goods manufactured in Portugal, and industrial equipment.

39. Angola's chronic exchange problem with Portugal is usually discussed in terms of its trade deficit with the Metropole. But in 1966, despite a favourable trade balance amounting to 183 million escudos, Angola's balance-of-payments deficit with Portugal was 614 million escudos, compared with 472 million escudos in the previous year when the trade deficit was 283 million escudos. Thus it becomes abundantly clear that Angola's balance-of-payment deficit with Portugal is due mainly to currency transfers out of the Territory.

40. In recent years various developments have aggravated the basic difficulties. Thus, as admitted by the Minister for Finance, Mr. Ulisses Cortes, in July 1967, an important factor was the Territory's development needs which had resulted in a large volume of capital invested in the Territory by non-residents who did not re-invest their profits locally. According to Mr. Rocha Calhorda, deputy for Angola in the National Assembly, contributing causes include Angola's increasingly adverse terms of trade with Portugal.

41. Essentially, however, as many Portuguese sources admit, Angola's problem of transfers is one which is created by the basic contradiction in Portugal's policy - economic integration in regard to certain practices on the one hand, and the treatment of the Territories in some degree as foreign trade and currency areas on the other hand. Even the Portuguese Minister of Corporation and Social Welfare, Mr. J. Gonçalves de Proença, is reported to have expressed serious doubts about the acuteness of the exchange problem in Angola for it seemed to him "that it contains much that is artificial and should be solved differently:

by the complete economic unification of Portuguese Territory and the (adoption) of a single currency".

42. At present, Angola has a currency that is theoretically on par with the metropolitan escudos with which it is only exchangeable through official controls. Because of the transfer difficulties, early in 1968, the Angolan escudo was being traded at 16 per cent lower than the metropolitan escudo; in 1967, its discount rate was reported to have fallen to 20 per cent below the metropolitan escudo.

43. What is described as Angola's exchange problem arises essentially from the Government's exchange controls, which aim at slowing down the rate of escape of capital from the Territory, and the lack of sufficient coverage in the Territory's exchange fund to cover current transactions, so that payments have to be delayed until further exchange earnings are received. As the result of its chronic and growing balance-of-payments deficit with Portugal, the deficit in the Territory's Escudo Zone Compensation Fund held in the Bank of Angola rose to 1,459 million escudos in June 1966. By February 1967, this deficit was over 2,000 million escudos.

44. By the summer of 1967, transfers from Angola to Portugal were being deferred by six to seven months. Because of increased complaints in the Territory and in Portugal, in September two loans amounting to a total of 1,000 million escudos were granted to Angola to re-inforce its exchange fund, one by the Escudo Zone Monetary Fund, and the other, by the Angola Diamond Company. The increased reserves had the effect of reducing the delays in payments; in January 1968, authorizations requested in August 1967 were finally being paid.

45. In September 1967, the Government^{d/} introduced a series of decrees-laws with a view to improving the exchange system between continental Portugal and its Overseas Territories.

46. The new measures do not introduce any basic changes in the present system, but aim at eliminating various practices that have developed which aggravate the exchange problem. Thus, for instance, provisions are made to eliminate differentials in prices of goods traded within the national Territory (Decree-Law No. 47,916), to

d/ Portugal: Decree-Laws No. 47,916, 47,917, 47,918, 47,919 and 47,920, all of 8 September 1967.

prevent irregular pre-payments which escape exchange controls (Decree-Law No. 47,917), and to re-define the term "national resident" for the purposes of trading and currency transfer privileges (Decree-Law No. 47,919). In addition, the period allowed for the liquidation of current invisibles between Portugal and foreign countries and between the Territories, which had previously been one year, has been reduced to 90 days (Decree-Law No. 47,920). New penalties are imposed for acts which may disrupt the exchange system, including fines (ranging from 500,000 to 2 million escudos), suspension of the right to inter-territorial and foreign trade and total prohibition to carry out foreign trading activities (Decree-Law No. 47,918).

Agriculture

47. Agricultural production was generally considered favourable in 1966 and the value of agricultural exports rose by 8 per cent over 1965 (3,998.9 million escudos as compared with 3,699.6 million escudos). Coffee, sisal, cotton and timber accounted for this increase; maize and sugar exports, however, declined.

48. With the exception of rice and manioc, exports of most of the other traditionally grown food crops were also lower than in the previous year, including beans, peanuts, palm oil and coconut products.

49. Because of the general world surplus of coffee, the Government has taken measures to encourage tobacco growing as a new export crop, and is promoting the planting of cashew trees and sunflowers.

50. Government measures to establish agricultural and livestock settlements are described in a separate section below.

51. Coffee. In the 1967 season (1 October 1966 - 30 September 1967), the Territory's coffee output rose by 4 per cent from 225,000 tons in the previous period to 234,000 tons. Coffee exports registered a new high in both volume and value: 198,500 tons valued at 3,615 million escudos as compared with 156,400 tons valued at 3,058 million escudos in the previous season.

52. Of the total coffee exports, about 75 per cent (147,000 metric tons) was allocated to fulfil the Territory's quota under the International Coffee Agreement to "traditional markets" including the United States of America, Netherlands, the Federal Republic of Germany and the United Kingdom; about 18.5 per cent went to

"new markets" outside the Agreement area; and about 7.3 per cent to "national markets" which include Portugal and the other Overseas Territories. What is called "Portugal's" basic quota under the International Coffee Agreement was increased from 2.38 million sacks in 1966-1967 to 2.49 million sacks in 1967-1968. For the season 1968-1969, Portugal has been granted a quota of 2.76 million sacks or about 163,000 tons, which includes 160,000 tons for Angola and 3,000 tons (50,000 sacks) for Cape Verde, São Tome and Principe and Timor (see A/6700/Add.3, para. 140). The basic world quota is now fixed at 55,041,000 sacks^{e/} and Angola's basic quota rose from 4.77 per cent in 1962 to 5.04 per cent in 1967.^{f/}

53. According to its latest report, the net profits of Angola's largest coffee producer, Companhia Angolana de Agricultura (CADA),^{g/} have continued to decrease since 1964. This drop in profits has been due mainly to the high defence taxes the company has to pay and the chairman of the Board of Directors has expressed the company's dissatisfaction on this matter. The following table shows CADA's profits before and after taxation:

	<u>1963</u>	<u>1964</u> (million escudos)	<u>1965</u>	<u>1966</u>
Income	76.0	108.0	105.8	87.3
Taxes:				
Defence tax	2.5	4.9	21.6	20.4
Company income tax	4.6	5.3	9.8	8.5
Export tax	<u>24.0</u>	<u>28.8</u>	<u>26.7</u>	<u>30.6</u>
Total taxes	31.1	39.0	58.1	59.5
Profits:				
Dividends	25.5	28.5	27.0	22.5
Re-investment	<u>19.4</u>	<u>40.5</u>	<u>20.7</u>	<u>5.2</u>
Total profits	44.9	69.0	47.7	27.7

Source: Diario de Noticias, Lisbon, 27 April 1967.

e/ 60 kilogrammes each.

f/ Official Records of the General Assembly, Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chapter V, annex, appendix II, para. 70.

g/ For details on CADA, see ibid., para. 29.

54. In 1966, coffee traded by Africans in the rural markets totalled 65,000 tons which represented about 28 per cent of the total production. There are no figures more recent than those reported for 1965 when there were about 60,000 Africans growing coffee on their own account and about 130,000 Africans employed on European-owned plantations. In 1966, the average price paid to Africans was 5,000 escudos per ton; the average price of exported coffee was, however, 18,000 escudos per ton.

55. Sisal. Sisal exports which reached a new low in 1965, dropping to 50,000 tons, rose in 1966 to 61,000 tons; because of the low prices on the international market, however, sisal exports in 1966 represented only 4.6 per cent of the value of Angola's total exports, as compared with a peak of 12 per cent in 1963.

56. In 1967, an agreement was reached by twenty-six Governments and the hard fibre industry to reduce export quotas in 1968. As reported in the Angolan Press, the Territory's export quota for 1968 will be 57,800 tons, compared with an estimated production of 68,000 tons. The Government of Angola has asked sisal growers to submit estimates of their anticipated production so that export quotas can be proportionately allocated.

57. Since 1965 a part of the local sisal production has been absorbed by the newly established sisal rope factory, Companhia de Fiação e Cordaria de Angola. S.A.R.L. (COFIANG). Production from this factory is reported to have been valued at 44 million escudos in 1966. In 1967, COFIANG announced that it would absorb about 50 per cent of the sisal produced in Benguela District for the manufacture of sacks for coffee exports. The Companhia do Celulose do Ultramar is using sisal for paper manufacture at a rate of about 10 tons per day at its factory at Alto Catumbela in Benguela District.

58. Cotton. Although forced cultivation of cotton has been abolished since 1961 and the purchase price increased, production of this crop remains unpopular with Africans even on a free basis. The main trend in recent years in Angola has been a progressive decline in the number of African growers but an increase in mechanized cotton growing by Europeans. In 1965, the area under cotton cultivation was 40,469 hectares, the highest figures since the reforms. However, the average yield was only 161 kilos per hectare, most of it not first quality.

59. The output of seed cotton which dropped to 13,609 tons in 1964, rose to 19,506 tons in 1965 and 20,360 tons in 1966. The value of cotton exports in 1965 and 1966 was 83.4 million escudos and 105.8 million escudos respectively.

60. In 1966, cotton ranked ninth in value of exports. Out of a total production of 20,360 tons, only 30 per cent was exported to Portugal. Nevertheless, as the Portuguese textile industry depends mainly on cotton produced in Overseas Territories, interest in cotton growing in Angola continues. In 1967, the Companhia Geral dos Algodões de Angola, SARL (COTONANG), Angola's largest cotton producer established three new cotton ginneries in the area of its plantations in Malanje District (see A/6300/Rev.1, chapter V, annex, appendix II, paras. 125-130). The Algodoeira Colonial Agricola also established a new 13 million escudo ginnery at Novo Redondo. As a further measure to encourage cotton production, in September 1967 the Angolan Government was authorized to guarantee a 40 million escudo loan to the Angolan Cotton Institute, to enable it to purchase seed cotton from growers if dealers lacked interest.

61. Sugar. Sugar production in 1966 was 68,000 tons, compared with 67,000 tons in 1965. Little change was expected in 1967. In 1966, some 40 per cent of the sugar produced was exported to Portugal and other parts of the escudo zone. Sugar ranked tenth in value of exports.

62. Maize. In 1966, maize exports dropped to 64,721 tons, compared with over 168,000 tons in the previous year. In spite of a small increase in the government fixed f.o.b. price for maize (a 0.10 escudo increase over the price of 4.45 escudo per kilogramme in 1965), the value of maize exports was 116 million escudos in 1966, ranking seventh in value of the Territory's exports.

63. Most of the maize exported is purchased by the maize grémio^{h/} from European farmers. Maize from these producers amounted to 131,000 tons in 1965 and 75,000 tons in 1966. There is no information on the amount of maize purchased from Africans, but Portuguese sources report a continued decline in African grown crops in 1966 and 1967. This decline is mainly due to the low purchase price

^{h/} For details on this organization, see A/6300/Rev.1, chapter V, (Part II), paras. 164-172. The grémio which has been under the direction of a government-appointed committee, has since 1968 reverted to an elected board of directors.

fixed by the Government for food crops so that it hardly pays an African grower to produce more maize than for his own needs. It was recently estimated in an article in an Angolan newspaper that, under present conditions, an African who grows maize on his own could on the average earn only about 1,000 escudos per year (less than 3 escudos a day), but if he worked on a European-owned farm growing export crops under the minimum wage regulations, he could earn 20 escudos a day plus food, lodging and medical assistance (see section on Labour below).

64. New cash crops. It will be recalled that in 1967, the Government set up a special Diversification Fund to be used in the development of new cash crops to replace coffee. There is no recent information on the operations of this fund and although there are reports of new areas being planted with cashew trees and sunflowers, their production seems still to be in an experimental stage.

65. Tobacco production, which has been the subject of government attention for a number of years, has recently received fresh impetus through the new regulations on tobacco cultivation and trade, introduced last year (Legislative Instrument No. 3711, 25 February 1967).

66. Angola's increasing tobacco production supplies both the Territory's tobacco industry and Portugal, which absorbs most of Angola's tobacco exports (64 per cent in 1966). The development of better varieties of tobacco is envisaged to replace the import of these varieties in Angola and in Portugal (especially the Virginia variety). Tobacco output, which was around 1,000 tons in 1959, is reported to have reached about 7,000 tons in the 1966/67 season. Yellow tobacco, which is quoted at a higher price than dark tobaccos, has accounted for 70 per cent of total output in recent years. Tobacco exports rose from 2,488 tons valued at 47.9 million escudos in 1965 to 3,027 tons valued at 57.3 million escudos in 1966. Over 60 per cent of the tobacco exports in 1966 went to Portugal and some 16 per cent to other Territories within the escudo zone.

67. In 1966, the area under tobacco cultivation in Angola was 10,500 hectares. Tobacco was grown by about 12,300 African growers and 436 European concerns. African growers are concentrated in the Malanje area, while the actual development of this crop is taking place in the European cultivated area of Huíla, Moçâmedes and Benguela, which account for 5,600 hectares. The largest concentration

of European growers is in Huíla, where there are 345 concerns. In 1967, fifty Rhodesians were reported to have settled in the Benguela region to start a tobacco farming project on a co-operative basis.

68. Final statistics are not yet available for 1967, but because of shipping difficulties banana exports do not appear to have reached the 15,000-ton target which had been envisaged (see A/6700/Add.3, chapter V, paras. 148-149). Part of the first fruit shipments to Portugal arrived there deteriorated because of defects of the refrigeration system on freight boats and delays at wharves. Angola's banana exports to metropolitan Portugal have also aroused opposition from banana producers on the Madeira Islands who have traditionally supplied the metropolitan market.

69. Timber. Timber is abundant in Angola, especially in the Cabinda and Moxico Districts. Exploitable timber in Cabinda is estimated to total at least 6.5 million cubic metres. There is no precise information on timber production, but timber exports have increased in recent years, rising from 51,169 tons in 1962 to 102,036 tons in 1966. Out of timber exports valued at 122 million escudos in 1966, some 85 million escudos (76,832 tons) were destined for Portugal. In the same year Portugal exported wood products valued at 621.1 million escudos.

70. In 1967 two new timber companies were under organization in Angola: a plant valued at 32 million escudos in the Cabinda District and the CIMA-Companhia Industrial de Madeiras Angolanas, SARL, in Moxico District.

71. Livestock. The Angola Government has continued its efforts to encourage livestock activities in the southern part of the Territory. As reported previously in 1965, first steps were taken in Huíla and Moçâmedes Districts to demarcate pasturage zones. In 1966 planning activities were extended to Benguela District.^{i/} During the Overseas Minister's visit to Angola in 1967 he used his legislative functions to authorize the establishment of a Livestock Development Fund in the Territory to assist producers (Ministerial Legislative Instrument No. 2 of 26 May).

72. Since 1966 a new slaughterhouse has been built in Nova Lisboa and the freezing plants at Sá da Bandeira and Moçâmedes, where most meat exports are

^{i/} See A/6868/Add.1, appendix III, para. 91.

processed, have been expanded. In 1967, 13 million escudos were invested in equipment for a new slaughterhouse, meat processing and meat freezing plant to be installed at the Cela settlement project by the Matadouro Industrial de Angola (MIDAL).

73. Fresh meat exports have increased steadily over the past years: from 1,757 tons in 1962 to 2,759 tons in 1966. Out of a total export value of 27 million escudos in 1966, about 75 per cent went to Portugal and the remainder to Territories under Portuguese administration.

Rural markets^{j/}

74. As reported previously, between 1964 and 1966 the value of transactions at the rural markets rose by 66 per cent.^{k/} The rural market system originally set up in the coffee growing districts has now been extended to all but two districts, namely Luanda and Cabinda. The most active markets are still those in Cuanza-North District, which accounted for 40 per cent of the total value in 1966, Uíge District, which accounted for another 40 per cent; and Melange, which accounted for 9 per cent. Unshelled coffee, the most important crop sold at the rural markets, accounted for over 60 per cent of the total value of trade in 1966. Cotton seed ranks second, accounting for some 20 per cent of the value of crops; ground-nuts and rice follow.

75. The Angolan Government has tried, without much success, to encourage the extension of the market system and the trading of a wider range of products. An article in a local paper in Angola suggested last year that the main reason for this double failure is that government-fixed prices are too low. Available information shows that the average price paid to Africans for ungraded and unshelled coffee is 5,000 escudos per ton and the export price of shelled and

j/ For previous information on the rural markets in Angola, see A/6700/Add.3, chapter V, paras. 157-159.

k/ Transactions at rural markets in the period 1964-1966 were as follows:

	<u>Volume</u> (tons)	<u>Value</u> (million escudos)
1964	67,000	255
1965	69,700	270
1966	70,000	424

graded coffee is 18,000 escudos per ton. According to published figures, an African coffee grower trading at rural markets on the average can earn on an average 4,200 escudos (\$US126) a year. If it is taken into account that each grower family has an average of three units of labour, the average per capita income is only 1,400 escudos which is less than the income of workers on European plantations. Nevertheless, there is evidence that many Africans prefer to grow cash crops because it gives them more freedom. As a result, in areas where Africans can engage in this type of farming, it is reported that wage rates have gone up.

Settlement

76. According to figures published in the Angola Press in 1967, some 27,000 square kilometres have already been granted as definitive or provisional concessions to non-Africans, and requests for concessions of another 55,000 square kilometres are pending government approval. The total area under concession or pending concession therefore amounts to 7.3 per cent of the total area of Angola. The area occupied by African agriculture was estimated at 200,000 square kilometres or only about three times that of the area under concession. As the African population of Angola in 1967 was about 5 million and the European population probably around 300,000, according to the above figures the average European per capita occupation of land is sixty times that of Africans.

77. It is clear from the above information that Portuguese government policy to encourage European occupation of Angola is apparently succeeding to attract interest. At the same time, however, the procedures for granting concessions are still too slow and complicated so that the number of requests for land pending approval have piled up. In July 1967, the Provincial Secretary for Rural Development in Angola, Mr. Vasco de Sousa Dias, acknowledged that thousands of land concession applications were pending because of the lack of staff, the complexity of the legal requirements and the time taken for the necessary surveys and demarcation of land. As reported previously, the Angolan Government has

also had long-standing difficulties in getting persons who occupy land illegally to complete the legal requirements leading to full title.^{1/}

78. Dissatisfaction among the European settlers is not limited to delays involved in securing title to land,^{m/} but also complains about the demarcation of African lands. The 1961 land concession legislation abolished the existing Native reserves and provided instead that "five times the area occupied by the indigenous inhabitants, including their dwellings, livestock and crops, is to be demarcated for their use". Upon demarcation of the boundaries, the area involved becomes class-two land which may not be placed under concession and, thereafter, the classification may not be changed except by a legislative decree of the territorial Government (A/6000/Rev.1, chapter V, para. 51). However, because the Government's rural population re-grouping plans have not yet been implemented, final demarcation of land for African occupation has been delayed. In areas where European occupation is expanding, there is considerable impatience from the settler community with the delays in re-grouping the African population and demarcating their land as they expect this to free more desirable lands for non-African use.^{n/} There is also dissatisfaction with the present legislation because concessions of land for cattle-raising activities are only granted on a lease-hold basis (arrendamento)^{o/} which means that persons engaged in cattle-raising cannot use the land as a guarantee for loans or other transactions.

1/ In January 1967, the Government offered to grant full titles to persons who had occupied land for over fifteen years and could show that they had improved the value of the land (A/6700/Add.3, chapter V, para. 72).

m/ For details on the present land concession regulations, see Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 23 (A/6000/Rev.1), chapter V, paras. 10-57.

n/ Under the rural re-grouping plan, the Territory is to be divided into rural zones with boundaries established "on the basis of ethnic groups of similar characteristics and customs, the agricultural and climatic nature of the region and the economic factors which may affect production". The general plan for re-grouping in each zone includes, in particular, "a plan for the transfer, establishment and settlement of population groups in order to promote the rational and economically desirable occupation of the zone". (A/6000/Rev.1, chapter V, appendix, annex II, para. 169).

o/ Ibid., paras. 19-30.

79. In 1967, the Angolan Government set up a working group to make proposals for improving the land concession regulations. To help speed up concession procedures, large areas are being demarcated by aerial photometric methods into blocs for directed settlement, for free concessions and for African occupation.

80. A first step towards solving the present problems and improving land concession and settlement procedures was taken by the central Government in 1967. The new legislation (Decree No. 47,803, 20 July) amends the regulations of the provincial settlement boards.^{p/} Although it does not introduce any change in the basic policy, the new regulations seem to put more emphasis on the establishment of (agricultural settlement nuclei) núcleos de povoamento agrário which now constitute the boards' main function.

81. The structure of the boards remains substantially the same, but the administrative bodies and services have been strengthened. The plenary council of each board which is presided over by the Governor, comprises all the provincial secretaries, a representative of the Roman Catholic Church, a representative of each of the three armed forces and representatives of economic and professional associations or cultural institutions, or other public bodies as designated by the local Legislative Council. There is no special African representation. A most conspicuous change is in the language used in the new regulations. Most of the previous references to different ethnic and cultural groups have been left out, including, for instance, the provision that in each Territory, the Settlement Board is "to observe, guide and rule on any matter connected with aborígenes or originários of any other Portuguese Territory, and to stimulate, supervise or carry out action necessary to accelerate such settlement to the maximum possible available resources and the rational use thereof, always bearing in mind the supreme national objective of racial and cultural symbiosis in fully integrated societies." Also omitted from the new regulations is the function of the boards "to study the most desirable ethnic combinations, according to the nature and location of the communities for the formation of smoothly integrated and stable multiracial communities." Nevertheless, since the establishment of a multiracial

^{p/} Ibid., para. 160-162.

society is one of Portugal's basic objectives in its Overseas Territories, the omission of references to ethnic groups probably should not be interpreted as a change in policy. In fact, government statements have also adopted a new vocabulary for designating Europeans and Africans without direct reference to specific ethnic terms. The following passage, translated from a speech by the Secretary for Rural Development, Mr. Vasco de Sousa Dias,^{q/} shows that in spite of abolishing the use of racial terms, Portuguese policy remains based on a hierarchy of classes and their interests:

"The principal objective of the rural reorganization plan is to bring about the advancement of the rural man within the framework of his own community so that through an accelerated economic and social evolution of the most backward human groups there will be developed a sense of unity which is the real national expression. This process of rural reorganization, however, cannot go against the rights and legitimate aspirations of those communities whose interest and effective participation are needed in all the activities that are being stimulated. Otherwise, the well-intentioned initiatives to bring about the material progress of the rural communities will be transformed into paternalism, which instead of increasing co-operation between peoples will place them in the position of parasites."

82. In broad lines, rural reorganization plans are stated to aim at re-grouping the African population in the interest of the economic development and social harmony of the Territory. Official statements indicate that two kinds of re-grouping are involved. First, for the majority of Africans now living under customary law, land will be especially set aside and demarcated as second class land which cannot be individually owned. The African population involved will be organized into model regedorias, and government services will be extended to these areas to help increase productivity and stimulate social evolution. Second, there are also to be "increased settlements of native agricultural populations and enraizamento (permanent settlements) of the more developed rural populations". Since these groups are expected to assimilate new skills more easily, the Government hopes that these settlements "will stimulate the aborigines to attain a higher social level" and help to develop a "fusion of different ethnic groups."

q/ A Provincia de Angola, Luanda, 27 October 1967.

83. The Government recognizes that the most important step is first to secure the interest and support of the populations involved in the programmes of rural reorganization. It therefore takes the position that it is necessary to find the right plan of action in each particular case, based on a study of the existing social structure of the peoples and their expressed needs; the possible areas of action; the causes and factors affecting under-development; the potential resources and the extent of exploitation of known resources.

84. Because of the amount of preliminary work involving delays, there appear to have been difficulties in some areas between the Settlement Board and the commissions established for the purpose of drawing up and implementing rural reorganization plans. There will now be better co-ordination between these bodies.

85. In 1967, the Provincial Settlement Board had a budget of 155 million escudos. The main sources of revenue were the imposto de consumo para fins de povoamento (consumption tax for settlement purposes) which accounted for 85 million escudos and the settlement stamp tax which accounted for 60 million escudos. The largest single item of the expenditure was the Board's share in national defence which amounted to 15.5 million escudos.^{r/} A budget of 190 million escudos has been approved for 1968; its main source of revenue is the settlement stamp tax which accounts for 90 million escudos. The Board's budget is much smaller than it was in the first years after its establishment (444.6 million escudos in 1962 and 337 million escudos in 1963). Since 1964, its annual budget has averaged 150 million escudos. It also has invested some 200 million escudos in agricultural machinery which is leased to the settlers under contract. The Board also sells agricultural implements to European farmers and provides financial assistance to small businesses. (In May, during his visit to Angola, the Overseas Minister introduced legislation (Ministerial Legislative Instrument No. 10, 30 May), simplifying the Board's loan procedures).

86. As of last year the Provincial Settlement Board has begun to provide financial support for the establishment of shops for tailors, painters, dressmakers, photographers, etc.

r/ Under legislation introduced in 1962 (Decree No. 44,342, 12 May) all autonomous bodies must contribute 10 per cent of their receipts towards national defence.

87. In 1966, the territorial extraordinary budget allocated 25 million escudos for rural re-grouping projects. However, total government expenditure on these projects and related services during the year was reported at 523 million escudos. In addition, 8.7 million escudos were spent in education and health facilities related to the rural re-grouping programme.

88. In 1967, an allocation of 20 million escudos was made under the extraordinary budget for various rural re-grouping projects. This was 5 million escudos less than in 1966. Of the 1967 appropriation, 11.3 million escudos were allocated during the year for the rural re-grouping projects in Cabinda (4.1 million escudos), Cuando Cubango (2.6 million escudos); Malanje (1.5 million escudos); Huambo (1 million escudos); for the construction of the Sendi dam (1 million escudos); Cuanza-South (0.4 million escudos); Benguela (0.4 million escudos); and Cuanza-North (0.3 million escudos).

89. The large allocation for Cabinda suggests that following the establishment of a pilot project there in 1966, activities were intensified in 1967. In other areas such as Huambo District, articles in the local newspapers have been critical of the progress made in rural reorganization. The preliminary plan pilot for the rural reorganization of Huambo District (antepiano director do reordenamento rural do distrito de Huambo) was the first officially approved plan. This plan, which initially covered a period of three years (1965-1967), has since been extended for another two years, ending in 1969. The pilot projects are for the study of rural community development with the regedoria^{s/} as a basic unit. Of the 186 regedorias in Huambo District the pilot project covers one regedoria-type in each concelho and two regedoria-types in the Huambo concelho (Huambo District has 9 concelhos). On the basis of the results gained in this experiment, similar projects are later to be extended to all other regedorias. Many of the pilot-regedorias in Huambo District comprise Africans who are engaged in itinerant agriculture or in cattle-raising. In these areas land use has been maintained on a communal basis.

90. Apart from the rural re-grouping of Africans, the Angolan Government has also undertaken re-grouping projects in which, according to the former Governor-General

s/ The regedoria is the basic unit of administration in rural areas where Africans live under customary law.

of Angola, Col. Silvino Silvério Marques, "the population is completely integrated, the European is the neighbour of the African and of the Euro-African."

91. In 1967, a large settlement project was under study by the Angolan Government for the Huila region in Southern Angola. This is one of the less populated areas in the Territory (0.1 inhabitants per square kilometre). From 1962 to 1966, the Settlement Board established some 5,000 families in this region. During the year, another 500-family settlement nucleus was started at Mupaca. As part of the development of the Cunene River region where a hydroelectric station is being built, an intensive settlement of the area is planned with the objective of settling some 500,000 people over a period of ten years.

92. In 1966, out of 11,782 net arrivals in the Territory, 2,700 were settlers who entered the Territory under the Settlement Board's auspices.

93. The difficulties mentioned above regarding the land concession legislation has had repercussions in some of the government sponsored settlements. At the Chicava central settlement nucleus in Bié District, for instance, the number of settlers from metropolitan Portugal dropped from 80 in 1965 to 58 in 1966 and by March 1967, only 10 of these had received full title to the land they were working.

94. There is no further information on the settlement of military personnel who have served in the Territory. During the year the Angolan Press continued to advocate this form of "strategic settlement" as a solution of the "Angola problem" which Portugal has neglected. Since past experience has shown that transportation of government-sponsored settlers from Portugal costs around 200,000 escudos per person, settlement of ex-soldiers would save in the initial costs.

95. In the Dembos region where guerrillas are still active, strategic settlements are suggested as a means of turning "the greatest area of national economic strangulation and the most depressed region in the entire country" into an area of great economic expansion. By the end of 1966, 4,800 ex-soldiers had settled in Angola, but only 152 were established in agricultural settlement nuclei.

Industry

96. Final data for the industrial sector in 1966 confirm the upward trend previously reported (see A/67CO/Add.3, chapter V, para. 169). During that year, the Government

authorized investments by companies totalling 567 million escudos in industrial undertakings. Actual investment during the year amounted to 226 million escudos, an increase of 90 per cent over 1965. As in previous years, most of the new industries continued to be concerned with the production consumer goods for local use or the processing of export commodities. Of the total investment in 1966, 29 per cent went to the food industry, 27 per cent to the manufacture of transportation equipment, 12 per cent to the textile industry, 8 per cent to the production of beverages, 5 per cent to the processing of timber and cork, and 4.5 per cent to the chemical sector (mainly the processing of vegetable oils and fats). The total output of the transforming industries in 1966 was valued at 3,653 million escudos, some 15 per cent over the previous year.

97. Preliminary figures for January to July 1967 indicate that the Government authorized the establishment or extension of 114 industries corresponding to an investment of 532.8 million escudos, which was slightly below the authorization for the whole year of 1966. Out of the 114 new industries, 50 are food industries. Government policy has aimed at encouraging the production of import replacement goods and the decentralization of industries away from the main urban centres with a view to securing a more balanced development of the Territory as a whole. The preliminary figures for 1967 show, however, that 55 of the new or enlarged industries, which accounted for some 75 per cent of the total investment, are centred at Luanda.

98. Electric power production rose from 320,000 kwh in 1965 to 390,000 kwh in 1966. In 1967, it was announced that an extension of the Cambambe dam on the Cuanza River was under study. The Cambambe station is the Territory's largest, supplying electric power to the main industrial region, comprising Luanda, Dondo and Malanje.

99. Discussions were held between Portugal and South Africa to extend the existing technical and financial co-operation agreements concerning the development of the Cunene River basin. Dams to be constructed on the Angolan side would provide an installed capacity of 300,000 kw and an output of 1,000 million kwh a year. The cost of the projects on the Angolan side is estimated at 6,000 million escudos. (See A/6000/Rev.1, chapter V, para. 65 ff.)

100. New industries established in 1967 include a 20-million escudo automobile assembly plant in Lobito known as Companhia Industrial de Construções Mecânicas (CICAR); a 12-million escudo assembly plant for automobiles, trucks and agricultural machinery in Luanda; a 10-million escudo motorcycle assembly plant in Luanda owned by SOCAR, Ltda.; a sugar company (agricultural production and sugar manufacture up to 100,000 tons a year) owned by the Sociedade de Empacotamento Automático, SARL of Portugal; a 10-million escudo factory for electrodes and soldering equipment in Luanda District known as Angola African Oxygen, SARL (shareholders are the African Oxygen Limited of Johannesburg, the British Oxygen Company Limited of London and the SEARTE, SARL of Luanda); a 20-million escudo industrial bakery known as Sociedade Industrial de Panificação de Luanda (SOPÃO); and an 11-million escudo wine processing and bottling factory at Nova Lisboa.

101. In 1967, the central Government authorized the Government of Angola to guarantee a 420-million escudo loan to be obtained abroad by the Alumínio Português (Angola), SARL for the establishment of an electro-metallurgical factory in Angola. The new industry will manufacture "Sodeberg" electrodes. It is recalled that this company, an associate of Pechiney Compagnie de Chimique et Electrometallurgique de Paris, increased its capital from 10 million to 66.3 million escudos in 1965 (see A/6868/Add.1, appendix III, para. 102). Authorization granted in 1967 for the organization and establishment of other industries include: a factory for the manufacture of telecommunication electric parts to be installed in Luanda by the Standard Eléctrica of Portugal; a 25-million escudo sisal sack factory in Benguela District known as the Sociedade de Manufaturas da Ganda, SARL owned by the Fazenda Dende, Ltda. and the Cooperativa Agro-Pecuária da Ganda; a sisal sack and rope factory with a capital of 50 million escudos to be installed at Dondo or Lucala (Cuanza-North District) by a group of sisal growers, including the Companhia da África Ocidental Portuguesa, SARL and the Empresa de Fomento Industrial; a factory for the manufacture of synthetic hormones to be installed by Angorfina-Química Orgânica de Angola, Ltda. in the Lobito-Benguela region; a 16-million escudo factory known as Companhia Industrial de Plásticos de Angola, SARL for the manufacture of plastic utensils, shoes, toys, etc.; a polyethylene bag factory known as the Fábrica da Ganda, Ltda. at Lobito; a factory for the manufacture of

plastic utensils in Luanda known as the Industrias ABC; and a maize mill and a beer factory owned by Quintas & Irmao at Dondo in Cuanza-North District. The Shell Company of West Africa has requested authorization to establish a pesticide factory in Luanda. In Uíge District, there are plans to establish a 35-million escudo soluble coffee plant, a brewery and a sisal sack factory, representing a total investment of 80 million escudos. The Fábrica de Tabacos Ultramarina announced the investment of 40 million escudos in a new tobacco processing factory at Benguela. In April 1967, the Angolan Government was authorized to subscribe 20 million escudos of a capital increase of the Companhia de Celulose do Ultramar Português from 200 to 250 million escudos.

Fisheries

102. In 1966, exports of fish derivatives amounted to 400 million escudos, an increase of about 22 per cent over the previous year. In 1967, however, the fishing industry in Angola was once again experiencing difficulties due, on the one hand, to increased taxes, and on the other, to the drop in world demand for fish meal which is rapidly being replaced by soya bean cake.

103. The serious depression of the fishing industry was raised in the Legislative Council at its October-November 1967 session by the representative for Moçâmedes District, where the greater part of the industry is located. He noted that the new ad valorem taxes on exports of fish products were 1.8 per cent on fish oil; 3 per cent on fish meal; 5 per cent on fresh and frozen fish; and 7.6 per cent on dried fish. In 1966, these taxes amounted to 10,804,600 escudos on products valued at 247 million escudos. In most cases, the taxes had been raised by 200 to 300 per cent and the total tax burden on the industry had increased by 6.5 million escudos. Although the Government had intended the taxes on the fishing industry to be used by the Fisheries Industries Institute and the Fishing Industry Assistance Fund,^{t/} the situation was ironic because the industries were already in financial difficulties and could not afford to finance nor did they need the government-created bodies.

t/ See A/6868/Add.1, appendix III, para. 95. The Fund acts both as a marketing fund, providing subsidies in times of low prices and as a credit institution. When first established, its capital funds were provided by the Government.

104. As a result of the discussion, the Legislative Council appointed a committee of three members to study the problems of the fishing industry in Moçâmedes. On the basis of an in loco investigation, the committee subsequently recommended that the industry should be relieved immediately of the ad valorem taxes on fish oil and fish meal and that the whole system of taxes on the industry should be re-examined because, in some cases, the taxes were being levied on 50 per cent of the gross earnings, whereas taxable profits never exceeded 30 per cent. It was also suggested that if the Territory had to finance the Fisheries Industries Institute, which had been created by the central Government, the necessary funds should be found from the territorial treasury. This suggestion was accepted by the Governor-General who promised an over-all review of the industry's situation as a provisional measure, he approved a new schedule for computing the taxable profits which will enable the fishing industries to deduct as costs up to 85 per cent of their gross earnings.

105. In 1967, two new fisheries companies were established each with a capital of 10 million escudos: the Sociedade de Productos de Mar, SARL and the Sociedade Angolana de Pescarias, SARL.

Mining

106. In 1966, the gross value of mineral production increased at the same rate as in the past six years. It amounted to 1,635 million escudos, 12.5 per cent over 1965. Diamonds accounted for most of this increase with an output 9.73 per cent higher than in 1965. Petroleum output decreased by 3.67 per cent and iron ore by 3.02 per cent. The share of minerals in the value of the Territory's export remained at 20 per cent, as in the last two years, much lower than the peak of 23.9 per cent in 1963.

107. When final figures for 1967 are available, it is expected that diamond and iron ore output and exports will be much higher than in the previous year. During 1967, the first large shipments of iron ore from Cassinga left the Territory. Mid-year figures compared with figures for the same period of 1966 revealed an increase in output of 18 per cent in diamonds and 5 per cent in iron ore, and a decrease of 12 per cent in petroleum production.

108. The Government anticipates that the increasingly important role to be played by mineral exports in the near future will help to solve the Territory's foreign

exchange problem in its payments relations with Portugal. Mineral exports are expected to be much higher in 1968 with the continuation of diamond exports, increased shipments of iron ore from Cassinga and the start of oil production in Cabinda in the last quarter of the year.

109. Under the Third Development Plan, 1968-1973, the investment target is 11,599.5 million escudos for the mining sector in Angola. This represents 46 per cent of the total investment envisaged there (see below).

110. In November 1967 the central Government established an Overseas Mining Development Fund for the financing of research, special studies and loans for commercial exploitation of mineral deposits.^{u/} As previously reported, foreign mining companies which have recently been granted mining concessions in Angola have agreed to make annual contributions to the Mining Development Fund when it is established. These contributions include 3.5 million escudos annually from the three petroleum companies; 1 million escudos each from Petrangol and Cabinda Gulf Oil Company, and 1.5 million escudos from Sociedade de Exploração de Petróleos, SARL (ANGOL).

111. Diamonds. In 1966 diamond production was the highest recorded since the establishment of Diamang in 1915. Diamond exports also rose by 106,609 carats over the previous year to 1,264,020 carats and the value rose by 24 per cent to 1,122 million escudos.

112. Although, since 1964, almost all the diamonds from Angola have been exported to Portugal, only part of them are cut there; most are re-exported to foreign countries. The activities of the Sociedade Portuguesa de Lapidação de Diamantes, the Portuguese diamond cutting company, are increasing, and in 1966, the diamonds supplied by Angola to the company were valued at 34 million escudos. The Portuguese cutting company is guaranteed a supply of diamonds from the Territories (see A/6000/Rev.1, chapter V, appendix, annex I, paras. 134-136).

113. The Angola Diamond Company (Diamang), which is the largest private company in Angola, remains the only diamond producer in the Territory. Eight new finds reported in 1966, all located in Lunds District, increased to thirty-eight the number of deposits in the area of Diamang's concession.

114. In 1967, Anchor Diamonds Corporation of South Africa established a company in Angola and applied for a diamond prospecting concession covering some 200 hectares (1 million morgen).

^{u/} Ibid., paras. 43, 47-48.

115. Petroleum: Crude petroleum production has declined slightly since 1965, from 655,365 tons to 631,319 tons in 1966; by mid-1967 production was reported to be 12 per cent lower than at the same time in the previous year. In 1966, there was no export of crude petroleum as the total output was supplied to the local refinery. In 1966, of the 603,500 tons of refined products, 238,671 tons went to Portugal and the remainder was consumed locally. Exports to Portugal comprised 215,421 tons of fuel oil, 15,612 tons of airplane fuel, 7,617 tons of gas oil and 21 tons of butane gas. During the period January to July 1967, the Territory exported 138,224 tons of fuel oil, as compared with 108,450 tons during the same period in 1966.

116. In 1967, following new discoveries of oil in the Luanda region and a major oil deposit in Cabinda, the Government of Angola reassessed the Territory's petroleum production potential. Production, which has been at a rate of about 750,000 tons a year (15,000 barrels a day), is expected to rise over 7.5 million tons a year by 1970. As Angola's oil production will exceed the needs of Portugal (3.75 million tons per year) and the Territories under its administration, there is speculation that the Territory could also provide enough to supply South Africa, which in 1966, is calculated to have used between 5 and 6 million tons. The new oil finds are especially significant because of the decline of Angola's existing oil reserves. Although by 1964 the output of Petrangol's refinery at Luanda had become sufficient to meet the Territory's needs, in 1966 and 1967 Angola again had to import petroleum.

117. Currently the three major petroleum companies in Angola are Petrangol, ANGOL and Cabinda Gulf Oil.^{v/} So far, Petrangol operates the only refinery in Angola, which has a capacity of 660,000 tons per annum. Petrangol has requested authorization to raise the refinery capacity to 1 million tons annually.

118. Apart from its activities on a joint-venture basis with Petrangol, ANGOL now holds exclusive rights for petroleum mining in the Cazengo, Ambriz and Cuanza basin

^{v/} Details of these companies are contained in A/6868/Add.1, appendix III, paras. 30-48.

areas, adjacent to Petrangol's concession areas. On 1 June 1967, ANGOL signed the contract for this concession which it had been granted in January 1967.^{w/} The company is granted prospecting rights for a five-year period, renewable for two subsequent periods of three years each, and exploration rights over its findings for a forty-year period, renewable for another ten years. The contract provides for the construction by ANGOL of a petroleum refinery in Lobito with a minimum capacity of 650,000 tons per year. ANGOL may supply crude petroleum to Petrangol's refinery in Luanda when Petrangol's output is insufficient.

119. As previously reported,^{x/} in September 1966 the Cabinda Gulf Oil Company found oil in Cabinda and, in December 1966, it was granted a new contract for the area over which it has had an exclusive concession since 1957. Later in 1967, the company found a large off-shore oil field. Present plans envisage that production will begin in the last quarter of 1968 at an initial rate of 30,000 barrels a day (1.5 million tons a year) rising to 100,000 barrels a day (5 million tons a year) by the end of 1969 and 150,000 barrels a day (7.5 million tons a year) by the end of 1970. The new off-shore oil field is at 10 to 20 metres in depth extending for 25 kilometres north of the town of Cabinda. The oil is reported as a high quality crude with a very low sulphur content.

120. In view of the large-scale operations envisaged, the company plans to build immediately storage facilities, pipelines for crude oil and other equipment on a 15,000 hectare area some 17 kilometres from the town of Cabinda, and an oil quay at Lândana, the main port. The new oil field is not expected to provide many new employment opportunities in Angola. By April 1968, the company expects to have a full staff of 2,000^{y/}. Four hundred of these will be Portuguese citizens recruited for specific technical jobs. A training programme for the development of technical skills is under way for these employees. Technicians and experts in economics and engineering have been recruited from other subsidiaries of the Gulf Oil Corporation.

^{w/} Decree No. 47,493. See A/6868/Add.1, appendix III, para. 43.

^{x/} Ibid., paras. 47-48; A/6700/Add.3, chapter V, para. 190.

^{y/} By June 1967 a number of non-Portuguese staff had already been granted contracts to work in Angola for periods of one to two years.

121. The oil find in Cabinda is reported to be bringing about many changes in the life of the district. A population influx has already started and Portuguese sources report the return of many Africans from the Democratic Republic of the Congo or from hiding places. Although fighting has declined in this region, under the terms of the contract the Portuguese authorities agree to provide military guards to protect the oil fields if special security measures prove necessary. The Angola Government has intensified its rural regrouping activities in the district. In 1967, Cabinda received the largest allocation for rural regrouping projects, some of which involve the resettlement of the African population and the building of new villages with schools and water supplies. (See section on settlement below.)

122. Iron ore. As previously reported, during 1966 the production and export of iron ore were being held back pending completion of rail and port facilities for handling the ore (see A/6700/Add.3, chapter V, para. 193). Production, which had been 815,196 tons in 1965, dropped to 790,548 tons in 1966. The value of iron ore exports in 1966 was 132.8 million escudos, or 9.6 per cent less than in the previous year.

123. The year 1967 marked the start of large-scale extraction and export of iron ore from the Cassinga mine. Output of iron ore for the first semester of 1967 was 408,277 tons, some 5 per cent over the same period of 1966. The railway link between the Cassinga mine and the Moçâmedes Railway came into operation in June 1967. Three shipments of iron ore totalling 180,000 tons in 1967 and one shipment of 81,000 tons early in 1968 left Moçâmedes for Japan. Under existing agreements with Japan and the Federal Republic of Germany, the Companhia Mineira do Lobito will supply these countries with 1.5 million tons of iron ore in 1967 and 5 million tons in 1968. When in full operation, Cassinga is expected to yield 7 million tons of iron ore a year. By 1968, iron ore is expected to become the Territory's second major export after coffee.

124. It is reported that one of the reasons why Angola's iron ore is exported to foreign destinations rather than to Portugal is because of the high freight charges of Portuguese ships which have priority. The Portuguese metalworks (Siderurgia Nacional), which is supplied by mines in Portugal, also owns a plant in Luanda which manufactures metal plate. The company plans the expansion of its Luanda plant for the production of steel and pig iron.

125. In October 1967 it was reported that the construction of an iron ore quay for ships up to 100,000 ton capacity at Luanda was under study. The construction of this quay is part of a new iron mining project in the Dondo-Salazar area of the Cuanza-North District. Planned investment in the Cassala-Quintungo project is reported at 900 million escudos.

126. Other minerals. In 1967 the Empresa Predial Angolana, Ltda. applied for an exclusive concession to prospect for all minerals, except diamonds, petroleum, coal and other combustibles. The concession comprises areas in seven districts of Angola, namely at Cuoca-Cunene (Huila District), Moçâmedes-Sá da Bandeira (Moçâmedes and Huila Districts), Benguela (Benguela District), Novo Redondo-Vila Nova do Seles (Cuanza-South District), Dondo (Cuanza-North District) and Serpa Pinto (Cuanda Cubango District). A similar concession in the Moçâmedes District was granted in April 1967 to the União Mineira de Angola, Ltda.

(a) Copper

127. As reported, in 1967, the Nippon Mining Company was planning to invest \$US25 million in the development of copper deposits at Tetelo in the Mavoio area (A/6868/Add.1, appendix III, para. 59). The Nippon Mining Company will be associated with the Empresa do Cobre de Angola which holds the mining rights over an area of 44,000 hectares, including the deposits in the Mavoio area.^{z/} The Anglo-American Corporation of South Africa is also reported to be in the Alto Zambeze region (Moxico District); it is working in association with the Portuguese company Sociedade de Explorações Mineiras Africanas.

128. With a view to speeding up the prospecting for copper deposits in the areas over which it holds exclusive concession, the Companhia Mineira do Lobito has entered into a financial arrangement with the Jojgaard and Schulz A/S and Fried Krupp group, the same group interested in the Cassinga iron ore project.

(b) Phosphates

129. The Companhia Mineira do Lobito is also prospecting for natural phosphates in northern Angola (see A/6868/Add.1, appendix III, para. 60). In 1967 the Cabinda Gulf Oil Company, which holds a phosphate concession in the north of the Cabinda

^{z/} See A/6000/Rev.1, chapter V, appendix, annex I, paras. 221-227.

enclave, consulted the Angolan Government about the possibility of establishing a rail connexion between its phosphate concession and the quay under construction at Lândana. A report suggests that the phosphate concession might be even more important than Cabinda Gulf's off-shore petroleum findings.

(c) Manganese

130. Early in 1968, the Angola Government made public plans for the exploitation of manganese deposits. The Cassala-Quitundo manganese mining project is expected to start within three years, and investments envisaged total 900 million escudos.

(d) Gold

131. The Companhia Mineira do Lobito is also working in gold prospecting. In 1967, the company announced the finding of two alluvial deposits of gold in the Cassinga area.

Transport and communications

132. In August 1967, the Portuguese Overseas Minister signed a contract with the Société française d'études et réalisations ferroviaires (SOFRERAIL) to make an over-all study of Angola's rail, road and air communications as well as ports and harbours. As the present system of railways^{aa/} was originally built to help in the occupation of the Territory and the export of products, all the lines run in the east-west direction ending on the coast, and only the Benguela Railway traverses the whole Territory. As a result internal communication, especially from north to south, depends mainly on a network of roads which has expanded in recent years, especially to facilitate military movements. The new study may therefore be expected to suggest the linking up and extension of the existing railroads and roads to provide a better internal heavy duty transport network.

133. In 1967, the rail link between the Cassinga mine and the Moçâmedes Railway was completed, and large-scale shipment of iron ore on the railway began. With the intensification of this traffic in 1968 (see section on mining), the Moçâmedes Railway is expected to play a more important role in the Territory's economy. The Export and Import Bank of Washington, D.C., granted a \$US7.9 million loan to

^{aa/} For information on the railway system in Angola, see A/6300/Rev.1, chapter V, (Part II), annex, appendix IV, paras. 3-15.

the Companhia Mineira do Lobito and the Sociedade Mineira do Lombige for the purchase of thirty Diesel locomotives and equipment. The locomotives, built in the United States, are for the transport of iron ore from the Cassinga mine to the mineral quay at Moçâmedes. This loan is guaranteed by the Portuguese Government. In June 1967, the central Government authorized Angola to spend up to 51.2 million escudos until 1975 in the purchase of locomotives for Angola's railways.

134. The Benguela revenue from freight traffic amounted to 640.7 million escudos in 1966, an increase of 18 per cent over 1965 and the highest in its history. In spite of four traffic stoppages in 1967, copper traffic from Zambia continued at 15,000 tons a month.^{bb/} In December 1967 it was reported that the Governments of Zambia and the Democratic Republic of the Congo had reached an agreement on rail transport, and recommended the Zambian and the Congolese railways to draw up a new technical agreement with the Benguela Railway. At the same time, in order to replace the Benguela Railway as the main channel for mineral exports from Katanga,^{cc/} the Government of the Democratic Republic of the Congo has decided to build a national railway linking Katanga to Matadi.

135. Other developments in 1967 include the opening of 360 metres of new wharves at the port of Luanda. These wharves were built in one year at a cost of 63 million escudos. The new facilities were not sufficient to handle the increasing traffic which had risen from 500,000 tons to 1.5 million tons in ten years, and in August 1967 construction was started on another 410 metres of wharves. There are also plans for the construction of a mineral quay for ore and petroleum at Luanda and the extension of the port facilities in Cabinda.

136. Work on the opening and asphaltting of roads continued in Angola during the year on a priority basis. The importance attached to this work may be seen from

^{bb/} As reported at the time of the second stoppage in March 1967, 110 cars transporting copper from Zambia and 65 cars transporting minerals from Katanga were stalled inside the border of the Democratic Republic of the Congo. On the Angola side, 10,000 tons of gasoline for Katanga and coal for Zambia's mines were held during the traffic suspension.

^{cc/} A/6300/Rev.1, chapter V, (Part II), annex, appendix IV, para. 50 ff.

the fact that the budget estimates for 1967 allocated 187.8 million escudos for road development, with an additional 262 million escudos to be spent under the Transitional Development Plan, 1965-1967. The Third Development Plan provides for a total of 3,600 million escudos on transportation and communications over the six-year period. With 600 million escudos as the average annual investment budget in this sector, about 100 million escudos is to be spent in 1968 on road development in the Cabinda District.

137. As part of the road plan, several new bridges are under construction. In 1967, work was completed on the new 17-million escudo bridge over the Cunene River at Vila Roçadas in Huíla District. This bridge links traffic on the main road from Angola to South West Africa. A 48-million escudo bridge is to be built over the Cuanza River on the Luanda-Lobito road. In order to raise additional revenue for road development and conservation, last year, the Government introduced the collection of tolls in some roads and bridges in Angola.

138. As regards air transport facilities, it is claimed that Angola is one of the best equipped countries in Africa. Already in 1964 it had two international airports, fourteen principal airports and 300 landing strips. Airport facilities (servicos de Protecção e apoio à aeronaves) and passengers quarters were under construction in 1967 at Nova Lisboa, Lobito, Luso, Moçâmedes, Sá da Bandeira, Carmona, Benguela, Malanje, Silva Porto, Serpa Pinto, Porto Amboim, Portugália and other minor airfields. Last year, also, a new company the Empreendimentos Aéreos, Ltda (AERANGOL) announced the start of weekly flights between Luso and sixteen points (povoações) in Moxico District.

Public finance

139. The report of Angola's final accounts for 1966, which was published in mid-1967, shows that the actual ordinary revenue for the year was 4,489.1 million escudos which exceeded the budgetary estimates by 58.6 million escudos. This increase was due mainly to higher receipts from the production and consumption taxes as well as import and export duties. However, as extraordinary receipts were lower by 112 million escudos, total revenue collected was 5,650.4 million escudos, as compared with the original budget of 5,704.2 million escudos.

140. On the other hand ordinary expenditures, though 159 million escudos above that of 1965, were 5.5 per cent below and extraordinary expenditure 10 per cent below the estimates.^{dd/} The savings were accomplished as follows: ordinary budget for general administration, 90 million escudos; development services, 50 million escudos; and defence, 55.7 million escudos. Most of the savings in extraordinary expenditure resulted from savings in the investments envisaged under the Transitional Development Plan (see below).

141. At the end of 1966 the Territory's public debt amounted to 4,806.7 million escudos (12 per cent over 1965), of which 3,383.5 million escudos was in metropolitan escudos. The amount for servicing the public debt in 1966 was 231.5 million escudos. The Territory's public debt rose about 300 per cent from 1959 to 1966 (1,174 million escudos in 1959, compared with 4,806.7 million escudos in 1966).

142. Angola's budget for 1968 estimates revenue at 5,132 million escudos. Representing an increase of 21 per cent over last year's estimates, the 1968 budget shows a new upward trend from the period 1965-1967 when the budget remained relatively stable.^{ee/}

143. The special tax increases in recent years have contributed significantly to the rise in revenue. Between 1965 and 1966, for instance, revenue from the consumption taxes on beer rose 64 per cent (from 70 to 115 million escudos); on petroleum 10 per cent from 96 to 106 million escudos; on tobacco about 4 per cent; and on wine about 3.5 per cent.

144. In 1967, the Government introduced various new taxes, revised others and began work on a revision of the whole tax system.^{ff/} Among the important measures introduced were a new production and consumption tax on a wide range of imported and local commodities and the revision of customs tariffs, the revenue from which has not kept pace with other sources because of the coming into effect of the

^{dd/} It may be recalled that in 1967 all government departments were placed on a monthly budgetary system and required to reduce their expenditures by 10 per cent (see A/6700/Add.3, chapter V, para. 217).

^{ee/} Ordinary revenue totalled 4,298 million escudos in 1965 and 4,489 million escudos in 1966. Estimated revenue for 1967 was 4,248 million escudos.

^{ff/} This has already been done in Mozambique (see annex III below).

escudo zone free trade measures. The production and consumption tax ranges from 5 per cent on imported equipment and machinery such as washing machines, air conditioners and automobiles, to 50 to 80 per cent on various luxury goods. Higher taxation of non-essential goods is intended to check their consumption. Higher import duties have been introduced on non-essential goods and products which are manufactured in the Territory. Revised tariffs are expected to provide an annual revenue of 110 million escudos which will be used for the equipment of port facilities. Another new tax is a 3.5 per cent surtax (emolumentos gerais) to be levied on all imports. Other measures include a 100 per cent increase in the wage tax (imposto profissional), which is levied on wages of workers and earnings from self-employment and professional activities, together with a 70 per cent additional levy on the tax value; additional levies on the tax value of the urban property tax and industrial and property tax; and a new tax ranging from 1.8 to 7.6 per cent on the trade of fishery products. The Government has also abolished the special tariff reductions in certain regions of Angola introduced to aid European settlers and extended in 1962 to the northern areas affected by guerrilla activities.

Development financing

145. Provisional information on the implementation of the Transitional Development Plan, 1965-1967 shows that actual expenditures were less than 40 per cent of the originally envisaged target of 7,210 million escudos. Actual expenditures over the first two years amounted to 1,596 million escudos (752.4 million escudos in 1965 and 844.0 million escudos in 1966). For 1967, estimated investments were set at 1,137.5 million escudos. The 1965-1966 development funds were financed as follows: 453.2 million escudos (28.38 per cent) from the central Government; 393.7 million escudos (24.66 per cent) from development bonds (Obrigações do Tesouro de Angola); 187.1 million escudos (11.72 per cent) from export surtax revenue (imposto de sobrevalorização); 94.7 million escudos (5.93 per cent) from local loans (Petragol, Benguela Railways and Diamang); 40 million escudos (2.50 per cent) from the Development Fund; 5.2 million escudos (0.33 per cent) from credit institutions; and the remaining 422.5 million escudos (26.46 per cent) from budgetary surplus.

146. The following table shows the total commitments by sector (expenditures in 1965 and 1966 and estimates for 1967), as compared with the original targets:

Implementation of the Transitional Development Plan, 1965-1967

Item	Original target	Total commitments	
	(million escudos)	(million escudos)	(percentage of total)
Research and survey of the Territory	248	188.4	6.89
Agriculture, forestry and livestock	640	403.2	14.75
Fisheries	370	77.7	2.84
Electric power	350	278.9	10.20
Industry (Mining (Sharing in the capital (of investment companies	150	307.3	11.24
	1,918	30.0	1.10
Transport and communications	1,930	1,110.4	40.38
Tourism	24	5.1	0.19
Housing and local improvements	260	102.6	3.75
Social Welfare (Education (Health (Radio broadcast	540	112.7	4.12
	250	90.1	3.29
	30	27.7	1.01
<u>Total</u>	<u>7,210</u>	<u>2,734.1</u>	<u>100.0</u>

Source: Portugal. Presidência do Conselho. Plano Intercalar de Fomento para 1965-1967; Banco de Angola. Relatório e Contas, 1965 and 1966; and Boletim Trimestral No. 37 (January-March 1967).

147. The Third Development Plan covering the period 1968-1973 envisages an investment target of 25,045 million escudos in Angola. The average annual rate of investment is 4,174 million escudos, about 360 per cent higher than the rate achieved in the implementation of the Transitional Development Plan. Of the total almost 50 per cent (11,599.5 million escudos) is to be invested in the mining sector.

148. The percentage distribution of investments by sector is set out below:

Sector	Investment commitment	
	(million escudos)	(percentage of total)
1. Agriculture, forestry and livestock	2,260.5	9.03
2. Fisheries	529.0	2.11
3. Extractive and transforming industries	14,960.0	59.73
4. Electric power	1,389.5	5.54
5. Transport, communication and meteorology	3,626.1	14.05
6. Housing and urbanization	205.1	0.82
7. Commerce	139.3	0.56
8. Tourism	113.0	0.45
9. Education and research	1,390.9	5.55
10. Health	<u>439.0</u>	<u>1.75</u>
Total	25,045.0	100.0

Source: Portugal. Boletim Geral do Ultramar, (June 1967), pp. 134-135.

149. Provisional annual investments under the Third Development Plan have been set at 5,504.6 million escudos in 1968; 5,615.3 million escudos in 1969; 5,842.2 million escudos in 1970; 4,627.7 million escudos in 1971; 3,840.9 million escudos in 1972; and 2,316.4 million escudos in 1973.^{gg/}

150. As already noted in the general section (see annex I, above, table 7 B), external sources are expected to provide 10,684 million escudos or about 43 per cent of the total, but most of the remainder is to be found from Angola's own resources and from private enterprise or credit institutions. The Portuguese Government's participation is limited to 2,000 million escudos over the six-year period and amounts to about 8 per cent of the total investment target.

151. According to press reports, development projects to be undertaken in 1968 are estimated at 750 million escudos, which includes 359 million escudos for transport and communications; 131 million escudos for agriculture, forestry and livestock; 113 million escudos for education and research; and the remainder for electric power, mining and processing industries.

^{gg/} Although the final official figure is not yet known, the total investment target appears to have been increased to 27 million escudos.

EDUCATION

152. In an interview in July 1967, the Governor-General spoke of educational progress in Angola since the mid-1950's. These figures, which have also appeared recently in an English language periodical, show that in the decade 1955/56 to 1965/66 primary school enrolment rose from 68,759 to 225,145, an increase of 227 per cent; secondary academic enrolment (liceu) from 3,729 to 14,577, an increase of 291 per cent; and secondary technical enrolment from 2,164 to 13,220, an increase of 511 per cent. Portuguese commentators suggest that this rate of growth is ahead of the guidelines established by the United Nations Educational, Scientific and Cultural Organization (UNESCO) Conference held in Addis Ababa in 1961.

153. A summary of the education statistics for the school year 1965/66 published by the Angola Statistical Department is given in table 1.^{hh/} Except for one table with analytical data showing school attendance by district and by class, there is no reference to school posts^{ii/} (the school post provides a preparatory language class and the first three primary grades) created in 1964 and statistics are given for primary education as a whole.

154. The data in table 2 show that in 1965/66, of the 217,889 pupils enrolled in primary schools, approximately two thirds were in the preparatory class^{jj/} or the first year; only 36,519 were enrolled in the second year; 22,712 in the third year; and 15,333 in the fourth year. While the relatively large proportion of children in the first grade and preparatory class is probably due to the fact that compulsory elementary schooling was only introduced in 1964, it may be pointed out that only 122,823, or slightly more than one half of the 217,889 students enrolled, passed their examinations.^{kk/} As the proportion of passes

^{hh/} Portugal, Província de Angola, Direcção dos serviços de Estatística. Estatística de Educação, ano lectivo de 1965/66, Luanda, 1967.

^{ii/} See A/6700/Add.3, chapter V, para. 226.

^{jj/} Ibid., para. 229. The preparatory class is a pre-primary adaptation class for children who cannot speak Portuguese and who come from a different environment.

^{kk/} If it is assumed that one fifth of the population is between the ages of 5 and 14, Angola has approximately one million children of school age. The figures show that only 12 out of 100 school-age children continue schooling to the next grade.

usually decreases in the higher grades, the statistics suggest that in 1965/66, fewer than 8,000 pupils actually passed the fourth grade primary examination. This was less than half of the 15,333 enrolled in that grade. The certificate granted on the satisfactory completion of the fourth grade is, however, an important minimal qualification for employment in Angola even though it does not automatically promote to the post-primary or secondary levels.

155. The great need for further efforts to extend education to the rural areas becomes even more glaring when the enrolment statistics are examined by districts. In table 2, it can be seen that in the border districts school enrolment ranges from 14 per thousand total population for Cuando-Cubango in the south and 36 per thousand in Zaire District in the north, to 70 per thousand in Luanda District which has the highest enrolment of all districts.^{11/}

156. The statistics showing enrolment by class and by district in the same table are equally revealing. In Zaire District about 80 per cent of the total number of pupils enrolled in primary school in 1965/66 were in the pre-primary preparatory class or first grade; only 99 out of the 3,625 total were in the fourth grade. In Cuando-Cubango, the situation was similar. In the central districts of Luanda, Cuanza-North, Cuanza-South and Malanje, which are districts with a relatively larger European population, the proportion of children enrolled in the pre-primary or first grade, compared with the total primary enrolment for the district, was generally lower. In Luanda District, this proportion was less than 45 per cent, but it generally ranged around 65 to 75 per cent in the other central districts. Even in Luanda District, however, out of 27,187 pupils enrolled in primary schools, only 4,308 were in the fourth class in 1965/66. In other words, in Luanda District, which is probably among one of the districts best endowed with primary education facilities, only 15 pupils out of every 100 reach the fourth grade.

157. In 1967, ten more new school posts were established in Angola, including six in the Cuanza-South District, two in Huíla District, and one each in Benguela and Moçâmedes Districts. New full primary schools were established at Luanda

^{11/} These figures are used to facilitate comparison because the lack of data has made it impossible to calculate the percentage of school enrolment to school-age population.

and at Henrique de Carvalho in Luanda District. The school post of Candombe in Uíge District was upgraded to full primary school with the addition of the fourth primary class.

158. In 1967, a new liceu was established at Carmona in Uíge District.^{mm/} This increased to nine the number of official academic secondary schools in Angola, which were attended by 8,841 students in the school year 1965/66. Another 5,736 students were attending Angola's 46 private secondary academic schools in the same year.

159. During his visit to Angola in 1967, the Overseas Minister authorized the establishment of six new elementary technical schools located at Teixeira da Silva in Huambo District, Golungo Alto in Cuanza-North District, Porto Alexandre in Moçâmedes District, Negage in Uíge District, Mariano Machado in Benguela District and Vila Folgares in Huíla District. Three other elementary technical schools were established at Vila Nova do Seles and Santa Comba in Cuanza-South District and at Vila General Machado in Bié District. Three health technical schools were added to the Maria Pía Hospital in Luanda, making a total of four. These schools, which are under the supervision of the Health and Social Welfare Department, are located at the central hospital of Nova Lisboa (Huambo District), Benguela (Benguela District) and Sá da Bandeira (Huíla District).

160. In May 1967, the metropolitan regulations of industrial and commercial schools were extended to Angola. Preparatory courses to the Commercial and Industrial Institutes were introduced in the Commercial and Industrial School of Gabela (Cuanza-North District) for the school year 1967/68.

161. The statistics of post-primary and academic secondary education in table 1 appear to suggest that the main bottle-neck to further expansion of primary education is the shortage of teacher-training schools and the small number of teachers graduated each year. In the 1965/66 school year, less than 1,000 pupils were enrolled in the two types of primary teaching courses; 705 were enrolled in schools which only train school-post teachers; and 231 were enrolled in the regular primary teacher-training courses. Thus, the number of teachers completing their training was probably considerably less than 500 that year.

^{mm/} Decree No. 47,606, 25 March 1967. Secondary academic schools are among those which have to be authorized by the Government in Portugal.

162. In 1967, Angola's fourth primary teacher-training school was opened in Benguela. According to the Angolan Press, these four schools will be able to graduate 100 new primary school teachers a year. A further school monitor teaching school has been added since 1965/66 and it is now expected that 500 to 600 will complete training each year.

163. There are only limited facilities in the Territory for training secondary school teachers (see below), as the Portuguese Government has up to now insisted that these teachers must be trained in Portugal. Since the full course requires five years - four years of regular university studies plus a fifth year - the number completing training each year is not even sufficient to meet Portugal's own needs.

164. In 1966/67, there were 597 students enrolled in the Estudos Gerais Universitários (General University Studies) and referred to as EGU. Of these, 290 were enrolled in engineering, 161 in medicine, 37 in agronomy and forestry, 56 in veterinary, 21 in education and 32 students in the newly created training courses for secondary school teachers. The EGU faculty included 6 full professors professores catedráticos (chairmen of departments), 3 extraordinary visiting professors, 5 primeiros assistentes (first instructors) and 63 segundos assistentes (second instructors). At the opening of the school year 1967/68, there were 767 students.

165. Government expenditures on education increased from 192.1 million escudos (\$US6.8 million) in 1965 to 242.3 million escudos (\$US8.6 million) in 1966. Allocations under the 1967 budget estimates amounted to 263.6 million escudos (\$US9.4 million) and represented 6.1 per cent of the total ordinary budget. The corresponding percentages for 1965 and 1966 were 5.0 and 6.3 respectively.

166. From 1963, when the EGU was established, to July 1967, expenditures on installations totalled 25,569.4 million escudos and operating expenses 25,034.9 million escudos.

167. In addition to ordinary budget expenditures, 112.7 million escudos was spent on education under the Transitorial Development Plan 1965-1967. This, however, was less than one quarter the amount that had originally been planned. The new Third National Development Plan, 1968-1973, envisages an expenditure of 1,391 million escudos over the six-year period.

TABLE 1

Angola school statistics, 1964/65 and 1965/66

	<u>Number of schools</u>		<u>Number of teachers</u>		<u>Number of pupils</u>	
	<u>1964/65</u>	<u>1965/66</u>	<u>1964/65</u>	<u>1965/66</u>	<u>1964/65</u>	<u>1965/66</u>
Total	2,704 ^{a/}	2,819	6,129	6,708	231,510	255,690
Primary	2,561	2,660	4,549	4,922	203,377	222,326
Secondary academic	52	55	591	659	12,561	14,651
Technical professional:						
Commercial and industrial	32	36	586	661	10,686	12,961
Higher commercial and industrial	4	4	52	74	383	495
Agricultural schools	1	1	11	11	207	178
Elementary professional	7	8	21	33	498	709
University studies	1	1	38	38	418	477
Teacher training:						
For school posts	6	7	39	47	550	705
For primary schools	3	3	24	30	210	231

Source: Angola: Direcção dos Serviços de Estatística. ano lectivo de 1965-66, Luanda, 1967, page 13.

Estatística da Educação,

a/ Revised figures.

TABLE 2

PRIMARY EDUCATION IN ANGOLA

Schools, teachers and enrolment by districts, 1965/66

<u>District</u>	<u>Population</u> (1960)	<u>Schools</u>	<u>Teachers</u>	<u>Students</u>	
				<u>Registered</u>	<u>Promoted to next class or passed examinations</u>
<u>Total</u>	4,830,449	2,588	4,802	217,889	122,823
Benguela	489,039	203	412	19,650	12,302
Bié	453,106	246	490	25,526	11,915
Cabinda	58,680	89	152	7,045	3,434
Quando-Cubango	113,063	35	45	1,569	759
Cuanza-Norte	263,600	187	305	13,920	7,871
Cuanza-Sul	405,564	161	266	11,932	6,503
Huambo	598,441	445	753	36,976	22,029
Huíla	395,672	288	483	21,511	10,989
Luanda	349,764	149	710	27,187	17,989
Lunda	247,430	100	130	6,007	2,810
Malanje	452,285	264	409	17,487	10,305
Moçâmedes	43,419	31	73	2,475	1,460
Moxico	266,709	149	199	9,162	4,457
Uíge	399,886	200	298	13,817	7,908
Zaire	104,061	41	77	3,625	2,092

Source: Angola: Direcção dos Serviços de Estatística, Estatística da Educação, ano lectivo 1965-1966, Luanda, 1967, page 53.

LABOUR

168. In 1967, the Rural Labour Code for the Overseas Territories (Decree No. 44,309, 27 April 1967)^{nn/} was revised. Among other changes, a new clause provides that workers recruited in other Territories, who have completed their service, who do not want to be repatriated and do not wish to renew their contracts, may be verbally offered work with the same or a different company until they find a more convenient time to be repatriated. Another additional clause extends the classification of casual (eventual) labour to the worker whose customary place of residence is not situated near his place of work, but who, of his own initiative, offers his services, and therefore may be engaged in temporary work. Previously, only those whose customary residence was situated near the place of work could be employed on a temporary basis, all others being employed under written contracts.^{oo/} These amendments seem specially significant in Angola where migrant workers represent 44 per cent of the unskilled labour in non-urban areas.

169. During 1967 the Governor-General found it necessary to issue a notice "clarifying" the definition of "rural worker". Under the 1962 Rural Labour Code, for the purpose of the Code, in the absence of any special regulations, a worker shall be placed on the same footing as a rural worker, even though he may be engaged in activities other than farming and its related work, "if his services involve no more than the performance of manual labour and the nature of such service does not place him in any class of salaried employment or specially skilled worker".^{pp/}

170. The Governor-General's notice drew attention to the fact that the term "rural workers" includes all manual workers who do not have a defined trade and who are

^{nn/} The English text appears in the ILO Legislative Series, July-August 1962. Under the Rural Labour Code, rural workers may be classified as permanent or casual; a permanent worker is one who has been engaged for a period of six months or more.

^{oo/} Since the introduction of new labour legislation in 1962, all labour recruited from outside the immediate area of employment has to be done by written contract, and the period of the contract is now generally around one year.

^{pp/} ILO Legislative Series, July-August 1962.

occupied in activities connected with agricultural exploitation of land, the harvesting of products and the work preparatory to such exploitation. Manual workers without a definite trade who work in mining, fishing, construction, conservation of roads, railways and airports, dams and other major projects of public interest are also classified as rural workers if they are situated in rural or suburban areas.

171. An article published in the official journal of the Angola Labour Institute^{qq/} in 1967 reported that, in 1966, mixed wages (salários mistos, i.e., wages which are partly paid in kind), had increased 3.4 per cent over the previous year. This was smaller than the average annual rate of increase of 5.8 per cent over the last nine years. According to this report, the average mixed wage in 1966 was 581.25 escudos per month (just under \$US21), the weighted average range being from 337.50 to 1,285 escudos. However, although the Rural Labour Code provides that 50 per cent of the wages shall be paid in cash, during 1966 workers received an average of only 40 per cent of their wages in this form. Thus, a worker at the lower end of the wage scale would receive less than 140 escudos (\$US5.00) in cash a month. In 1967 by order of the Governor-General minimum wages for workers over 18 years of age in Luanda were fixed at 25 escudos a day.

172. The official statement notes that the general upward trend in wages is expected to continue because government action to help rural agricultural incomes has made it necessary to raise wages to a more attractive level.

173. Although wages are still low in Angola, the Labour Institute is warning companies of the trend in rising wages since the additional labour costs may make the difference between profit and loss. Accordingly, companies are being advised to review their labour requirements and to increase productivity through the introduction of mechanization and modern production techniques.

174. In July 1967, discussing Angola's shortage of technical workers, the Governor-General said that heretofore, the Territory had relied mainly on Portugal for skilled workers. He pointed out, however, that as Portugal was also short of skilled workers and Angola's needs were increasing, it was necessary to draw

qq/ Angola: Instituto do Trabalho, Previdência e Acção Social. Trabalho, first quarter, 1967, editorial section.

up plans for training such workers in the Territory. To supplement the expansion of technical courses and training programmes by private companies, the Education Department of the Overseas Ministry was studying the creation of centros de formação profissional acelerada (accelerated technical training centres).

ANNEX III*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

MOZAMBIQUE

Working paper prepared by the Secretariat

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GOVERNMENT AND ADMINISTRATION

General

1. The Minister for Overseas Territories, Mr. Silva Cunha, made his annual visit to Mozambique in July 1967 on the occasion of the opening of the Second Annual Congress of the Communities of Portuguese Culture which was held in Lourenço Marques. According to press reports, the main objectives of the Congress were "to define, to defend and to elaborate the structure of Portuguese culture" and to prove, by the fact of its being held in Mozambique, that Portuguese culture is not only European based. In addition to representatives from Portugal and the other Overseas Territories, the Congress was also attended by important Brazilian personalities in the cultural field.
2. During his stay in Mozambique, the Overseas Minister visited a number of places in the Cabo Delgado District, including Macomia, Nangade, Mocímboa do Rovuma, Aninsengue, Palma and Muídambe, all of which, except the first, are located on the border with the United Republic of Tanzania. In a statement to the Press after this visit, he said that his trip north had been intended to stimulate development there, which despite adverse circumstances, was nevertheless going forward.
3. The official statement which he issued at the end of his visit refers also to discussions he had with the Governor-General and the heads of departments on various problems relating to the Territory and the well-being of the people. The statement cited as examples of such problems "the establishment of a network of roads, the suburban boroughs of Lourenço Marques and the civil service establishment of the Territory." It may be noted that recruitment for and conditions in the civil service have caused considerable dissatisfaction in the Territory. Commenting on the inadequacies of the civil service, one of Mozambique's deputies told the National Assembly in March 1967 that there was often an interval of two to three years between the date of application and the date of appointment to the service and that, because salaries for certain posts were lower than those paid in industry, commerce and the autonomous government services, many

departments had up to 50 per cent vacancies in their engineering posts. The Governor-General has also commented on the need to strengthen the Territory's civil service staff to improve their conditions.

4. As indicated by the Governor-General in the Legislative Council at its April and October sessions, during 1967, other problems of major concern to the Territory were the war in the north, the growing burden of military expenditures and the Territory's deteriorating balance of payments and trade. These points are discussed below.

Elections

5. In January 1968 the local Press in Mozambique carried a list of the names of candidates to the Legislative Council.^{a/} For the nine seats to which representatives are elected by direct vote, there was one candidate from each of the nine districts and with one exception, all were either industrialists or businessmen. There were, however, a larger number of professional persons among the candidates to the Economic and Social Council, including two engineers and a bookkeeper. For the two seats reserved in the Economic and Social Council for representatives of workers' interests, both candidates were clerical workers, and the alternates were a bank employee and an office worker.

6. The results of the Mozambique Legislative Council elections were announced by the Overseas Ministry on 20 March in Lisbon. As in the case of Angola and the other Territories, the only information given was the percentages of the electorate voting. For the nine members elected by direct vote, there are no separate returns; they were all elected by 88.75 per cent of the electorate voting. The percentages of the electorate voting for the representatives of organic groups were as follows:

^{a/} As reported previously, the composition of the Legislative Council of the Territory is similar to that of Angola, except that, as the Territory is divided into nine districts, there are only nine directly elected representatives in the Council out of the total of twenty-nine members, and, as in Angola, there are only three representatives of the African authorities of the regedorias who are indirectly elected by the chiefs of the regedorias.
(Official Records of the General Assembly, Nineteenth Session, Annex No. 8 (A/5800/Rev.1)), chapter V, paras. 65-73 and 150-154).

<u>Category</u>	<u>Number of members</u>	<u>Percentage of electorate voting</u>
Taxpayers paying the minimum tax required	3	88.3
Economic interests	3	92.5
Workers interests	3	100.00
Cultural and religious groups	3	89.74
Indigenous authorities	3	100.00

MILITARY ACTIVITIES

7. The war in Mozambique which began in September 1964 will soon be in its fifth year. Although it is generally reported that Portuguese troops, estimated to number 40,000 to 60,000, are firmly in command of the situation, the Frente de Libertação de Moçambique (FRELIMO) claims that, except for the towns and the Portuguese military bases, it controls the districts of Cabo Delgado and Niassa, which together have a population of about 800,000.

8. The two main areas of fighting are on the Mozambique-Tanzania border around Mueda in the Cabo Delgado District, and a second "front" along the shores of Lake Malawi in the Niassa District. Speaking before the Legislative Council in April 1967, the Governor-General also referred to "enemy" activities in the Moçambique, Zambézia and Tete Districts. He explained that the "enemy", having failed in its objectives in the north, had adopted new tactics in other areas. The length of the military bulletins in the early part of the year and the wording used suggested that there was intensive FRELIMO activity at various locations, including attacks on Portuguese troops and military camps. Portuguese reports of arms captured also showed that FRELIMO had become equipped with some modern arms, including certain types of machine guns and hand-grenade launchers. Limited activities by the Comité Revolucionário de Moçambique (COREMO) along the Zambia border were reported during the year.

9. In September 1967 FRELIMO was reported as claiming that, in the third year of its armed struggle, it had killed over 2,000 Portuguese soldiers, put out of action 120 carriers, six aircraft and large quantities of automatic weapons; that, in addition to establishing new administrative units in the occupied areas, 100 new schools were being built for more than 10,000 children.

10. Various reports published in 1967 indicate that the Portuguese authorities have recognized the fact that FRELIMO owes its success to the support it receives from the local population. As a result, the Portuguese authorities are reported to be engaged in a serious study of the economic and social conditions in the north in order to try to find new ways of winning over the local population. The author of a series of articles entitled "A Portuguese view of the insurgency in Mozambique", which was published in the Portuguese paper O Século in April 1967, reported for example that,

"It has been confirmed that, apart from the family, ethnic and religious factors connected with traditional alliances and rivalries of these groups, there is a tendency towards peculiar behaviour when confronted with the prospect of independence.

"In sum, an intricate net was thrown over the north of Mozambique, against which bullets have not been successful. Other types of operational weapons are needed: ethnographic, ethnological weapons, anthropological and sociological ones, backed by solid progressive systems."

According to the author, as a result of this new approach, there is "a flurry of specialists" in military, police and civil administration circles poring over information that comes in from many sources "seeking to make it useful or operational".

11. To win over the local population, the Government has built new villages for those who return to the Portuguese controlled area and has offered financial rewards for weapons turned in.^{b/} In June, the Portuguese authorities dropped thousands of pamphlets in the northern area, where FRELIMO is presumably active, with messages in various local languages urging the local population to give themselves up as FRELIMO was bound to lose, whereas the Portuguese authorities who were winning and were strong offered them good treatment.

12. The Portuguese authorities have also intensified training of the various para-military services, such as the traditional African militia and the volunteer corps which provide support for the regular armed forces. In some areas, the

b/ A South African paper reports that the sums offered are as follows: mortars and anti-personnel mines, about R30 each; automatic carbines, R12.50 each; and machine guns, R25 each. (One rand equals \$US1.40.) Villagers are paid more than ex-FRELIMO members in order to encourage them to turn in their weapons.

local population is reported to have been armed and trained to defend their villages against attacks. It is also reported that Portuguese forces have introduced new navy patrol boats on the Portuguese part of Lake Malawi, which are equipped with radar and heavy guns to help curb infiltration.

13. Speaking before the Legislative Council in October 1967, the Governor-General said that in both the Niassa and Cabo Delgado Districts guerrilla activities had been substantially reduced during the year with the help of the civil and military authorities and, to a great extent, the co-operation of the local population. He said that in these districts, "enemy" activity had become mainly limited to the mining of roads and attacks on the local population, some of whom were kidnapped. In spite of guerrilla infiltration and continued sporadic activity, the combined efforts of all concerned had made it possible not only to prevent their further southward penetration but it had even been possible to reduce further the area of their activity in the north. In Tete, where a large cache of arms was captured in September, and in Zambézia District, he claimed that the Government had been successful in preventing insurgents from causing disturbances. However, he went on to warn that, "No one should doubt that the future does give cause for concern," and emphasized the need for greater contributions from all citizens towards defence expenditure.

14. Although the Portuguese military bulletin for November reported very little activity, for December and the first two months of 1968 Portuguese armed forces were again reported engaged in intensive activities in the northwest area of Niassa and northeast of Cabo Delgado District. For the month of February, Portuguese casualties were officially reported as eighteen killed. Against these losses it was claimed that seventy-five guerrillas lost their lives, forty-three were captured by government troops, ten others defected to Portuguese authorities, and 1,609 African civilians who had been living in the bush under coercion reported to the authorities.

15. In February 1968, FRELIMO was reported to have issued a communiqué declaring that it had begun a major offensive against the last Portuguese bases in Niassa and Cabo Delgado.

16. As reported previously^{c/} during 1966, another 7,000 refugees from Mozambique arrived in Tanzania, bringing the total to 19,000 at the end of that year. There

was also an influx of refugees from Mozambique into Zambia, mainly in Petauke District where 1,00 arrived during the year, although, as reported by the High Commissioner for Refugees, about 4,000 others who preceded them into Zambia returned to their own country (A/6711, para. 165).

17. The growing burden of military expenditure in Mozambique led to budgetary reductions in 1967 of various items of ordinary government expenditure. Thus, while the 1967 budget allocations for defence rose by some 20 per cent over the previous year, allocations for agricultural and forestry services were reduced by more than 30 per cent from 33.7 million escudos to only 21.7 million escudos, and the public works budget was reduced more than 50 per cent, dropping from 95 million escudos to 45.2 million escudos in 1967.

18. In February 1967, the Territory's share for the year of the military costs of the three branches of the armed forces was fixed at a total of 838 million escudos (approximately \$U27 million). Of this total, 609.4 million escudos was for ground forces; 63 million escudos for the naval force and 166 million escudos for the air force. In addition, the 1967 budget included 74 million escudos for public security (compared with 70 million escudos in 1966) and 28.3 million escudos for the secret police (Polícia Internacional e de Defesa do Estado (PIDE)).

19. The cost to the Territory of its share of the armed forces budget is paid for from local revenue and several special taxes, four of which have been introduced since 1963. For 1967, apart from 317.2 million escudos to be met from local revenue, the remainder was to be financed as follows: (a) 222.7 million escudos from the tax on revenues of autonomous services such as the Ports and Harbours Administration (Decree 45,605, 9 March 1964); (b) 60 million escudos from a special defence stamp tax introduced in July 1965 (Legislative Instrument 2614, 10 July); (c) 60 million escudos from defence levies on all government services (Decree 45,452 of 18 December 1963); and (d) 78.4 million escudos from the Overseas Defence Fund. The remaining 100 million escudos was to be financed by a specially authorized allocation.

20. In February, the Portuguese Government authorized the extension of the 6 per cent defence tax to the newly created Mozambique Roads Board (Decree 47,544, 17 February 1967). Also as a temporary measure, pending a revision of the entire system of taxation in the Territory, a number of taxes were raised or extended in

order to provide the necessary funds for defence (Legislative Instrument 2,744, 18 February 1967). Among these were the special defence stamp tax which was raised on some twenty-eight categories, and the consumption taxes on cold drinks, sugar, wine and beer, which were also increased, in some cases by as much as 50 per cent. As a result of these changes, revenue from customs duties and consumption taxes for the first eight months of the year exceeded budget estimates by 95 million escudos.

SECURITY MEASURES

21. During the first half of 1967, newspapers publicized several trials of persons accused of subversive activities, many of whom were reported to be FRELIMO members. The first case reported was a group of thirty persons who were tried before the Mozambique military territorial court. One of the group, Lucas Fernandes, reported to be a "self-styled general" of the Mozambique African National Union (MANU) was given an eight-year prison sentence (prisão maior), one other person was given a five-year sentence and the remaining twenty-eight each four years' imprisonment. All of the thirty were deprived of their political rights for fifteen years.

22. In April, Jaconais Ocuane Massango, pastor of the Methodist Evangelical Church in Lourenço Marques, was charged with membership in FRELIMO subversive activities. He was found guilty under article 173, paragraph 1 of the Penal Code and sentenced to three years' imprisonment and loss of political rights for fifteen years. The article referred to concerns conspiracy which takes the form of illegitimate association or secret organizations with a view to inciting or carrying out crimes against the internal security of the State.

23. In May, two more groups were tried and sentenced. The first group - consisting of six persons who were said to be members of a FRELIMO cell - were accused of having infiltrated northern Mozambique as guerrillas and of attempting to poison two Portuguese families in Vila Cabral. Two of the accused, Bernardo Fabiano and Rabezzone Caluza, were sentenced to three years' imprisonment and loss of political rights for fifteen years, and two (Ali Ake and Saide Bobumade) were sentenced to one year, a fine amounting to 15 escudos per day for one year, and loss of political rights for five years. The other two persons, Farnela Chamissangá

and Américo Mateus, had their political rights suspended for fifteen years. All the prisoners were also sentenced to "special internment"^{d/} for a period of six months to three years. The second group comprised five persons, all of whom were accused of being FRELIMO agents. One of them, Alberto Machado, was sentenced to thirty months' imprisonment and loss of political rights for fifteen years; the others received sentences of two years.

24. In June, several more persons were tried before the military court charged with being secret agents of FRELIMO and with activities against the State. The names given were Domingos Arouco, Domingos Manuel, A. Certa and Alfonso André. According to the newspaper article, Domingos Arouco had at one time worked for the Overseas Ministry and held a high post in the Banco Nacional Ultramarino. He also had been president of the Centro Associativo dos Negros da Província de Moçambique which was closed in 1966 by the Governor-General because of its subversive activities.

25. Further steps were taken during 1967 to strengthen security measures in the Territory. In February (Decree No. 47,545, 17 February 1967) the Governor-General was authorized to provide any expenditures necessary for the incorporation of the mobile police into the Public Security Corps. In addition, several new PIDE posts were authorized, including one at Nova Freixo, about 100 kilometres from the Malawi border in Niassa District, and another, at Montepuez in Cabo Delgado District (Order No. 22,668, 2 May and No. 22,830, 14 August 1967).

26. In February 1968, it was reported that the Diario de Moçambique, which is published in Beira, had been suspended for one month for publishing an article accusing soldiers from a local air base of stealing cars, and for failing to comply with existing censorship regulations.

27. Early in 1968 it was also reported that a group of priests from Beira had addressed a letter of protest to the meeting of bishops of Mozambique which was held at Porto Amélia. In the letter the priests complained of the financial

^{d/} Decree Law 40,550 of 12 March 1956 provides that detention as a security measure may be imposed upon the recommendation of the PIDE on persons who: (a) are responsible for organizing associations of a communist character for the purpose of committing crimes affecting the external security of the State; (b) resort to terrorism as a means of plotting against the security of the State; (c) willingly facilitate recourse to such subversive activities by making subsidies or allowing propaganda connected with these activities. Such detention may be prolonged for further periods.

dependence of the Catholic Church on the Government, a fact which limited their freedom. Their main complaint was against the distrust shown by the Portuguese authorities towards foreign priests - who were subjected to close surveillance - and African Catholics, "of whom the more educated and more active (dynamique) are systematically pursued and harassed by the police, and put in prison". They also protested against the injustices inflicted upon non-Catholics and censorship of the Press. Among signatories of the letter were Portuguese and nationals of Mozambique, the Netherlands, Italy, Austria and Spain.

ECONOMIC CONDITIONS

General

28. During 1967, studies on the national incomes of Angola and Mozambique were published for the first time.^{e/} According to press reports of these studies, Mozambique's gross national product at factor cost, at constant prices (1963), increased at an average rate of 7.1 per cent during the period 1958-63, but at an average rate of 9 per cent over the period 1960-1963. Excluding non-monetary incomes in the subsistence sector, the per capita gross national product in 1963 was \$US147; by extrapolation, the studies estimated that the 1965 per capita gross national product in Mozambique was \$US150, which was less than half of the \$US400 per capita of Portugal.

29. It is also reported that over the period 1958-1963 there has been a decrease in the share contributed to the gross national product by the non-monetary sources; the proportion contributed by non-monetary sources is estimated to have accounted for about 47.5 per cent in 1958 and only 42.1 per cent in 1963, thus showing that development is bringing about a structural change in the economy of the Territory.

30. As reported previously (A/6700/Add.3 and Corr.1), the period since 1963 has been characterized by rising defence and development expenditures (especially on ports, harbours, railways, roads and hydroelectric schemes) and growing private investments. Imports have, therefore, increased more rapidly than exports and the trade balance has continued to deteriorate. At the same time, there has been a growing outflow of investment earnings, amortizations and other private transfers

^{e/} These studies are not yet available.

of moneys which have helped to create a continuously rising adverse balance of payments.

31. As in Angola, government officials emphasize that these problems are transitory and characteristic of the stage of development through which the Territory is passing. Therefore, the Government's primary objectives are to stimulate further development and to increase exports.

32. More detailed information on recent developments by sectors is given below.

Balance of trade and payments

33. In 1966 Mozambique's trade balance deteriorated further. Whereas the value of exports rose by less than 3 per cent to 3,216 million escudos, imports increased by almost 20 per cent to 5,971 million escudos. This resulted in an adverse balance of trade in 1966 of 2,755 million escudos, an increase of almost 50 per cent over the previous year.

34. In connexion with the growing deficit in the Territory's balance of payments, government officials point out that sanctions against Southern Rhodesia have also caused a serious loss of foreign exchange to the Territory because of the substantial decrease in transit trade through Beira (see also annex II above, para. 72).

35. Following the imposition of strict controls over imports and monetary transfers, the Governor-General was able to report to the Legislative Council in October 1967 that there had been an improvement in the Territory's balance-of-payments deficit during the period January to July 1967 which was 33 million escudos less than during the same period in 1966. He pointed out that the restrictions on imports had not affected capital investment goods needed for development, and emphasized that the Territory needed to improve its exports, both in quantity and in value, and to develop industries to replace imports.

36. Recently published figures for the first six months of 1967 show a balance-of-payments deficit of 324 million escudos, compared with 317 million escudos in the corresponding period in 1966. This deficit is due to a negative balance of 668 million escudos from transactions within the escudo zone and a favourable balance of 343 million escudos with foreign countries. Over this period, the merchandise trade deficit was 1,037 million escudos, invisible transactions had a surplus of 774 million escudos and capital transactions had a negative balance of 6.2 million escudos.

37. Trade statistics for the entire year 1967 are not yet available. In 1966, the major categories of consumer non-durable goods imported included petroleum (653,213 tons, 321 million escudos); cotton goods (4,381 tons, 331 million escudos); wines (50,660 kilolitres, 290 million escudos); fish and dairy products (16,640 tons, 197 million escudos); and wheat (51,000 tons, 105 million escudos). The principal exports were sugar (147,069 tons, 466 million escudos); raw cashew (77,235 tons, 436 million escudos); cashew nuts (5,729 tons, 161 million escudos) and raw cotton (28,164 tons, 492 million escudos). These figures show that revenue from three of the Territory's leading exports is required to pay for its imports of consumer goods, mainly destined for the use of the European population.

Agriculture^{f/}

38. During 1967, southern Mozambique suffered the worst floods in thirty years due to the overflow of the Limpopo, Elefantes, Maputo, Incomati and Sábiè Rivers. Over 500 square kilometres were devastated causing damage to crops estimated at over 500 million escudos (\$US18 million). About 95 per cent of the banana plantations in the Sul do Save were reported destroyed and the Sociedade Agrícola de Incomati, with some 9,000 hectares of plantations and an annual output of 37,700 tons of sugar,^{g/} reported a total loss of its sugar cane crop for the year. The production of citrus fruits, oil seeds and cashew in this area was also affected.

39. In 1966 production increases over the previous year were registered for three out of four of the main export crops: sugar rose from 164,960 tons in 1965 to 188,000 tons; cotton from 90,000 to 120,000 tons, and tea from 10,970 to 13,983 tons. Sisal output dropped by 8 per cent to 30,742 tons. As for food crops for internal consumption, wheat rose from 7,500 to 8,000 tons and maize from 390,000 to 440,000 tons; shelled peanuts, however, dropped from 120,000 to 114,000 tons, and rice from 93,000 to 79,500 tons.

40. As regards production in 1967, according to preliminary reports, with the exception of Lourenço Marques District, where the cotton crop was 80 per cent below

^{f/} For detailed information on agriculture and processing industries in Mozambique, see Official Records of the General Assembly, Twenty-first Session, Annexes, addendum to agenda item 23 (A/6300/Rev.1), chapter V, part II, annex, appendix III.

^{g/} Ibid., table 6.

last season (owing to the weather), cotton production in the other areas was generally satisfactory and the total seed cotton production for the year was 126,000 tons. Six out of the nine districts had good harvests of food crops, including Tete and Cabo Delgado where the harvest was sufficient for local consumption, and Niassa District, where production reportedly exceeded local needs.

41. Maize. As a result of intensive efforts of the Cereals Institute to increase maize production, in 1966 the Territory had a large surplus of maize and this caused considerable anxiety among the European farmers who could not sell their surplus and had no adequate storage facilities. Although the Cereals Institute was eventually able to export 66,000 tons to Portugal and another 11,000 tons to foreign countries to help farmers, the Institute also purchased at a cost of 25 million escudos 150,000 sacks (about 15,000 tons) from farmers and traders in the Tete District for storage, redistribution and export. The short-sighted planning of the Institute was criticized in the National Assembly meetings in January by Dr. Gonçalves Mesquitela who urged studies of long-term production and marketing possibilities of not only maize, but also of peanuts, fresh fruits, cotton and sugar, products which the Territory traditionally exports to Portugal.

42. Bananas. As most of Mozambique's bananas are exported to South Africa, following the loss of the banana crop early in the year, the Banana Producers and Exporters co-operative in Mozambique applied for a loan from the South African Banana Control Board and in October 1967 was granted 2.8 million escudos (R70,000). In 1966, the Banana Co-operative exported 4,608 tons of bananas at 17.5 million escudos, compared with 8,073 tons at 31 million escudos in the previous year.

43. Tea. Tea production in Mozambique reached a new high of 12,400 tons in 1966, compared with 10,700 tons in 1965 and 8,629 tons in 1963. Total tea exports amounted to 234,800 million escudos. The principal customers were the United Kingdom of Great Britain and Northern Ireland (8,500,000 kg); the United States of America (970,000 kg); Kenya (947,269 kg); South Africa (612,027 kg); the Netherlands (563,662 kg). The Federal Republic of Germany, Portugal and Australia together took another 600,000 kg.

44. Other developments. As reported previously, Mozambique's agriculture is mainly orientated towards the output of export crops (A/67CO/Add.3, chapter V, paragraph 275). In spite of the Government's expressed concern with raising productivity in the subsistence sector, up to the present, very little has been actually done to help

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the great majority of Africans living on the land. In 1967, measures to assist export crops included the establishment of an agricultural credit fund with a capital of 150.2 million escudos to provide loans especially to the flood victims in the Sul do Save; a loan of 200 million escudos by the Overseas Development Bank to the grémio of vegetable-oil industries in Mozambique; and the authorization of the construction of a 200-million dam on the Maputo River, at a cost of 200 million escudos, to help the rice growing settlement at Santana established by the Provincial Settlement Board. In October 1967, the Government announced that it would establish markets throughout the Territory as part of an integral plan of building a network linking centres of production, consumption and transforming industries with channels for export.

45. In January 1968, Massinga, Morrumbene, and Maxixe in Inhambane District were struck by a cyclone and in some areas the entire cashew crop was lost; the rice as well as other crops were also severely damaged. In the north in the same month, the Chimoio area suffered the worst drought in memory resulting in a total loss of the maize and vegetables already planted; other crops in the area, including tobacco, citrus fruits and peanuts, were also expected to be affected.

Settlement and land utilization

46. As reported previously in a special study,^{h/} until recent years, except for a few government-sponsored settlement schemes such as the Limpopo, Revuè and Maputo valley projects, land utilization and concession have not created problems similar to those in Angola. One of the main reasons for this is the different pattern of land use in Mozambique. Whereas in Angola a large part of the agricultural production is in the hands of individual European farmers closely linked to the land, in Mozambique, with the exception of a few regions where European farmers have settled (for instance, in Chimoio, Ribau and Malema), the major agricultural products are grown and processed by organized commercial concerns. Furthermore, a larger percentage of the indigenous population produces for the market - especially cotton and cashew - or works on plantations and in the transport and service sectors. Since the outbreak of guerrilla activities in the north of Mozambique,

^{h/} Official Records of the General Assembly, Twentieth Session Annexes, addendum to agenda item 23 (A/6000/Rev.1), chapter V, appendix, annex II.

however, there has been a noticeably growing interest on the part of the Government to speed up European settlement, especially in the sparsely populated districts.

47. In 1967 the Portuguese Government decided to proceed with the construction of the high dam at Kebrabasa on the Zambezi river seventy-five miles north of Tete. The dam, to be known as Cabora-Bassa (or Cahora Bassa) and which has attracted wide publicity, is part of a vast hydroelectric and irrigation river valley development project. While the Cabora Bassa dam will only produce power, the control of the river will open the way for subsidiary dams, locks and canals downstream for irrigation, navigation, swamp recovery and more hydroelectric schemes, leading to the development of an area of 140,000 square kilometres, or about one-tenth of the whole Territory. When completed, the power station will generate about 17,000 million kwh a year, while the regularization of the river will permit the development of several million hectares of land with irrigation and dry farming to produce sugar, grains, citrus, vegetables, beef, jute and cotton. In addition, new lands would be opened up for settlement.

48. The hydroelectric, mineral and agricultural potential of the Zambezi valley has been under study since the early 1950's and continued under the First and Second National Development Plans. (The cost of the studies alone is said to total some 200 million escudos). The original plans to open up 120,000 hectares of land with 90,000 hectares to be irrigated and the establishment of 70,000 settlers have apparently been superseded. The government research team is reported to have drawn up plans for the eventual establishment of a network of mines and factories along the Zambezi flanked by farms and forests comparable to the Ruhr valley. The known mineral deposits in the region include a coal seam 12 miles long near Tete, iron deposits at Museca and Muende which could produce a million tons of ore a year, an estimated 30-million ton reserve of titani-ferrous magnetites, and areas of manganese, nickel, copper, fluorspar, chrome and asbestos. Many of these deposits have not been exploited up to the present because of technical or economic considerations, but the availability of a cheap source of power is expected to help resolve some of these problems. With iron ore, electricity, and plenty of water the possibility also exists for the establishment of a steel industry and cheap nitrogenous fertilizer as a by-product.

49. As reported elsewhere (A/6700/Add.3, chapter V, para. 282) the final decision to proceed with the construction of the Cabora Bassa dam depended largely on finding suitable markets for the electricity produced. For this reason, the Government's decision to proceed with the construction of the dam was only made after the conclusion with South Africa of a formal agreement whereby that country undertook to purchase 1,000 megawatts a year as from 1974, increasing to 1,700 megawatts in 1980. Malawi is also reported to have agreed to purchase power from this station in connexion with the development of its bauxite deposits.^{1/}

50. Towards the end of 1967, the Government of Portugal invited international bidding for the job and for the financing of the project, which is expected to be entirely by foreign credit. Various international groups are reported to be interested.^{2/} The Government is reported to have invited two sets of bids. One bid is for the building of the first generating unit producing 17,000 kwh by 1972, and the supply of electric cables, etc., together representing a job costing 7,000 million escudos. The other bid is for the preliminary construction works at a cost of about 76 million escudos. The second phase will comprise the construction of four other dams on tributaries on the Zambezi River which, on completion, will bring the annual capacity to 48,000 kwh a year.

51. According to a press report, in March 1968, bids ranging from \$US246 million to \$US340 million were submitted by three groups - a consortium called the Cahora

^{1/} In October, a group of Portuguese bankers and industrialists, known as the Champalimaud group, requested a licence to establish an aluminium plant at Tete using bauxite from Malawi and power from the Cabora Bassa dam.

^{2/} Groups mentioned include: (a) a Franco-Italian consortium: G.I.E. - Gruppo Industrie Elettro-Meccaniche per Impianti All'Estero (Italy) and Creusot-Jeumont-Schneider (France); (b) a Franco-American consortium: Morrison-Knudsen, Compadec (France), General Electric, Brown-Boveri (Switzerland), Compagnie des Forges de la Loire, Compagnie Electro-Mécanique (France), and Mague, a Portuguese company; (c) a Franco-German consortium: Siemens and Compagnie Générale d'Électricité, in association with Anglo-American Corporation of South Africa, Alstom, Neyrpic, A.E.G., etc.; (d) a British consortium: Associated Electrical Industries, English Electric Co., etc.; and (e) a Swedish-Japanese consortium: A.S.E.A. (Sweden), Hibachi, Mitsubishi, and Toshiba. Other companies mentioned include Compagnie de Constructions Internationales; Construtora do Tâmega; Concor Moçambicana; Empresa de Construções Cíveis e Industriais; and Augusto José Lariço Supico.

Bassa builders formed by Morrison-Knudsen; a consortium of British Insulated Callenders Construction, Ltd., with four other British companies and a South African, an Italian and a Portuguese concern; and a third group, called the Zambezi hydro-electric consortium, comprising five German concerns, including Siemens, and one Swedish, three French and three South African companies. A special commission appointed by the Portuguese Government is expected to award the contract in May or possibly June 1968.^{k/}

52. One of the main tasks which faces the Government is that of moving 20,000 to 25,000 inhabitants from their present locations and to resettle them elsewhere. For this purpose, the Government has set up a special group known as the Missão de Estudo, Fomento e Colonização do Zambeze to work out plans for moving and resettling the local population of at least one whole village and that of the administrative post of Chicoa, west of Tete. The study group will be assisted by two anthropologists, one a South African national and the other a Portuguese.

53. The possibility of opening up 5.5 million hectares of land - of which about 2.5 million hectares are suitable for agriculture (with 1.5 million hectares irrigated and 300,000 hectares for dry farming) - has led again to new suggestions for the large-scale settlement from Portugal. One plan, said to have been put forward in Lisbon, recommends the emigration of 1 million workers from Portugal to help develop the Zambezi valley.

54. During 1967, there were several reports in the Portuguese language Press about the plans of the Mozambique Cotton Institute to settle 3,250 families in the Zambezi valley. In the first year since launching the scheme, the Cotton Institute helped to settle 231 families at Magagade, Inhangoma, Canda-Nhabirira. Forty-five of the families were established in colonatos and the remaining 186 families were settled in ordenamentos.

55. The terms colonato and ordenamento appear to refer to European-type and African-type settlements, though as in Angola (see annex II, above) the language avoids ethnic designations. The Portuguese press articles carefully explain that the difference between a colonato and an ordenamento is one of degree rather than essence: a member of a colonato is in most cases "a more sophisticated farmer" and he has more land to work (an average of fifty hectares)

^{k/} Further information is included in the 1968 study on activities of foreign economic and other interests in the Territories under Portuguese administration (A/AC.109/L.506).

and more resources, but also more duties and obligations. The explanation goes on to say that those who join the ordenamento "were previously farmers for the most part. Possessing fewer technical and financial means, and recognizing the advantages of such an association, they prefer to become members of an ordenamento". A member of an ordenamento can, moreover become a member of a colonato "if he proves himself to have the ability". It is also pointed out that this distinction "does not establish restrictions on anyone, even in principle, since it can be seen that in the various colonatos there are also natives".

56. Apart from the difference that the settler in the colonato is allocated fifty hectares of land and the members of the ordenamento only ten hectares, the colonato settler group also receives more technical and financial help. The Cotton Institute prepares the land for the first planting and the settler also receives a monthly subsidy of 1,000 escudos for food and the construction of his house (either a temporary house costing about 25,000 escudos or a permanent house costing about 70,000 escudos). The conditions of the members of the ordenamento are not described. According to one of the articles, in the Magagade colonato, where there were twenty-one settlers ("some of whom are Africans"), it is expected to increase the number to 100, and the estimated gross return for the year is 48.5 million escudos, or 485,000 escudos income per settler family. In the ordenamento of Murema, the plan is to establish 1,000 families with a gross return of 18 million escudos. This corresponds to an income of 18,000 escudos per family, or slightly more than one thirtieth of that in the colonatos.

57. The Cotton Institute has also established colonatos at Inhangoma and Gorongosa. In 1967, it established a new colonato at Mopeia similar to the one at Magade.

Industry

58. Manufacturing and transforming industries so far constitute a relatively small sector of Mozambique's economy. As recent data show, the contribution of this sector to the Territory's total gross internal product only rose from 7.4 per cent in 1959 to 8.9 per cent in 1963. Moreover, industrial activity is limited to a few sectors with most of the production coming from the processing of agricultural products and the manufacture of foodstuffs. According to a study made by the

Industrial Association of Mozambique,^{1/} using the international standard classification, in 1962 the eight sectors accounting for almost 90 per cent of the total of the industrial production and their percentage contribution to the total were as follows: foods, 37.9 per cent; textiles, 20.4 per cent; petroleum processing, 8.1 per cent; wood and lumber, 5.1 per cent; non-metallic minerals, 4.4 per cent; construction materials and transport, 5.6 per cent; tobacco, 4.1 per cent; and drinks, 2.8 per cent.

59. The largest enterprises are characterized by their dual role in production and processing of agricultural crops, notably of sugar, cotton, sisal, tea, grain milling, vegetable oils, cashew and tobacco. Nearly all these activities are export oriented. Among the twenty-nine processing industries which the study used as a sample, only a few were found to be "relatively independent of foreign countries" either in terms of their need for raw materials or in terms of the percentage of production exported.

60. Although industrial development has not so far brought about significant changes in the economic structure of the Territory, the 1966 report of the Banco Nacional de Fomento (National Development Bank) notes that rising salaries and wages in recent years have helped to develop internal markets, especially for the textiles, clothing and shoes manufacturers, all of which have continued to expand. There has been some growth also in the production of chemical and petroleum products, as well as metallurgic and electrical goods.

61. A third report, published last year, was a study of the prospects of industrial development in Mozambique made by the South African Afrikaner Handelsinstitut. According to a press article, this report recommends the use of scientific methods to increase agricultural production on which, in turn, industrial development is to be based. It also stresses the need for foreign capital and guarantees to safeguard the repatriation of capital and earnings on foreign investments, and recommends that new industries should be granted tax advantages similar to those given to the sugar companies.

62. In 1967, the Açucareira de Moçambique awarded a 280-million escudo contract to a South African firm, James Brown and Hamer, Ltd., to build a new sugar mill at Dondo, near Beira. Financial backing is being provided by the Banco Nacional

^{1/} Associação Industrial de Moçambique: Estrutura da Indústria Transformadora de Moçambique, Lourenço Marques. (December 1966) (mimeograph).

Ultramarino. The Açucareira de Moçambique's mill near Lourenço Marques was also built by the same South African firm and was credit-financed by the South African Industrial Development Corporation.

63. Other new industries which are being planned or established include bauxite processing and the manufacture of ammonia, a fertilizer plant, and a cashew nut and liquor processing plant. A steel plant is also to be built at Beira.

64. A chemical fertilizer complex which is to be built near Lourenço Marques will have an annual capacity of 170,000 tons, of which 140,000 tons will be exported. The complex is expected to involve an investment of 250 million escudos. Of the four units, the first unit is being built by the South African firm of Fraser and Chalmers. The others will be built by the French companies Scodeix and Socaltra. A Portuguese company, Sociedade Química Geral de Moçambique, a subsidiary of the Champalimaud group, is also reported to be associated in this project.

65. According to recent reports, the original plans to mechanize cashew shelling has not progressed as well as had been hoped and manual shelling has been retained by some companies. The increase in world prices for unshelled cashew as well as government taxes have all combined to set off what one newspaper referred to in early 1967 as a crisis in the cashew industry.

66. Details on the performance of the industrial sector in 1967 are not yet available, but as the sector targets under the Third National Development Plan show (see below) almost 50 per cent of the total investments during the six-year period will be made in agriculture and industry.

Mining

67. The following paragraphs report briefly the most important new developments in mining during the past year.^{m/}

68. In 1967, several new mining concessions were granted to foreign companies. The most important were for petroleum prospecting rights granted to one South African, three United States and two French companies, and iron ore mining rights granted to a Japanese investment group.

^{m/} For a full description of the mineral resources of the Territory and the existing mining activities see A/6000/Rev.1, chapter V, appendix, annex II; and A/6868/Add.1, appendix III, pp. 46-48. Further information is contained in the 1968 study on activities of foreign economic and other interests in the Territories under Portuguese administration (A/AC.109/L.506).

69. The three United States companies are Sunray Mozambique Oil Company, Clark Mozambique Oil Company, and Skelly Mozambique Oil Company.

Messrs. James Harold Gimlin, Richard Judson Dent and Irving Hemphil Dawes signed the contract, authorized under Decree 47,990 of 11 October 1967. The concession covers a large area of Mozambique and includes part of the continental shelf. Prospecting rights are for an initial period of three years during which minimum expenditures are to be 11 million escudos in the first year, 35 million escudos in the second and 56 million escudos in the third year. The companies will pay a total of 3 million escudos in surface rent for the first three years and, upon first renewal of the concession, a surface rent of 200 escudos per square kilometre. If oil is found, Mozambique will receive 2.86 million escudos (\$US100,000) as a bonus within three months of the opening of the first commercially exploitable well. Once production reaches 50,000 barrels a day for more than thirty consecutive days, Mozambique will be paid 28.6 million escudos (\$US1 million). As in the case of the other recent petroleum concessions, the State will receive 50 per cent of the profits and will have the right to 12.5 per cent of the value of the petroleum produced.

70. In November 1967, the Portuguese Government granted (Decree 48,083, 30 November 1967) a petroleum prospecting contract to a group comprising the Anglo-American Corporation of South Africa, Société Nationale des Pétroles d'Aquitaine (SNPA) and Entreprise de Recherche et d'Activités Pétrolières. The concession covers two areas totalling 14,000 square miles near Beira. About one third of the concession will be off-shore. Investments in prospecting during the first three years are set at a total of 140 million escudos.

71. In December 1967, Mozambique Gulf Oil Company and the Mozambique Pan American Oil Company were granted further petroleum prospecting concessions. Both companies have been prospecting for oil in Mozambique for many years. In October last year, Mozambique Gulf Oil Company struck another natural gas deposit north of the Buzi River, about 50 kilometres from the other deposit found two years ago at Pande which caught fire and burned for more than fifteen months. The total natural gas deposits in the area between Pande and Mecaune near the mouth of the Zambezi River is estimated at some 3,000 million cubic metres.

72. According to official statistics, Mozambique's petroleum and gasoline consumption reached a peak of 100,861,000 litres in 1966. Gasoline consumption for the month of January 1967 was 1 million litres higher than that for the same period

the previous year. Consumption of lubricating oils and greases also increased. Exports of gasoline, diesel oil and fuel oil during 1966 were valued at 277 million escudos (about \$US10 million). Exports of fuel oil which accounted for the greater part went to the following countries: Portugal, 145,000 tons; Malawi, 282 tons; South Africa, 52 tons; French Somaliland, 50,000 tons; maritime navigation, 88,000 tons.

73. In October last year, geological surveys in Mozambique led to the discovery of a large deposit of high grade iron ore at Namapa, located south-west from Porto Amélia, and 750 miles north-east of Beira. Reserves are estimated at some 360 million tons with a 60 per cent iron content, and production is expected to reach 5 million tons in the first year.

74. A Japanese investment group under the name SUMITOMO has been granted rights to exploit and develop the newly discovered iron ore deposits. The group will invest \$US50 million in the project and will build a rail link to Nacala and a special mineral wharf. It is expected that part of the ore produced will be processed in Mozambique at the two new blast furnaces now being built near Beira jointly by the Sociedade Algodoeira de Fomento and the Sher Company of Southern Rhodesia.

75. Early in 1968, an exclusive concession for prospecting for iron ore was granted to the Companhia das Minas de Moçambique.

76. Among other mining developments are the discovery of a tantalite deposit in the region of Alto Molocué in the central part of Moçambique District; substantial deposits of copper ore, azurite and malachite near Nacala; a gold deposit near Vila Manica, and a new vein of diamonds, amianto and manganese at Catuane on the border with South Africa. The companies holding the diamond prospecting rights are the Agro-Comercial, Ida. and the Gabinete Moçambiqueano de Organizações. The size of the deposits involved is not yet known.

77. Pending requests for mining concessions include one for all minerals in Tete District. This request has been made on behalf of Johannesburg Consolidated Investments, Anglo-American Corporation of South Africa, Société Anonyme Minière. and Minérios, Lda. There is a request for a petroleum concession by a Portuguese concern in Lourenço Marques, Geotécnica e Minas, for an area south of the Lúrio River. The area adjoins a concession held by Texaco Incorporated. Another petroleum concession has been requested by Alexandre Hutchings together with the Companhia dos Petróleos de Portugal in the same general area.

Transport and communications

78. Because of its strategic location, Mozambique derives an important part of its foreign exchange earnings through its ports and harbours and transit trade of the hinterland countries. In view of the importance of these services to the Territory's economy, successive development plans have included large sums for the extension and improvement of the railways and port facilities. As a result of these improvements and the economic growth of the neighbouring countries, transit trade through Mozambique has steadily increased. Between 1964 and 1965, for instance, the volume of transit trade through Beira rose from 2.5 to 3.2 million tons and from 6.0 to 6.8 million tons through Lourenço Marques.

79. Since sanctions were imposed on Southern Rhodesia, there has been some change in the pattern of the traffic handled at the two main ports, even though Portugal, as is well known, does not take part in the boycott (A/6700/Add.3, chapter V, para. 266). Portugal's own attitude on the question of Southern Rhodesia has been officially described as one of "strict neutrality", as Portugal considers that it is bound by international conventions which guarantee the right of transit for the trade of land-locked countries.

80. Published statistics of the volume of traffic handled show a tendency towards decreasing traffic through Beira but increasing traffic through Lourenço Marques. While the increase in outgoing traffic has been more dramatic than that for incoming goods, it is not possible to ascertain whether or not some traffic has been diverted from Beira to Lourenço Marques, and to what extent the increased traffic at the latter port is due to petroleum supplies for Southern Rhodesia.

81. According to a press report in September 1967, the Portuguese authorities "acknowledged" that oil was being shipped through Lourenço Marques to the illegal régime in Southern Rhodesia, but they denied that the suppliers were Portuguese. There is also controversy over the number of ships carrying petroleum and its destination.

82. In December, an official Portuguese statement asserted that 169 oil tankers entered the port of Lourenço Marques between April 1966 and May 1967. Of these, fifty-eight were said to be of British nationality and in the service of British companies. In a statement made in the United Kingdom Parliament, a spokesman

for the Government said that during the period specified, only 141 tankers called at Lourenço Marques and that, of these, only twenty-nine were British, with only thirteen carrying petroleum for the Lourenço Marques refinery. There is also controversy over whether or not the SONAREP refinery has supplied Southern Rhodesia with refined petroleum (see A/7200/Add.1, annex, paras. 97-98, and A/AC.109/PET.981).

83. It is difficult to assess the traffic situation at Lourenço Marques and Beira owing to the lack of detailed information and to conflicting data. The following table shows the data published in the monthly statistical bulletin for Mozambique and the data published by the Banco Nacional Ultramarino. It will be seen that the data in the monthly statistical bulletin show that port traffic at Beira dropped by over 600,000 tons in 1966. But taken together with the data from the Bank, it appears that there was no significant decrease in 1966 in the Beira traffic.

Table 1

Cargo traffic through Beira and Lourenço Marques: 1964-66
(thousand metric tons)

	Beira			Lourenço Marques		
	Incoming	Outgoing	Total	Incoming	Outgoing	Total
<u>Boletim Oficial</u> ^{a/}						
1964	1,179.2	1,306.9	2,486.1	2,022.3	3,933.5	5,955.8
1965	1,692.0	1,498.6	3,191.4	2,111.8	4,670.6	6,782.4
1966	1,088.8	1,482.6	2,571.4	2,346.1	5,463.5	7,809.6
<u>Banco Nacional Ultramarino</u> b/						
1966	1,491.4	1,636.4	3,127.8	3,318.8	6,064.7	9,383.5

a/ Mozambique. Boletim Oficial (Nos. 1 and 5), 1967.

b/ Portugal. Banco Nacional Ultramarino, Boletim Trimestral (No. 69), 1967.

84. According to a recent report, traffic through Lourenço Marques in 1967 increased by 20 per cent over 1966, rising from 9.4 million tons to over 11.2 million tons, of which 3.5 million tons was incoming and 7.7 million tons was

outgoing. There are no recent data on Beira traffic but it may be recalled that in his letter of 20 March 1968 addressed to the President of the Security Council (S/8481), the Minister for Foreign Affairs of Portugal claimed that as a consequence of the United Nations sanctions, losses to Mozambique during 1967 amounted to over 7 million pounds sterling, of which losses at the port of Lourenço Marques amounted to over £700,000 and that at Beira over £1,176,000 (see annex I above, para. 72). As will be seen below, available statistics on the ports' receipts for 1966 and 1965 are inconsistent so that no attempt can be made to confirm the above data.

85. In March 1967, Portugal and Malawi signed agreements providing for the building of a new railway link from Nova Freixo to Malawi and the purchase by Portugal from Malawi of 150,000 shares of the Trans-Zambezia Railway. As a result, Portugal has increased its holding from 62 to 93 per cent of the shares in that company. Portugal has also agreed to purchase the facilities in Mozambique of the Central African Railway, which includes a two-mile long bridge, for a total sum of £3,350,000 to be paid in four instalments before 15 December 1968. The Portuguese Government announced the purchases as completing the "nationalization" of railways in Mozambique, which was first begun with the purchase of the Beira line in 1947 and the Beira port in 1949. It is also reported that the government statement went on to say "that from now on the Province is completely free of servitudes to foreign interests, and that revenue and profits from its economy will not be diverted for the benefit of others".

86. The Portuguese-Malawi agreements became effective in May 1967 and the building of the branch line between Nova Freixo and the frontier of Malawi is expected to be completed by the end of 1968. In February 1968, the Banco Nacional Ultramarino authorized a loan of 50 million escudos in local currency to the Mozambique Ports, Railways and Transport Administration for the construction of the branch line. The rail link is expected to cost a total of about 320 million escudos.

87. Under the Third National Development Plan, approximately one-third of the total investment will be for transport and communications. No details are available as yet. Projects already under way in the Territory and which may be eventually included in the development programme, include two new roads from

Mozambique to Malawi, with an estimated cost of 180 million escudos; the improvement of the Trans-Zambezia railway between Dondo and Sena at a cost of 125 million escudos; and the construction of a rail link between Inhamitanga and Marromeu to be built by the Mozambique Railways at a cost of 150 million escudos. This last link is to enable the sugar company to use the port of Beira instead of Chinde, as at present.

Public finance

88. In 1966, actual revenue and expenditure were both substantially above the original estimates reported last year (see A/6700/Add.3, chapter V, para. 302). Total revenue was 6,003.4 million escudos, of which 4,143 million escudos was ordinary revenue and total expenditure at 5,121 million escudos was about 1,000 million escudos above the original estimate. These differences are mainly due to the cautious underestimates of revenue in order that higher actual receipts may cover any additional expenditure. For example, the excess of actual revenue above estimates was 10 per cent from direct taxes 17 per cent from indirect taxes, and 30 per cent from consigned receipts; on the other hand, general administrative expenses were about 17 per cent above estimates and military expenditures about 25 per cent.

89. Estimated revenue for 1967 was 4,595 million escudos and estimated expenditure was 4,594 million escudos, leaving a surplus of 1 million escudos. The principal sources of additional revenue were due to two tax increases introduced in the latter part of 1966: one on industrial and commercial establishments (Legislative Instrument No. 2,727 of 31 December 1966 which was expected to yield an additional 71 million escudos, and the other, an increase in the personal tax (imposto domiciliário) mainly paid by Africans (Legislative Instrument No. 2,718, 27 August 1966), which was expected to yield an additional 30 million escudos.^{n/} In the light of the claim of the Government of Portugal that sanctions against Southern Rhodesia have seriously affected Mozambique's revenue, it is interesting

^{n/} The increases ranged from 10 escudos in Lourenço Marques, where the normal rate was raised from 300 to 310 escudos, to 20 escudos in most of Tete District where the normal rate was increased from 130 to 150 escudos. In the district of Manica e Sofala, Moçambique, Zambézia and Cabo Delgado, the increase was 15 escudos.

to note that the 1967 estimated revenue from consigned receipts, which includes income from the ports, harbours and railways, is expected to be at the same level as provided in the previous budget.

90. In 1967, estimated government expenditures were about 10 per cent above the 1966 level, with estimated military expenditures rising from 549 million to 678 million escudos and representing about 15 per cent of the ordinary budget. Mozambique's public debt at the end of 1966 stood at 3,229 million escudos, and the 1967 budget included 287 million escudos of debt servicing charges. Actual revenue and expenditure for 1965 and 1966 and estimates for 1966 and 1967 are set out in table 2 below.

Table 2

Mozambique: Public Finance

A. Revenue 1965-1967

(million escudos)

	<u>Actual</u>		<u>Estimates</u>	
	<u>1965</u>	<u>1966</u>	<u>1966</u>	<u>1967</u>
Total revenue	5,615.4	6,003.4	4,213.0	4,595.4
Ordinary revenue	4,954.4	5,263.3	4,143.4	4,522.5
Direct taxes	669.7	714.4	648.0	759.4
Indirect taxes	805.7	853.0	731.3	805.1
Revenue from services	152.3	243.8	122.6	138.1
Industries under special régime	253.5	312.2	242.3	269.5
Private domain	30.0	26.3	28.6	28.7
Earnings on capital	8.7	6.5	9.7	8.6
Refunds	234.4	268.3	238.8	246.0
Consigned receipts	2,415.9	2,800.7	2,122.1	2,267.0

Table 2 (continued)

B. Expenditure 1965-1967
(million escudos)

	Actual		Estimates	
	1965	1966	1966	1967
Total expenditure	5,445.6	5,863.5	4,212	4,594
Ordinary expenditure	4,783.8	5,121.0	4,143	4,522
Selected items				
Public debt servicing	243.3	247.1	240	287
General administration	789.6	802.3	747	774
Development services	2,325.0	2,346.0	1,755	1,817
Military expenditure	494.0	690.0	549	678
General	610.8	680.3	506	593

Source: (a) Actual revenue and expenditure for 1965 and 1966:
Mozambique. Boletim Mensal (No. 1 and No. 5), 1967.

(b) Estimates for 1966 and 1967:
Mozambique. Boletim Oficial. First series. (31 December 1966)
Legislative Instrument No. 2,737 of 31 December 1966.

91. In September 1967, Mozambique's tax structure was remodelled along the line of that prevailing in Portugal. Under the new tax code,^{o/} taxes are classified and designated by the source of income, as follows: industrial profits tax (contribuição industrial); natural resources exploitation tax (imposto sobre as explorações); urban property tax (contribuição predial urbana); tax on wages (imposto profissional); progressive personal income tax (imposto complementar); capital use tax (imposto sobre a aplicação de capitais). The new taxes were to come into effect on 1 January 1968, but no details are available as to the anticipated revenue from each of the new taxes. According to a press report, the 1968

^{o/} (Código dos Impostos sobre o Rendimento, Decree No. 47,942 of 15 September 1967 and Legislative Instrument No. 2,774 of 16 September 1967).

ordinary revenue is estimated at 5,114.4 million escudos, an increase of 519 million escudos or about 11 per cent over the 1967 budget. Extraordinary revenue is 100 million escudos, so that with an estimated expenditure of 5,214 million escudos there is a surplus of some 400,000 escudos.

Development financing

92. Under the Third National Development Plan, the goal is to increase the average rate of growth of the gross national product of the monetary sector to 7.1 per cent per annum by 1973 compared with the average of 6.5 per cent per annum over the period 1953-62. The major problem is therefore increasing the rate of fixed capital formation commensurate with development needs. Thus, greater efforts are needed to mobilize domestic savings through credit institutions and to attract available capital to invest locally. The new tax system is also expected to help the Territory's financial situation in general.

93. For Mozambique, planned investments under the Third National Development Plan amount to 15,555.7 million escudos distributed by sectors as follows: agriculture, 2,323.3 million; industries, 5,502.5 million of which 5,372 million is for transforming industries; rural improvements, 115.7 million; power, 640.4 million; trade development, 103.3 million; transport and communications, 5,428.6 million; tourism, 20 million; education and research, 1,009.4 million; public health, 412.5 million.^{p/}

94. The largest share of the investment capital (5,760 million escudos) is to come from private investments, most of it from self-financing by industries, and only 560 million escudos from share capital. Foreign investment is expected to provide 4,050 million escudos, and of the remainder, the Government of Portugal will provide 2,240 million escudos, the territorial government 2,781 million escudos and Beira Railways 100 million escudos.

95. As regards the implementation of the Third National Development Plan, the introduction to the section on Mozambique emphasizes the urgent need for a complete administrative reorganization and a reassessment of the government services in terms

^{p/} Further information is contained in the 1968 study on activities of foreign economic and other interests in the Territories under Portuguese administration (A/AC.109/L.506).

of their productivity. Apart from the transport and communications sector, the largest investments will be concentrated in the agriculture and processing industries. The goal is to modernize and expand the existing means of production and to develop domestic and foreign markets for the final products. Considerable emphasis is given to the need to develop internal markets as a means of attracting and stimulating the development of secondary and tertiary industries.

EDUCATION

96. According to available statistics, compared with Angola, Mozambique has always had a higher proportion of school-age children attending school, especially in the primary grades. The school statistics for 1965-66 show that, taking the population as a whole, Mozambique with an enrolment of 473,004 had one person out of every fifteen in school, whereas in Angola, with an enrolment of 264,119, it was only one out of every twenty.

97. If, however, the school statistics are examined by school levels, it is immediately seen that about 75 per cent of the school enrolment in Mozambique is in school posts, 20 per cent in full primary schools, 2.4 per cent in vocational secondary schools and less than 2 per cent in academic secondary schools (see table 3). In Angola, the percentage distribution of the pupils for the same school-year (see annex II above) was as follows: school posts, 45 per cent; full primary schools, 43 per cent; academic secondary schools, 5.6 per cent; and vocational secondary schools, 5 per cent. At the middle level of technical training, Angola had 907 students enrolled, while Mozambique had only 567.

98. In October, a European newspaper reported from Lourenço Marques that more than seventy African students had been in prison for over two years without having been brought to trial. According to the article, all the students were being held under detention for periods ranging from five to seven years by order of the Provincial Secretary-General in charge of political and civil administration, a procedure which the article claimed was illegal under the Portuguese Constitution (see foot-note d above). The students are accused of having tried to leave the country to study abroad.

Table 3

Mozambique school statistics: 1965-66

	<u>Schools</u>	<u>Teachers</u>	<u>Pupils</u>
Total	4,730	8,604	473,004
Primary	4,531	6,755	443,414
including:			
Primary	1,305	2,912	92,002
School posts	3,226	3,843	351,412
Secondary	87	1,264	21,301
including:			
Academic secondary	46	530	9,028
Technical professional ^{a/}	41	734	12,273
Middle level ^{b/}	8	106	567
Higher education ^{c/}	2	66	520

Source: Portugal. Boletim Geral do Ultramar (October 1967), Lisbon, 1967, page 153.

a/ Includes 872 enrolled in school-post teacher-training courses.

b/ Includes 103 enrolled in primary teacher-training courses.

c/ Includes 501 students in university studies.

ANNEX IV*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

GUINEA, CALLED PORTUGUESE GUINEA

Working paper prepared by the Secretariat

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GENERAL

1. Apart from war news, during 1967 there was very little other information on the Territory. It is therefore difficult to assess the situation inside Guinea, called Portuguese Guinea, because, although abundant, the military reports from various sources give conflicting accounts, the Portuguese Press reporting one view, the insurgents another, and the world Press generally seeking to give both sides. As it became evident in 1967 that considerable areas of the Territory were no longer under Portuguese control, even eye-witness accounts vary according to the particular places actually visited.

MILITARY SITUATION

2. In 1967 fighting in Guinea, called Portuguese Guinea, was reported to have spread to almost all the Territory, except Bissau, the capital, one central area around Bafatá in the interior and the Bijagós Archipelago. During most of the year, long weekly military bulletins of the Portuguese armed forces confirmed the intensity and extent of fighting in nine^{a/} out of the twelve administrative units into which the Territory is divided. Towards the end of the year, there were various reports that the insurgents, led by the Partido Africano da Independência da Guiné e Cabo Verde (PAIGC), were claiming that they had liberated between one half and four fifths of the Territory, and that the Portuguese troops were only in control of the towns and garrisons.

3. Early in 1967, the Frente para a Libertação e Independência da Guiné (FLING) issued a report claiming that during 1966 its forces had killed 554 Portuguese soldiers and had wounded 319 others. It will be recalled that Mr. Benjamin Pinto Bull, the representative of FLING, told the Special Committee last year that because Portuguese troops had abandoned the countryside and only occupied the important population centres, his party had decided to orient its activities towards terrorist acts in the towns.

a/ The concelhos of Bissorã, Bolama, Cacheu, Catió, Farim, Gabu and Mansoa, and the circuncrições of Fulacunda and São Domingos.

4. Latest reports suggest that since 1964, the number of Portuguese troops in the Territory has risen from 8,000 to between 25,000 to 30,000 which are supported by 3,000 to 10,000 African militia. The PAIGC's strength is estimated to be around 10,000 troops with probably less than 3,000 in regular formations and about 6,000 in guerrilla units.

5. Because the swampy and rugged terrain, laced with waterways, makes it difficult for large-scale land operations, Portuguese troops grouped in enclaves have resorted increasingly to air power. According to one eye-witness account most of the bombs used by the Portuguese forces are high explosives; napalm has also been used. The Navy also plays an important role in the war by patrolling the numerous waterways with gunboats. In areas under Portuguese control, each village is reported to be responsible for its own defence, and villages are linked by wireless radio to the nearest Portuguese military post.

6. Throughout the year, the Portuguese communiqués indicated a growing intensity in the actual fighting, with PAIGC using heavy-powered automatic rifles, recoilless guns, heavy mortars and modern anti-aircraft guns. In September 1967, the PAIGC claimed that they had destroyed a Portuguese helicopter by bazooka fire, and, in November 1967, that they shot down the first Portuguese jet plane. A Portuguese communiqué of January 1968 reported that Portuguese forces had found six nationalist anti-aircraft posts in the south of the Territory. PAIGC bulletins also report activities in the main urban areas, such as Bissau, Farim, Mansoa, Catió and Bissorã. The increasing number of air force personnel cited for bravery in Guinea, called Portuguese Guinea, and the conditions of fighting described also underline the strength of the PAIGC forces. For instance, PAIGC claims to have killed 300 Portuguese soldiers in the period December 1967-January 1968 while the Portuguese communiqués for the period 28 November 1967-28 January 1968 reported 57 Portuguese soldiers and 213 insurgents killed.

7. As in Angola and Mozambique, the territorial Government has also mounted a public information campaign to win over the local population. In April 1967, describing public information "as the most powerful weapon in the war", the Governor announced that measures would be taken to introduce African language programmes and to increase the power of the government broadcasting station so that it could reach the entire Territory. In July 1967, the PAIGC also began broadcasting through a shortwave transmitter, Radio Liberté.

8. In 1967, Portugal's relations with the Republic of Guinea and Senegal continued to deteriorate. In a letter addressed to the President of the Security Council on 13 October 1967 (S/8193), the Government of the Republic of Guinea reported that eleven Guineans had died as a result of the bombing of the Guinean village of Kankodi by Portuguese aircraft. In July, September, October, and November 1967, the Government of Senegal addressed four letters to the President of the Security Council^{b/} reporting violation of Senegalese territory and acts of aggression by Portuguese soldiers. On 22 September 1967 (S/8164), the Portuguese Government addressed a letter to the President of the Security Council denying the charges contained in its letter dated 11 September 1967, and underlining that the episode referred to by the Government of Senegal "would not have taken place if the Senegalese Government had not authorized terrorist elements to utilize its territory as a base of aggression against the province of Guinea".

9. According to the international Press, when the situation in Guinea, called Portuguese Guinea, was discussed at a closed meeting held in Lisbon in October 1967, Portuguese military strategists considered the Territory "militarily untenable". Although it is reported that some private circles in Portugal were in favour of a withdrawal from this Territory to enable Portuguese troops to concentrate their forces in Angola and Mozambique, in January 1968, the Government announced that the President of Portugal would visit Guinea, called Portuguese Guinea, and Cape Verde to underline Portugal's determination to remain in that part of Africa.

10. In February 1968, the President visited Guinea, called Portuguese Guinea, for five days. He was accompanied by the Overseas Minister. The Portuguese Press covered his visit with numerous photographs and long descriptions of the crowds which greeted the President everywhere he went.

11. Portuguese information media and spokesmen used the occasion of the President's visit to emphasize Portugal's determination to stay in Guinea, called Portuguese Guinea, and to stress that the Government was as much interested in the Territory's development as that of Angola and Mozambique. The President, for instance, was quoted as saying on his arrival in Bissau, "Guinea is not located in so-called

b/ S/8080, S/8151, S/8186 and S/8277.

Southern Africa, but this circumstance does not count to us, because we consider it on an equal footing with the other sacred parts of the national Territory".

12. Much publicity was also given to the fact that the President freely visited several places in the Territory, and even went to Nova Lamego which is located at about 50 kilometres from the borders of Senegal and Guinea, called Portuguese Guinea. The fact that he travelled freely in the Territory without being attacked by the PAIGC is claimed to prove Portugal's full sovereignty over the Territory. The warm welcome the President received from the local population is cited as proof that the people are not "dominated" by Portugal but are free and content in their expression of loyalty to it.

13. Speaking of this manifestation, the President said before leaving the Territory that the "portuguesismo of all the people of Guinea is the guarantee of the continuity of Portugal in Africa".

14. Following the presidential visit, the Portuguese military communiqués for the period 12 February to 3 March 1968 reported the continuation of intense fighting in the northern and southern regions. Frequent clashes between the Portuguese and nationalist forces were reported around the towns of Oio, Encheia, Mansoa, Bula and Bissorã. These last three towns are within a 60 kilometre radius of Bissau. The Portuguese claimed the destruction of PAIGC camps in the region of Corubal about 20 kilometres from the border with the Republic of Guinea, and the dispersion of a nationalist ambush on the Cumbijam River in the Cantanhez region.

15. In March 1968, the PAIGC announced an intensification of its military activities on all fronts and reported an attack on the Bissau airport. It also reported that it had handed over three Portuguese prisoners of war to the Senegalese Red Cross. An article reporting this event suggests that PAIGC hopes to draw attention to the fact that Mr. Rafael Barbosa, the President of the PAIGC, has been in prison in Bissau for six years awaiting trial and other nationalists from Guinea, called Portuguese Guinea, and Cape Verde are in camps on the islands of Galinhas and Tarrafal. The same article reports Mr. Amílcar Cabral, the Secretary-General of the PAIGC, as saying recently that, "the PAIGC is quite willing at any time to lay down its arms and find a solution to its conflict with the Portuguese Government. Our only condition is that the Portuguese Government must recognize our inalienable right to self-determination".

ELECTIONS TO THE LEGISLATIVE COUNCIL

16. In December 1967, elections of eleven members to the Legislative Council were held in Guinea, called Portuguese Guinea. The Territory's Legislative Council comprises fourteen members, of whom three are ex officio, eight are elected by "organic" groups and three are elected directly.^{c/} As in Angola (see annex II above, paragraph 14), the only information available is the percentage of the electorate voting and the names of those elected. Three representatives to the Legislative Council were elected by direct suffrage. The total number of persons voting in the direct elections was reported as 96.1 per cent of the total number of the registered voters, compared with 97 per cent in 1964.^{d/} The other eight members of the Legislative Council were elected by various "organic" groups as follows:

<u>Organic group</u>	<u>Number of members elected</u>	<u>Percentage of electorate voting</u>	
		<u>1964</u>	<u>1967</u>
Taxpayers paying a minimum of 1,000 escudos in direct taxes	2	99.5	92.5
Cultural and religious groups	1	--	100.0
Administrative bodies	2	100.0	100.0
Indigenous authorities of <u>regedorias</u>	3	--	100.0

ECONOMIC CONDITIONS

External trade and payments

17. Detailed information is not yet available on the Territory's external trade and balance of payments for 1966 and 1967. Data for external trade in the period January-November 1966 show that imports continued to exceed exports as in previous years (see A/6700/Add.3, chapter V, paragraph 326). The deficit of the balance of trade for the eleven months was 252.5 million escudos compared with a deficit

c/ A/6700/Add.3 and Corr.1, chapter V, para. 319.

d/ See Official Records of the General Assembly, Nineteenth Session, Annex No. 8 (A/5800/Rev.1), chapter V, paragraph 177.

balance of 311.3 million escudos for January-December 1965. Although General Arnaldo Schulz, the Governor, said at a press conference held in April 1967 that imports had been reduced and exports increased, figures available for 1966 do not entirely confirm this new trend. Imports during the first eleven months of 1966, valued at 326.2 million escudos, were 22 per cent less than for 1965, but exports also decreased by 30 per cent (73.7 million escudos in January-November 1966, as compared with 105.8 million escudos for January-December 1965). According to reports in the international Press, one of the reasons for the serious drop in exports was the breakdown of trade channels due to the military situation. Only part of the ground-nut crop could be bought from growers, and the Territory has even had to import rice in which it used to be self-sufficient.

18. As indicated previously (A/6700/Add.3, chapter V, paragraph 330), in spite of its adverse balance of trade, the Territory's balance of payments has registered a surplus since 1965 because of increasing governmental transfers to support defence costs. In 1965, 1966 and 1967, the surplus of the balance of payments was 19.1 million escudos, 7.1 million escudos and 31.2 million escudos respectively, whereas in previous years the Territory has always had a deficit which amounted to 16.3 million escudos in 1963 and 5.2 million escudos in 1964.

Public finance

19. Following his visit to Guinea, called Portuguese Guinea, the Overseas Minister told a press conference, that the Territory was in "a full process of development" as shown by increasing ordinary revenues and growing investments in economic and social progress. According to official information, although actual revenue collected in 1965 was 25 per cent above that for 1964, the estimated revenue for 1966 had originally been set at only 152.6 million escudos. Actual ordinary revenue collected, however, was 195.2 million escudos, compared with 191.9 million escudos in 1965. As seen from Table 1 below, in 1966 there was a drop in the receipts from direct taxes, other taxes and fees and industries under special régime. As unofficially reported, the 1967 estimated revenue was substantially lower than the revenue collected in 1966 and lower than 1965. No information is available yet on the actual revenue collected. For 1968, the estimated revenue is 177 million escudos which represents an increase of almost 10 per cent over the 1967 estimates.

Table 1

Guinea, called Portuguese Guinea: selected items of revenue 1964-1967

	1964	1965	1966	1967
	(million escudos)			(estimates)
REVENUE				
Ordinary	153.3	191.9	195.2	-
Extraordinary	48.7	42.5	76.7	-
TOTAL	202.0	234.4	271.9	163.0
<u>Selected items of revenue</u>				
Direct taxes	41.6	38.5	35.7	37.9
Indirect taxes	34.5	53.7	61.4	52.4
Industries under special régime	20.8	24.1	23.2	21.3
Share of government in companies, etc.	1.2	1.9	1.9	1.7
Other taxes and fees	21.7	24.4	14.7	11.3

Sources: 1964-1965: Portugal, Anuário Estatístico, vol. II (Ultramar), 1965, pp. 205 ff; 1966: Portugal, Banco Nacional Ultramarino. Boletim Trimestral No. 69, first quarter, 1967; 1967: Unofficial.

20. With few exceptions, expenditures on government services in the Territory have either remained constant over the last few years, or have risen by an average of about 5 per cent a year. For instance, the Territory's share in support of the military expenditures has remained at 12.1 million escudos for the years 1964-1967. This, however, does not represent the total which is much higher. In 1967, for instance, the total defence allocations for the Territory amounted to 88.4 million escudos (about 50 per cent of the estimated total of revenue) of which, except for the territorial share of 12.1 million escudos and 2.1 million escudos from the Overseas Defence Fund, the remainder was financed from Portugal's budget. Of the total defence costs, 32.2 million escudos were for the Air Force, 30.1 million escudos for the Army and 26.1 million escudos for the Navy.

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Development financing

21. As reported previously, the investment target for Guinea, called Portuguese Guinea, under the Transitional Development Plan, 1965-1967, was set at 180 million escudos. Except for the year of 1965, there is no information yet on the actual amount spent over the three-year period (see A/6700/Add.3, chapter V, paras. 361-362).

22. Investment of 1,259.3 million escudos in the Territory is envisaged under the Third Development Plan, 1968-1973. This represents about 3 per cent of the total investment for all Overseas Territories. The average annual investment will amount to 210 million escudos, which is 250 per cent higher than the rate envisaged under the Transitional Development Plan. The percentage distribution of investments by sector is as follows:

Table 2

Guinea, called Portuguese Guinea

Investments under the Third National Development Plan, 1968-1973

<u>Sector</u>	<u>Million escudos</u>	<u>Percentage of total</u>
Agriculture	86.6	6.88
Fisheries	24.5	1.94
Extractive and transforming industries	508.8	40.40
Electric power	40.9	3.25
Transport and communication	349.0	27.71
Housing	95.8	7.61
Commerce	7.5	0.60
Tourism	10.0	0.79
Education and research	74.6	5.92
Health	61.6	4.89
TOTAL	1,259.3	100.00

Source: Portugal. Boletim Geral do Ultramar. (June 1967), p. 134.

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23. Although the main objective of the 1968-73 Plan is reported to be to help the population in a more rapid transition from a subsistence to a monetary economy, the largest investment envisaged is in the mining sector (32.38 per cent of the total). It is recalled that the Esso Guiné Exploration, Inc., which holds an exclusive concession for petroleum mining in the Territory (see A/6700/Add.3, chapter V, paragraphs 342-352), has undertaken to invest during the initial period of its new contract (1967-1972) a total of 297 million escudos. This corresponds to 73 per cent of the total investment envisaged under the Third Development Plan for the extractive industry.

24. The second largest investment target is the transport and communication sector (27.71 per cent of the total) which, as reported previously (A/6700/Add.3, chapter V, paragraphs 354 and 355), received the largest allocations under both the First National Development Plan, 1953-1958 and the Second National Development Plan, 1959-1964 and 28 per cent of the total investment envisaged under the Transitional Development Plan, 1965-1967. A major project under this heading was completed in 1967 with the establishment of jet flights between Lisbon and Bissau by the Portuguese airline Transportes Aéreos Portugueses (TAP).

25. Because Guinea, called Portuguese Guinea, lacks resources of its own, all the investments under the Third Development Plan will come from outside sources. About two thirds of the total, 808.8 million escudos, will be provided in loans by Portugal and 56.5 million escudos will be provided as self-financing by private companies. Foreign investments will amount to 394.0 million escudos.

26. Since most of the so-called development investment in Guinea, called Portuguese Guinea, has been financed by loans from Portugal, the Territory's public debt has risen steadily over recent years and with it the public debt servicing charges. From 1953 to the end of December 1966, Portugal granted the Territory four loans amounting to a total of 276.2 million escudos,^{e/} the Territory's total

^{e/} The four loans are as follows:

<u>Year</u> <u>(authorization)</u>	<u>Loan</u> <u>(million escudos)</u>	<u>Interest</u> <u>(percentage)</u>	<u>Number</u> <u>repayment</u> <u>instalments</u>
1953	78.0		
1961	126.2	4.0	30 (semi-annual)
1965	60.0	4.0	20 (annual)
1966	12.0	4.0	24 (annual)
		2.0	12 (annual)

Source: Portugal, Banco Nacional Ultramarino. Boletim Trimestral, No. 72, fourth quarter, 1967, p. 36.

public debt at the end of 1966 amounted to 227.7 million escudos. Commenting on this situation in March 1968, Mr. Pinto Bull, the Territory's representative in the National Assembly, said that the territorial budget could no longer afford to pay the interests and instalments of loans from Portugal for the implementation of the Development Plans. Official statistics show that since 1961 the annual charge on the budget for servicing the public debt has averaged more than 8 per cent of the ordinary expenditure, and was 13.8 per cent in 1966, amounting to 26.2 million escudos.

EDUCATIONAL CONDITIONS

27. The latest available school statistics for Guinea, called Portuguese Guinea, are for the school year 1965/66. Significantly, only government schools are listed. These included 73 school posts with a total of 112 teachers and 5,259 pupils; and 184 full primary schools with a total of 343 teachers and 10,379 pupils. The academic high school (liceu) had 15 teachers and 390 students, and the commercial and industrial high school had 34 teachers and 611 students. There were also 190 persons in government training programmes of whom 120 were attending training courses for the Public Security Police. On the assumption that approximately 20 per cent of the population is between the ages of 5 to 14 years, the published statistics show that in 1965/66, about 15 per cent of the children of school age were enrolled in government schools.

ANNEX V*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION

CAPE VERDE ARCHIPELAGO

Working paper prepared by the Secretariat

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GENERAL

1. There is little new information on the Territory and the basic political, economic and social conditions remain substantially unchanged since the last report.^{a/}
2. One of the Territory's main problems continues to be its rising population. In 1965 the estimated population was 224,199, compared with 221,770 in 1964 and 199,661 in 1960. While these figures show a net annual rate of increase substantially below the average rate of 3.5 per cent per annum reported for the 1950-1960 decade, this is probably due also to increased emigration from the island through sponsored settlement of Cape Verde inhabitants in Angola and the effect of recruitment for services in the armed forces or government jobs outside of the Territory.
3. From the point of view of the Portuguese press, the most important recent event was the visit of the President of Portugal to Cape Verde from 9 to 19 February 1968 during which he visited all inhabited islands of the archipelago.^{b/} As in the case of President Thomaz's visit to Guinea, called Portuguese Guinea, the Portuguese press and government spokesman emphasized the warm welcome he received from the local population as proof of the people's loyalty to Portugal. President Thomaz himself is quoted as saying that his visits to "all parts of Portugal constituted an authentic and convincing plebiscite, a plebiscite of sympathy which does not insult the conscience and the feelings of the Portuguese people". Later, on his return to Lisbon, he was quoted as describing Cape Verde as where the people "live and work in complete peace because the Territory's only neighbour is the sea that surrounds it".

ELECTIONS OF THE LEGISLATIVE COUNCIL

4. In March 1968, elections of fifteen members to the Legislative Council for the term 1968-1971 were held in Cape Verde. The Territory's Legislative Council comprises twenty-one members, of whom three are ex officio, twelve are elected by "organic" groups, and six are elected directly (three from each of the two

a/ For previous information see A/6700/Add.3 and Corr.1, chapter V, paragraphs 366-409.

b/ These include Santiago, Fogo, Maio, Brava, Santo Antão, São Vicente, São Nicolau, Sal and Boa Vista.

districts, Sotavento and Barlavento) (see A/6700/Add.3, chapter V, paragraph 371). (It may be noted that in Angola and Mozambique there is only one directly elected representative for each of the administrative districts.)

5. According to Portuguese press reports, 86.33 per cent of the registered voters participated in the voting. Information was available on the election of ten out of twelve members elected by "organic" groups:

<u>"Organic" groups</u>	<u>Number of members elected</u>	<u>Percentage of electorate voting</u>
Taxpayers paying a minimum of 1,000 escudos in direct taxes	2	79.40
Administrative bodies	2	100.00
Employees' interests	2	100.00
Workers' interests	2	100.00
Cultural and religious groups	2	96.42

SECURITY MEASURES

6. According to a press report, early in 1968 the movement known as Amnestie au Portugal asked the Portuguese Embassy in Bern for authorization to visit the Tarrafal prison camp on the Island of Santo Antão and were told that the camp no longer existed. Since Tarrafal has been well known for years, the reply caused some surprise. A subsequent letter to the editor confirms that Tarrafal no longer exists because, following an uprising of Angolan prisoners held there, the prison camp was transferred from the authority of the PIDE (Polícia Internacional e de Defesa do Estado) to the Portuguese civil administration and the reorganized camp is now known as Campo de Trabalho de Chão Bom. This camp is reported to be only for political prisoners from the African Territories and, among those currently held there, are the Angolan writers Luandino Vieira and António Jacinto, and a poet from Mozambique, Mr. José Craveirinha.

7. Portuguese government gazettes show that in April 1961, soon after the Angola uprising, the Overseas Minister authorized (Decree 43,600 of 14 April 1961) the construction on the island of Santo Antão of an "establishment" for non-indigenous prisoners^{c/} serving major sentences (penas maiores) and

c/ At that time, the majority of Africans were still officially classified as "indígenas" under the Native Statute (which had not yet been repealed) and under the law (Decree No. 39,997, 29 December 1954) a separate system of prisons existed for them.

for those detained for security reasons (see annex III above, foot-note d). This "establishment" was to be considered the joint property of all the Overseas Territories which therefore are responsible for the expenses. Subsequently, in June 1961 a ministerial order (No. 18539 of 17 June) authorized the construction of a work camp at Chão Bom on Santo Antão island as well as the necessary personnel and operating expenses. In 1964, Mozambique and Cape Verde were authorized to include in their annual budgets special allocations for the support of this work camp. Since the camp was originally destined for Angolan prisoners, the 1964 authorization would seem to indicate the date from which Mozambique and Cape Verde prisoners were first sent there.

8. The 1966 extraordinary budget for Angola provided for an allocation of 2 million escudos for the Territory's share in expenses for the penitentiary on Cape Verde. A recent allocation of Cape Verde funds for the "Presídio de Chão Bom" at Tarrafal was made by the Governor's Order No. 7,780 of 14 January 1967.

ECONOMIC CONDITIONS

9. With limited natural resources, poor soils aggravated by erosion and lack of rainfall, Cape Verde has been the subject of many economic studies and development plans. Nevertheless, as published reports show, only a small proportion of the funds under the successive development plans has been invested in the traditional production sector so that the Territory's main problem consists in finding means of supporting its growing population.

10. For years the Territory's economy has been characterized by a need for financial assistance from Portugal. The weakness of the Territory's economic structure is confirmed by the published information on its gross national income. According to this study, about 50 per cent of the Territory's income (excluding the subsistence sector) is derived from wages, and 25 to 30 per cent is from remittances from overseas.^{d/} This means that all the other economic sectors combined account for at most about one-quarter of the Territory's gross income.

d/ These remittances include United States social security payments to some 2,800 Cape Verde inhabitants who worked in the United States for a period of time. In 1967, the United States Social Security Act was amended to put a stop, as of June 1968, to payments to persons living in countries which do not have a mutual social security agreement with the United States of America. In May 1968, it was reported that Portugal had signed such an agreement with the United States.

It was also found that, on an average, 90 per cent of family earnings are spent on consumption and the average savings amount to less than 4 per cent.

11. The overseas remittances and subsidies from Portugal, in part paid to the Territory in the form of salaries and wages, account for the Territory's favourable balance of payments in contrast to its characteristically large and still increasing trade deficit. Thus in 1966, with exports amounting to 32.9 million escudos and imports to 244.2 million escudos, the trade deficit of 211.3 million escudos was 5.49 per cent higher than for the previous year.^{e/} Provisional figures for 1967 show that in the period January-April the trade deficit was already 67.7 million escudos.

12. In 1966, main exports comprised fish and fish preserves valued at 8.5 million escudos (26 per cent of the total export value), bananas valued at 6.6 million escudos (20 per cent), salt valued at 3.2 million escudos (10 per cent) and ground-nuts valued at 2.7 million escudos (8 per cent). Most of the Territory's exports go to Portugal (59 per cent in 1966) and the Overseas Territories (10 per cent in 1966).

13. The Territory's main imports are consumer goods which, in 1966, comprised cotton textiles valued at 17.0 million escudos (7 per cent of the total import value), sugar valued at 16.4 million escudos (7 per cent), maize valued at 13.7 million escudos (6 per cent), wheat flour valued at 8.1 million escudos (3 per cent) and wines valued at 6.5 million escudos (3 per cent).

14. As at 1 July 1967, various imports from Portugal became duty-free; these include wheat flour, olive oil, flooring, printing paper, shoes and matches. The duty on other commodities imported from Portugal, including gasoline and petroleum, wool, silk and cotton textiles, wines, and foodstuffs such as sugar and potatoes, was reduced by 20 per cent. Some exports from Cape Verde to Portugal were also made duty-free; these include fish and fish flour, bananas, coffee, ground-nuts, cattle and beef meat.

15. Agriculture and livestock. As reported previously (see A/6700/Add.3, chapter V, paragraph 382), farming in Cape Verde is mostly by small farmers

^{e/} The Territory's balance of trade deficit was 173.2 million escudos and 200.3 million escudos in 1964 and 1965 respectively. See A/6700/Add.3, chapter V, paragraph 377.

primarily concerned with food production. Of the total of some 54,000 hectares cultivated, more than half is devoted to rice and beans, with some sweet potatoes, manioc, vegetables and fruit. The Territory, however, is not self-sufficient in food crops as shown by the annual imports of maize. In 1965, for instance, maize imports were 8,696 tons valued at 18 million escudos and in 1966, 6,000 tons valued at 14 million escudos. As these imports are duty-free, they have to be specifically authorized by the Portuguese Government which in 1967 again authorized imports of 6,000 tons.

16. In spite of the rising value of total exports (covering about 13 per cent of the Territory's imports in 1966 compared with 11 per cent in 1962), exports of other crops, except bananas, have declined. Thus, over the period 1964-1966 ground-nuts dropped from 559 to 521 tons and coffee from 39 to 29 tons, whereas banana exports increased from 3,113 to 4,032 tons.^{f/}

17. As reported elsewhere (annex II above, paragraph 52), "Portugal's" basic quota under the International Coffee Agreement is 160,000 tons for Angola, and 3,000 tons (50,000 sacks) for Cape Verde, São Tomé and Príncipe and Timor. Because the quota is assigned to "Portugal", presumably the balance which the island Territories do not fill goes to benefit exporters in Angola. In 1967, a factory for drying, roasting and grinding coffee was established in Cape Verde.

18. As part of the government effort to change out-moded agricultural methods and to provide capital to improve agricultural productivity, the Caixa de Crédito Agro-Pecuário (Cape Verde Agricultural Credit Bank), which was set up in 1962, was authorized in 1967 to introduce a new form of "supervised credit" (Governor's Order 7,804 of 4 February 1967). Under this scheme farmers can obtain medium and long-term loans, if they undertake to run their farms according to officially

f/ Principal exports in the years 1964 to 1966 were as follows:

	1964		1965		1966	
	Tons	(million escudos)	Tons	(million escudos)	Tons	(million escudos)
Bananas	3,113	3.9	3,391	3.4	4,032	6.6
Coffee	39	1.5	45	1.5	29	0.8
Ground-nuts	559	2.9	184	0.9	521	2.7

/...

approved plans. In November 1967, the Government of Portugal authorized a loan of 30 million escudos from the Banco Nacional Ultramarino to the Agricultural Credit Bank in order to provide it with additional capital. This loan, at a 2.5 per cent interest, is repayable in twenty-four semi-annual instalments (Decree 48,017 of 2 November 1967).

19. Statistics for the years 1963-1965 show a decrease in the number of livestock from 70,928 to 56,441. The main drop was in the number of goats which fell from 30,502 in 1963 to 22,752 in 1965. It is not known whether this decrease has been brought about by control measures, as the goats contribute to the erosion problem. According to a recent report, the Government plans to introduce karakul sheep on the islands of Maio and Santiago in 1968.

20. Fisheries. Fish and fish products continued as the Territory's first export by value in 1966. These exports which totalled 8.5 million escudos, included 422 tons of fresh fish, 363 tons of dried or salted fish and 611 tons of canned tuna.

21. As will be recalled, since 1957 the Government has introduced various measures to improve industrial fishing and a further 250 million escudos was designated for the fishing industry under the Transitional Development Plan, 1965-1967. However, only 6,000 escudos was actually spent in 1965 and no further investments had been made up to November 1966. There is no information yet on actual investments in 1967.

22. Under the Third Development Plan (1968-1973), 246.7 million escudos is again allocated for the development of the fishing industry. This sum, which represents 25 per cent of the total investment for Cape Verde, is to be financed from foreign funds. Since the previous 250 million escudos was also to have been provided by foreign investment but was not committed, the investment envisaged under the third plan probably represents a renewed commitment from the same source rather than a new investment over and above that already provided in the Transitional Development Plan which had been for the purpose of improving the fishing plant and providing the needed capital for the processing industry.

23. In December 1967, with a guarantee from the Portuguese Government (Decree Law 47,537, 16 February 1967) the Territory's largest fish cannery Companhia de Pesca e Congelamento de Cabo Verde, S.A.R.L. (CONGEL) obtained a loan from the

Commerzbank, A.G. of the Federal Republic of Germany with which it will purchase three tuna fishing boats from Fried Krupp of Essen. This latter company has been associated with CONGEL since 1962.

24. Extractive and transforming industries. The output of pozzolana earth dropped from 3,047 tons in 1965 to 2,810 tons in 1966, whereas lime output remained at the same level of about 275 tons. As noted previously (A/6700/Add.3, chapter V, paragraph 392), in 1966 the press reported plans to establish a cement industry based on pozzolana on the islands of Maio and Boa Vista. In 1967 a survey was reported to be under way on the island of Maio where the Companhia Pozzolana de Cabo Verde, S.A.R.L. will build the new factory. Deposits in the area are estimated to contain 200 million tons of limestone and 15 million tons of pozzolana earth. The factory output is expected to reach 300,000 tons a year in its initial phase, increasing to 600,000 tons a year subsequently.

25. Salt output which had been slowly increasing up to 1965 when it was 39,626 tons dropped to 30,839 tons in 1966.

26. Transport and communications. Because Cape Verde's main economic importance derives from its role as a service station for long-distance shipping, aviation and telephone communications (see A/6700/Add.3, chapter V, paragraphs 393-397), large allocations have been made under the successive development plans for this sector. Under the Transitional Development Plan (1965-1967) the investment target for transport and communications was 96 million escudos. Actual investment in the two first years (1965 and 1966) totalled 37.9 million escudos, of which 23.5 million escudos were for roads, 13.1 million escudos for ports, 1.2 million escudos for airports and the remainder for telecommunications. There is no information yet on actual investments in 1967. Under the Third Development Plan (1968-1973) investments in this sector are envisaged at 335 million escudos which is the largest allocation for Cape Verde representing 34 per cent of the total investment target.

27. In 1967, Transportes Aéreos de Cabo Verde, the territorial airline, resumed flights between the various islands under an assistance agreement with the Portuguese airline Transportes Aéreos Portugueses - TAP.

28. The Territory does not yet have any television. During the past year, the Post Office and Telecommunications Department of Cape Verde carried out preliminary tests on the possibility of introducing television in the islands; clear pictures and sound were received from Madrid and the Canary Islands.

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29. Public finance. In the period 1963-1968, Cape Verde's ordinary revenue has almost doubled, due mainly to the new system of taxes introduced in 1964. Total estimated revenue for 1968 is 119 million escudos, compared with 68 million escudos in 1963. Revenue from both direct and indirect taxes has also doubled and in 1968 these two sources were expected to yield 20 million escudos and 38.4 million escudos respectively. Expenditure under the ordinary budget has closely followed this upward trend as a result of expanded government services ^{g/}

30. Extraordinary expenditure, which is mainly on development projects, rose from 38.7 million escudos in 1963 to an estimated 72.9 million escudos in 1966, but according to a press report estimated extraordinary revenue for 1968 is only 4 million escudos. Since no official information is available, it is not clear whether the drastic reduction of the extraordinary budget, which is mainly financed by loans from Portugal, represents a change in the Government's policy towards the Territory.

31. Under the ordinary budget for 1968, 19.7 million escudos are provided for development services which is more than double that for 1967. For 1968, 13.2 million escudos are allocated for education (26 per cent over 1967) and 9.6 million escudos for public health (21 per cent over 1967). The Territory's contribution to military and defence expenditures has hardly changed over the past six years; for 1968 it will again be about 4.5 million escudos.

32. As reported previously (see A/6700/Add.3, chapter V, paragraph 400), because the Territory lacks financial resources it has relied heavily on assistance from Portugal mainly in the form of loans. At the end of 1966, the Territory's public debt amounted to 618.2 million escudos, all of which is in metropolitan escudos. This represented a debt increase of 58 per cent in the period 1961 to 1966.

33. Estimated expenditure for the servicing of public debt was 3.9 million escudos in 1967 and 2.8 million escudos in 1968. Because of the Territory's financial difficulties, the instalments on a 50-million escudo loan from the Caixa Geral de Depósitos, Crédito e Previdência (a savings and welfare body of the Portuguese Government) are being paid by the Ministry of Finance and payment of interest on all the other loans has been suspended.

^{g/} In the past there have been frequent complaints about the low civil service salaries in Cape Verde before the introduction of a common system. In 1967 a deputy from Cape Verde told the National Assembly in Lisbon that, although a system of complementary pay had been introduced in 1956, ten years later, Cape Verde civil servants were still waiting to receive the extra allowances.

34. Development financing. As reported previously, under the Transitional Development Plan (1965-1967) the original investment target for Cape Verde was 500 million escudos. Actual expenditures over the first two years, however, amounted to only 70.3 million escudos (see table 1), estimated investments for 1967 were 70 million escudos. Even if this full amount were spent last year, total investment under the plan would only amount to less than one-third of the original target sum.

35. Information is not yet available on commitments in 1967. The following table shows total commitments by sector in 1965 and 1966, compared with the original targets.

Table 1

Implementation of the Transitional Development Plan, 1965-1967

<u>Item</u>	<u>Original target</u>	<u>Total commitments</u>	
	<u>(million escudos)</u>	<u>(million escudos)</u>	<u>(Percentage distribution by sector)</u>
Research and survey of the Territory	10.5	1.0	1.40
Agriculture, forestry and livestock	42.0	13.5	19.20
Fisheries	250.5	-	-
Electric power	10.0	0.6	0.85
Industry (extractive industry)	6.0	0.6	0.85
Industry (transforming industry)	15.0	0.6	0.85
Transport and communications	96.0	37.8	53.60
Housing and local improvements	20.0	5.3	7.55
Social welfare (education, health and radio broadcasts)	50.0	10.9	15.50
Total	500.0	70.3	100.00

Source: Portugal, Presidência do Conselho, Plano Intercalar de Fomento para 1965-1967; Portugal, Anuário Estatístico, vol. II (Ultramar), 1965; Portugal, Banco Nacional Ultramarino, Boletim Trimestral (No. 69), first quarter of 1967.

36. It will be recalled^{h/} that under the original scheme for financing the Transitional Development Plan for Cape Verde, foreign sources and the Portuguese Government were each to provide half of the total investments. Details on the actual financing of the Transitional Development Plan over 1965-1967 are not yet available, but in 1965 Portugal authorized a 133-million escudo loan to Cape Verde, of which 63 million escudos had been granted by 31 December 1966, and in 1966 the Banco Nacional Ultramarino lent 12 million escudos to the Territory.

37. As was already noted in the Transitional Development Plan, because of the Territory's rapidly increasing population, priority had to be given to finding new ways to enable the people to support themselves. Government studies made before 1964, assuming that the annual rate of population increase would continue at 3.5 per cent per annum (with the population rising to 236,300 in 1965 and 243,400 in 1966) came to the conclusion that on an average there would be 3,500 persons entering the labour market each year for whom jobs would have to be found. These studies showed that in 1964, of the active population, 52,500 persons were engaged in agriculture, in which sector there is considerable hidden unemployment, and 46,800 were engaged in "services of a domestic character" representing a saturation of that sector. It was therefore evident that new jobs had to be found in other activities. Hence the Transitional Development Plan for Cape Verde concentrated on developing a modern fishing industry. This, however, apparently had not materialized up to the end of 1967.

38. According to the Overseas Minister, under the Third Development Plan for Cape Verde, the defined quantitative goals are limited to indicating the new jobs to be created in the six-year period. So far no information is available as to how this will be done and it is not evident that the fishing industry can by itself annually provide another 3,500 new jobs as the total number of Cape Verde inhabitants engaged in fisheries at present probably does not exceed that figure. Furthermore, as past experience has shown, the establishment of new industries with foreign capital usually leads to the importing of some outside manpower, especially in the higher technical and managerial levels.

^{h/} Official Records of the General Assembly, Twentieth Session, Annexes, addendum to agenda item 25 (A/3000/Rev.1), chapter V, paragraph 113.

39. For instance, in 1967, an article in the Portuguese press attributed to a sociologist suggested that the European population in Cape Verde had doubled since the 1950 census to 6,069. A commentary on this article by an author from Cape Verde, while questioning this figure, nevertheless agreed that there had been an influx in the last few years of Portuguese from Portugal, other Europeans and some South Africans in connection with the servicing of the international airport on the island of Sol, the new submarine cable (see A/6700/Add.3, chapter V, para. 396) and the developing fishing industry. It is thus apparent that some of the jobs created by imported industries are not always available to the local inhabitants.

40. The percentage distribution by sector of the investments envisaged under the Third Development Plan (1968-1973) is set out below:

Table 2

Cape Verde Third Development Plan, 1968-1973

<u>Sector</u>	<u>(million escudos)</u>	<u>Investment target</u>
		<u>(Percentage distribution by sector)</u>
Agriculture	84.2	8.52
Fisheries	246.7	24.96
Extractive and transforming industries	17.0	1.72
Electric power	37.0	3.75
Commerce	3.4	0.34
Transports and communications	335.0	33.90
Housing	120.5	12.19
Tourism	7.8	0.80
Education and research	76.6	7.75
Health	60.0	6.07
	<u>988.2</u>	<u>100.00</u>

41. As the Territory is already experiencing financial difficulties the Third National Plan for Cape Verde is to be financed by Portugal (758.7 million escudos, corresponding to 77 per cent of the total) and foreign sources (225.5 million escudos, corresponding to 23 per cent of the total).

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EDUCATIONAL CONDITIONS

42. The latest available statistics for Cape Verde are for the school year 1965-1966 when the total enrolment was 25,955 students. Out of a total of 234 school posts, 144 were government schools and 90 were private schools. There were 226 teachers and 8,597 pupils in the government school posts and 95 teachers and 4,837 pupils in the private school posts. Full primary schools included 82 government schools with 119 teachers and 6,343 pupils, and 63 private schools with 81 teachers and 4,020 pupils. The two academic high schools (liceus) had a total of 46 teachers and 1,139 students, and the three commercial, industrial and agricultural high schools had a total of 34 teachers and 523 students (this includes one private commercial and industrial high school with 6 teachers and 36 students). There was one government vocational school with 9 teachers and 27 students, and one private vocational school with 2 teachers and 22 students. Seventy-one persons were participating in government training programmes. Since official information shows that, in 1960 42 per cent of the population was under fourteen years of age, it may be assumed that 30 per cent of the population is of school age (five to fourteen years). On this assumption, in 1965-1966, about 35 per cent of the children of school age were enrolled in schools.

ANNEX VI*

TERRITORIES UNDER PORTUGUESE ADMINISTRATION
SÃO TOME AND PRINCIPE, MACAU AND DEPENDENCIES AND
TIMOR AND DEPENDENCIES

Working paper prepared by the Secretariat

ADDENDUM

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I. SÃO TOMÉ AND PRÍNCIPE

Introduction

1. Basic information on the Territory is contained in the Special Committee's report to the General Assembly at its twenty-second session.^{a/} Supplementary information is set out below.

General

2. The most important developments in the Territory during 1967 were the renewal of the term of appointment of the Governor, Lieutenant Colonel Silva Sebastião, for another two years, the granting of the first petroleum prospecting concession and the exile to the Territory of Portugal's democratic opposition leader Mr. Mário Soarés. According to Portugal official sources, Mr. Soarés is to be held under surveillance in São Tomé (residência fixa e em regime de liberdade vigiada), in accordance with a 1947 decree (Decree 36,387 of 1 July) under which the Council of Ministers may prohibit the residence or fix the residence in any part of the "national" Territory of individuals whose activities are likely to endanger the security of the State.

Elections to the Legislative Council

3. As in the other Territories, elections to the Legislative Council were held in December 1967. The Council consists of thirteen members, of whom three are ex officio, seven are elected by "organic" groups representing various interests and three are elected directly.^{b/} The only information available is the percentage of the electorate voting. Of the persons registered to vote in the direct elections 80.40 per cent voted. In the indirect elections, the two taxpayers representatives were elected by 87.35 per cent of the taxpayers paying a minimum of 1,000 escudos in direct taxes, and five other representatives - two for administrative bodies and one each representing workers interests, employers interests and cultural and religious groups - were all elected by 100 per cent of the respective electorates.

a/ A/6700/Add.3, chapter V, paras. 410-451.

b/ The detailed composition of the Legislative Council is described in the 1965 report of the Special Committee (Official Records of the General Assembly, Nineteenth Session, Annex 8 (A/5800/Rev.1), chapter V, paras. 199-200).

Economic conditions

4. External trade. In 1966, the external trade of São Tomé and Príncipe registered a slight increase over the previous year. The total value of imports rose by 9 per cent and the total value of exports rose by 21 per cent over 1965. This was due to a considerable rise in cocoa prices and a 15 per cent increase in the quantity exported. In 1966, cocoa exports were 10,119 tons valued at 125.1 million escudos, compared with 8,854 tons valued at 83.3 million escudos in 1965. Although still lower than the average annual surplus of around 20 million escudos in the years 1961-64, the trade surplus of 17.7 million escudos in 1966 marked a recovery from the all-time low of 1 million escudos in 1965, owing to a further drop in the quantity of the principal exports and falling market prices (see A/6700/Add.3, chapter V, para. 418).
5. Provisional data for 1967 show that in the period January-August, imports continued at the same rate as in 1966 and amounted to 99.2 million escudos; exports were at a slightly higher rate, amounting to 126.0 million escudos.
6. As in previous years (see A/6700/Add.3, chapter V, para. 422), in 1966 cocoa, copra and coconuts accounted for 92 per cent of the total value of exports, but coffee and palm oil dropped respectively by 33 per cent and 12 per cent of their export value in 1955.
7. The new crops introduced in recent years do not yet play an important role in the Territory's economy. In 1966, these exports of new crops included 52 tons of quinquina valued at 554,000 escudos, 109 tons of bananas valued at 162,000 escudos, 15 tons of cinnamon valued at 152,000 escudos, and 10 tons of cola valued at 60,000 escudos.
8. The Territory's main clients were Portugal, with 41 per cent of the total export value, followed by the Netherlands with 33 per cent and the United States with 14 per cent. Of total cocoa exports valued at 125.1 million escudos, 56.8 million escudos (45 per cent) went to the Netherlands, 33.7 million escudos (27 per cent) went to Portugal, and 25.2 million escudos (20 per cent) went to the United States. Portugal was the main client for copra, coconut, coffee and palm oil exports.
9. Most of the Territory's imports are consumer goods which, in 1966, comprised wines valued at 10.6 million escudos (about 7 per cent of total imports); textiles,

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9.3 million escudos (about 6 per cent); rice, 6.9 million escudos (about 4 per cent); wheat flour, 6.6 million escudos (about 4 per cent); and beer, 5.3 million escudos (about 3 per cent). The Territory's main suppliers in 1966 were Portugal and Angola which accounted respectively for 49 per cent and 23 per cent of the total.

10. Agriculture. As reported previously (A/6700/Add.3, chapter V, paras. 421-424), as a result of changes introduced in the system of labour recruitment in 1962, São Tomé and Príncipe have reported a shortage of farm workers. The drop in world cocoa prices in recent years has further aggravated the situation and many companies have transferred operations out of the Territory. As seen in the following table, in 1966 production of the traditional crops - cocoa, copra and palm oil - were below the 1965 level and, except for cocoa, also below the 1964 level.

SÃO TOMÉ AND PRÍNCIPE: OUTPUT OF PRINCIPAL CROPS
(metric tons)

<u>Year</u>	<u>Cocoa</u>	<u>Copra</u>	<u>Bananas</u>	<u>Coconut</u>	<u>Palm oil</u>	<u>Coffee</u>	<u>Quinquina</u>
1964	7,995	6,001	4,926	1,813	1,371	196	-
1965	10,577	6,314	2,880	1,989	1,733	213	12
1966	9,529	5,510	2,238	1,822	1,364	157	39

Source: Portugal. Banco Nacional Ultramarino. Boletim Trimestral, (No. 66/67 and 69), Lisbon, 1966-1967.

11. Mining. In 1967, the Portuguese Government authorized the granting of a contract for petroleum prospecting in the Territory to a concessionaire which has not yet been named. The terms of the concession follow the same pattern as those in other Territories.^{c/} The concession comprises almost all the land area and the continental shelf of the São Tomé and Príncipe islands and dependencies; only the central area of the São Tomé island is excluded. Exclusive prospecting rights are for three years, which may be extended for two consecutive periods of two and three years respectively (a total of eight years) if the company complies with all legal and contractual requirements. The concessionaire will have the right to exploit the deposits for fifty years, which may be extended for twenty years. The concessionaire will also have the right to establish a refinery for processing any petroleum found.

^{c/} See, for instance, A/6868/Add.1, appendix III, paras. 30-48.

12. The concessionaire will be required to establish a company with an initial capital of 30 million escudos (approximately \$US1 million) (represented by 30,000 shares) which may be increased up to 100 million escudos. The Government of the Territory is to be given 10 per cent of the initial shares and subsequent issues. The surface rent payable to the Territory ranges as follows: 350 escudos per square kilometre during the first three years; 500 escudos per square kilometre during the fourth and fifth years; 750 escudos per square kilometre during the sixth, seventh and eighth years; and 1,000 escudos per square kilometre from the ninth year on. The Government is also entitled to a 12.5 per cent royalty on the selling price of raw minerals and a 50 per cent tax on profits.

13. The concessionaire is required to invest a minimum of 30 million escudos during the first three years and 30 million escudos in each extension, totalling 90 million escudos in the eight-year period. The concessionaire is authorized to seek foreign financing both in the form of loans and direct investment.

14. Public finance. The Territory's ordinary estimated expenditure for 1968 amounts to a total of 80.0 million escudos which represents a 3.6 per cent increase over the estimates for 1967 (77.2 million escudos). In addition, 1 million escudos has been allocated for extraordinary expenditure mainly to finance development projects. The main items of expenditure include allocations for servicing the public debt at 9.2 million escudos (11.5 per cent of the total); health, 8.7 million escudos (10.9 per cent of the total); education, 8.1 million escudos (10.1 per cent of the total); and armed forces, 5.5 million escudos (6.9 per cent of the total). These estimated expenditures have been maintained at the same level as in 1967, except for education which is 35 per cent higher than in 1967.

15. In 1967, the Portuguese Government suspended the payment of interest on loans granted to São Tomé and Príncipe to finance the development plans and extended the repayment term of these loans from twenty to thirty years. This relief made it possible again to allocate 9.2 million escudos for servicing the public debt in 1968; otherwise, double this amount would have been necessary.

16. Development financing. Under the Transitional Development Plan, 1965-1967, a 180-million escudos target was set for development projects in the Territory (see A/6700/Add.3, chapter V, para. 445). However, during the first year of that plan only

61 per cent of a 55.4-million escudos allocation was actually spent. No further information is available on the implementation of the plan in the other two years.

17. Under the Third Development Plan, 1968-1973, an investment target of 637.5 million escudos is envisaged for São Tomé and Príncipe. The average annual rate of investment is 130 million escudos during the first three years and 80 million escudos during the second three years. Of the total, 186.9 million escudos is to be invested in agriculture, 177.8 million escudos in transport and communications, and 122.5 million escudos in extractive and transforming industries. A 72.5-million escudos target is envisaged for petroleum mining (see above).

18. The percentage distribution of investments by sector is set out below:

<u>Sector</u>	<u>Investment commitment</u>	
	<u>million escudos</u>	<u>percentage of total</u>
Agriculture, forestry and livestock	186.9	29.31
Fisheries	36.9	5.79
Extractive and transforming industries	122.5	19.22
Trade and storage facilities	5.2	0.81
Transport and communications	177.8	27.89
Housing and urbanization	17.3	2.71
Tourism	2.4	0.37
Education and research	71.6	11.23
Health	<u>17.0</u>	<u>2.67</u>
Total	637.6	100.00

Source: Portugal. Projecto do III Plano de Fomento para 1968-1973. Vol. III, section I, p. 270.

19. The envisaged investments are to be financed by Portuguese sources only, with the Government of Portugal providing 58 per cent (371 million escudos) and self-financing by private sources providing the rest (266 million escudos).

II. MACAU AND DEPENDENCIES

Introduction

20. Basic information on the Territory is contained in the Special Committee's report to the General Assembly at its twenty-second session (A/6700/Add.3, chapter V, paras. 452-483). Supplementary information is set out below.

General

21. According to newspaper reports, since the riots early in 1967 the Portuguese authorities in Macau have given the local Chinese population a greater role in the political life of the Territory, while at the same time they have reduced their own role to a minimal maintenance of law and order. Nevertheless, up to June the situation remained unstable and there was a continued exodus of various sectors of the population and many construction projects, including the hotel and casino complex, remained abandoned. Even some of the Portuguese officials were reported to be trying to get permission to transfer to Angola and Mozambique to posts with equivalent seniority.

22. Towards the end of August 1967 the situation began to improve and the Portuguese authorities found it sufficiently encouraging to announce the resumption of many of the government-sponsored development projects and the launching of the Third Development Plan for 1968-1973. By October many of the economic activities had begun to revive, and the Governor was able to tell the regular meeting of the Legislative Council that following a period of severe economic retrenchment, he felt, the Territory could once again look forward to a recovery and economic growth, given a "mutual understanding and an acceptable realism".

23. The United Nations High Commissioner for Refugees (UNHCR) reports that the conditions of unrest in Macau in 1967 had a marked effect on the situation of the refugees and on the UNHCR programme. This programme, involving an UNHCR allocation of \$US519,000 for the period 1964-67, had originally envisaged the building of fourteen housing projects. Although work has been completed on ten of the fourteen units, the Macau authorities are reported to have suggested that construction should cease and the unspent balances from the allocations for housing units on Taipa and an earlier allocation of \$US16,830 for housing in Macau "should be used to provide accommodation for a comparable number of refugees on the mainland [of Macau] itself".

24. During 1968 UNHCR will continue with the projects previously approved.

Elections to the Legislative Council

25. The composition of the Legislative Council is described in the 1965 report of the Special Committee to the General Assembly (A/5800/Rev.1, chapter V, paras. 211-213). Elections to the Legislative Council were held in December 1967. Of the persons registered to vote in the direct elections, only 71 per cent voted.

26. In the indirect elections in 1967 votes were cast by only 40 per cent of the taxpayers paying more than 2,000 escudos and only 50 per cent of those representing associations and institutions of a private nature. On the other hand votes were cast by about 90 per cent of persons representing public bodies.

Economic conditions

27. Data published by the Banco Nacional Ultramarino (Boletim Trimestral, No. 69, 1967) show that already in 1966 the Territory had begun to experience a number of economic problems. The weight of fish landed dropped below the 1964 level and the clothing and shoe manufacturing plants suffered a cut-back with products dropping by 7.5 million escudos to 280 million escudos because of difficulties of getting foreign exchange from Mozambique which is the Territory's principal trading partner in the escudo zone. Production of the main industries also dropped below the 1967 level.

MACAU: PRODUCTION OF TRANSFORMING INDUSTRIES
(million patacas) a/

<u>Industry</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Soft drinks	2.7	3.6	2.3
Textiles	4.4	6.1	4.4
Clothing and shoes	50.1	57.8	56.3
Furniture	2.7	1.8	1.4
Chemicals and fireworks	11.9	13.7	14.9
Mineral and non-metallics	2.3	2.4	2.1

a/ One pataca = 5 escudos.

28. Development financing. As already reported (see annex I, table 7B), under the Third Development Plan, 1968-1973, the total target investment for all the Territories amounts to 44,479 million escudos, but Macau's share amounts to less than 1 per cent of this total. The introduction to the 1968-1973 Plan for Macau states that in this Territory, the initiative for development lies with the private sector which has expanded rapidly and there are "very limited possibilities for government intervention".

29. Among the development projects which were to have been completed under the Transitional Development Plan, 1965-1967, the Government has announced that work will be resumed on: (a) reclamation of land from the sea on the island of Taipa and the linking of this island to Coloane; and (b) improvement of water supplies and the establishment of a new reservoir at a cost of 10 million escudos. Projects envisaged for the future include a bridge linking Taipa Island to Macau and the building of a new port at Coloane. However, the Government hopes to get financial support from private sources before starting on them.

30. The percentage distribution of investments by sector under the 1968-1973 Plan is set out below:

<u>Sector</u>	<u>Investment commitment</u> <u>(million (percentage</u> <u>escudos) of total)</u>	
Agriculture	4.8	1.1
Transforming industries	30.6	7.1
Electric power	147.9	34.3
Transport and communications	45.8	10.6
Housing and urbanization	149.7	34.7
Tourism	28.0	6.5
Education and research	9.9	2.3
Health	<u>16.1</u>	<u>3.4</u>
Total	432.8	100.0

Source: Portugal. Projecto do III Plano de Fomento para 1968-1973. Vol. III, section II, p. 895.

31. The envisaged investments are to be financed by "national" sources only, with the Government of Portugal providing 166.5 million escudos (38.5 per cent) and self-financing by private sources providing 266.3 million escudos (61.5 per cent).

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III. TIMOR AND DEPENDENCIES

Introduction

32. Basic information on the Territory is contained in the Special Committee's report to the General Assembly at its twenty-second session (A/6700/Add.3, chapter V, paras. 484-536). Supplementary information is set out below.

General

33. In December 1967, Brigadier José Valente Pires was appointed Governor of Timor, replacing Colonel Alberty Correia who resigned to attend the higher officers training course at the Institute of Higher Military Studies in Lisbon. Governor Pires, who has served on the military staff in both Angola and Mozambique, has also been appointed the Commander-in-Chief of the armed forces in Timor.

Elections to the Legislative Council

34. Elections to the Legislative Council which are held once every four years last took place in December 1967. (The composition of the Council is described in A/5800/Rev.1, paras. 31-40 and 222-224.) Published results of the elections give only the percentages of the registered voters taking part in the direct and indirect elections. These were as follows: the two members representing the general electorate were elected by 57 per cent of the voters present; one member elected by taxpayers paying more than 1,000 escudos, by 86.1 per cent; one member representing cultural and religious institutions, by 88 per cent; and all others by 100 per cent.

Economic conditions

35. Although the Territory is thought to have considerable potential resources, lack of capital and shortage of manpower have handicapped government plans for development. As a result the Territory's only important exports are still coffee, copra and a small quantity of rubber. In 1966, bad weather especially affected coffee production and the Territory's total exports dropped to 35.4 million escudos, as compared with 55 million escudos in the previous year. In contrast, imports rose from 113.2 million escudos in 1965 to 141.7 million escudos in 1966 so that the

Territory had a 106-million escudo trade deficit.^{d/} Commenting on this situation, the Territory's deputy in the National Assembly in urging new measures to improve livestock and agriculture, in particular coffee, recalled that the Commission on Accounts (Comissão de contas) had pointed out the need for a thorough study of the economic problems of the Territory since exports continued to decrease as they had in the recent past, the Territory's situation would become "impossible".

36. Exports of the three major crops in 1966 were all below the level of the previous year. Coffee dropped from 2,493 tons to 1,511 tons and from 45.1 million escudos to 27.9 million escudos; copra dropped by about 20 per cent to 1,209 tons and 3.5 million escudos and rubber to 204 tons and 1.8 million escudos. The principal destinations of the Territory's exports were Denmark, 30 per cent; the Netherlands, 25 per cent; Singapore, 14 per cent; and Portugal, 10 per cent.

37. Mining. According to official Portuguese sources Timor is known to have deposits of petroleum and manganese, and in November 1967, a new petroleum prospecting concession was authorized by the Overseas Minister (A/6700/Add.3, chapter V, paras. 512-513).

38. The concession granted to the Companhia dos Petróleos de Timor, S.A.R.L. was authorized in November 1967 (Decree No. 48,077, 27 November) and covers a major part of the area of the island and a part of the continental shelf. The terms of the contract follow the usual pattern (see A/6868/Add.1, appendix III, paras. 30-48) and the company undertakes to spend not less than 15 million escudos in prospecting expenditures before the end of 1971. The surface rent is to be a lump-sum of 1 million escudos annually. The Government is to receive 12.5 per cent of the sales as royalties, 50 per cent of the profits in the form of taxes and the right to purchase 37.5 per cent of the crude petroleum produced. The concessionaire is

d/

	Balance of trade					
	Imports		Exports		Balance	
	tons	million escudos	tons	million escudos	tons	million escudos
1964	11,087	87.8	4,739	53.9	6,348	33.9
1965	11,324	113.1	4,728	55.0	6,596	58.1
1966	...	141.7	3,409	35.4	-	106.3

/...

to establish a company registered under Portuguese law which will undertake the prospecting, development and exploitation work. It is therefore apparent that the Companhia dos Petróleos de Timor referred to in the English language Press as the Timor Oil Ltd., is a foreign company, the nationality of which is, however, unknown.

39. Public finance. Detailed information is not available on the Territory's budget for 1967 or 1968. Estimated military expenditures for the armed forces for 1968 were maintained at the same level as in 1967 with 31.6 million escudos for the army and 1.8 million escudos for the navy. Of the total of 33.4 million escudos, the Territory will pay 5.1 million escudos and the balance of 28.3 million escudos will be paid by Portugal.

40. Development financing. Target investments under the Third Development Plan for Timor amount to a total of 560.5 million escudos, which is only slightly more than 2 per cent of the target for Angola. About 33 per cent of this total is for transport and communications, about 20 per cent for agriculture and approximately 12 per cent each for industries, housing and education. However, the annual development expenditure over the six-year period will be only slightly more than the ordinary budget. The sector targets are shown below.

<u>Sector</u>	<u>Investment commitment</u>	
	<u>million escudos</u>	<u>percentage of total</u>
Agriculture	111.0	19.8
Fisheries	14.1	2.5
Industries	63.6	11.4
Extractive	25.0	4.5
Transforming	38.6	6.9
Energy	12.0	2.1
Trade	6.9	1.2
Transport and communications	181.8	32.4
Housing	65.4	11.7
Tourism	14.6	2.6
Education and research	66.6	11.9
Health	24.5	4.4
Total	560.5	100.0

Source: Portugal. Projecto do III Plano de Fomento para 1968-1973, Vol. III, Section II, p. 991. /...

41. As in São Tomé and Príncipe the entire financing is to be provided by Portuguese sources, with 538.7 million escudos to be provided by the Portuguese Government in loans and 21.8 million through self-financing by private industry.

Education

42. According to the Overseas Minister, in the period 1960-1966, government expenditure on health and education rose 286 and 754 per cent respectively and school enrolment rose 346 per cent.

43. Information contained in the Third Development Plan shows that in 1964-65, the Territory had 93,704 children of school age, of whom 18,455, or less than 20 per cent attended school. For the whole Territory there were only forty-four primary school teachers, nine school post teachers and 242 monitor teachers. Although there was therefore one teacher per sixty pupils, as the following table shows, in a few areas there were more than eighty pupils per teacher and in one district over 120 pupils to a teacher. Of the children enrolled in school, only 1.5 per cent took the examinations at the end of the fourth grade.

44. During the same period there were 845 pupils enrolled in secondary schools: 571 in academic secondary schools, forty-seven in seminaries, sixty in school post teachers' training schools, fifty in technical school for nursing and 109 in Chinese secondary schools. The ratio of secondary school enrolment to primary enrolment was therefor about 8 per cent.

TIMOR: TERRITORIAL DISTRIBUTION OF SCHOOL AGE CHILDREN
ATTENDING SCHOOL AND TEACHERS
1964-1965

<u>Concelho or</u> <u>circunscriçãõ</u>	<u>School age</u> <u>population</u> <u>(6-12)</u>	<u>Number of</u> <u>children</u> <u>at school</u>	<u>Teachers</u>		
			<u>Primary</u> <u>teachers</u>	<u>School</u> <u>post</u> <u>teachers</u>	<u>Monitors</u>
Ainaro	...	1,109	4	-	15
Baucau	11,881	2,328	1	1	38
Bobonaro	12,882	1,556	2	1	19
Cova Lima	6,209	582	-	-	7
Díli	8,576	3,868	15	3	40
Ermera	11,216	1,686	4	1	19
Lautém	5,338	2,139	3	1	25
Liquiçá	7,842	753	-	-	6
Manatuto	6,418	1,393	5	-	27
Oé-Cusse	4,776	566	4	-	14
Suro	11,147	948	1	1	12
Viqueque	7,419	1,527	5	1	20
Total	93,704	18,455	44	9	242

Source: Portugal. Presidência do Concelho. Projecto do III Plano de Fomento para 1968-1973. - Vol. III, Lisbon, 1967, page 977.

ANNEX VII

ASSISTANCE TO REFUGEES FROM TERRITORIES UNDER
PORTUGUESE ADMINISTRATION

I. ACTION TAKEN BY THE SPECIAL COMMITTEE AND THE GENERAL ASSEMBLY

1. During its visit to Africa in 1967, the Special Committee on 20 June adopted a resolution in which, among other provisions, it "expressed its appreciation to the United Nations High Commissioner for Refugees, the specialized agencies and other international relief organizations for the help they have so far given," and requested them, "in co-operation with the Organization of African Unity (OAU) and through it with the national liberation movements, to increase their assistance to the refugees from the Territories under Portuguese domination and to those who have suffered and are still suffering from the military operation". a/

2. At its twenty-second session, the General Assembly, after having considered the chapter of the report of the Special Committee on the Territories under Portuguese administration, adopted resolution 2270 (XXII) of 30 November 1967, in which it reiterated its appreciation and the request it had addressed in its previous resolutions to the United Nations High Commissioner for Refugees, the specialized agencies and other international relief organizations.

3. The following information on the assistance provided by the High Commissioner to refugees from Angola, Mozambique, Guinea, called Portuguese Guinea, has been summarized from the report of the High Commissioner to the twenty-second session, the UNHCR Programme for 1968 (A/AC.96/379 and Corr.1 and Add.1) and the Report on UNHCR current operations in 1967 (A/AC.96/390). Information on UNHCR assistance to refugees in Macau is contained in the Secretariat background paper on that Territory (see annex VI, above).

II. REFUGEE SITUATION AND MEASURES TAKEN IN ANGOLA, MOZAMBIQUE
AND GUINEA CALLED PORTUGUESE GUINEA

4. During 1967 the flow of refugees from Angola, Mozambique and Guinea, called Portuguese Guinea, into neighbouring countries continued. In the two-year period since December 1965, the total number of refugees from these Territories increased by over 156,000, from 284,700 to 443,950 at the end of 1967. The following table shows the distribution of refugees in the four main countries of asylum and the number receiving UNHCR rations.

a/ A/6700/Add.3/Corr.1, chapter V, para. 1024.

Table 1

Number of refugees from Territories under Portuguese administration and those receiving UNHCR rations as at 31 December 1967

<u>Territory of origin</u>	<u>Country of asylum</u>	<u>1 January 1967</u>	<u>31 December 1967</u>	<u>Receiving rations 31 December 1967</u>
Angola	Congo (Dem. Republic of)	330,000	350,000 ^{a/}	-
	Zambia	3,800	6,200	3,500
Guinea, called Portuguese Guinea	Senegal	62,000	60,000	10,000
Mozambique	United Republic of Tanzania	19,000	25,000	23,580
	Zambia	1,800	2,750	2,150
		<u>416,600</u>	<u>443,950</u>	<u>39,230</u>

Source: Report of UNHCR Current Operations in 1967 (A/AC.96/390) passim.

a/ Conservative estimate by the UNHCR.

5. Under the UNHCR programme for 1968, proposed global allocations amount to \$US4,600,000. The proposed allocations for refugees from Angola, Mozambique and Guinea, called Portuguese Guinea, amount to \$US487,000 compared with \$US683,500 in 1967 and \$US502,550 in 1966. The proposed allocations are shown below. Details of the settlement programmes in the host countries are summarized in the following sections.

Table 2

UNHCR allocations for 1968 for refugees from Territories under Portuguese administration

<u>Origin</u>	<u>Country of asylum</u>	<u>Number 31 December 1967</u>	<u>UNHCR allocations for 1968</u>
Angola	Congo (Democratic Republic of)	350,000	\$US 50,000
	Zambia	6,200	86,250
Guinea, called Portuguese Guinea	Senegal	60,000	115,000
Mozambique	United Republic of Tanzania	25,000	216,750
	Zambia	2,750	19,000
		<u>443,950</u>	<u>487,000</u>

A. Refugees from Angola in the Democratic Republic of the Congo

6. The High Commissioner reports that the influx of refugees from Angola continued during 1967. Estimates vary between 600,000 and 300,000 but there are no precise figures available. Most of the Angolan refugees have settled in the Central Congo and in the areas of Kasong-Luanda (Baidundu) and Dilolo (Katanga).

7. As in previous years, marginal assistance amounting to \$US50,000 was provided by UNHCR and was devoted to improving health and primary education facilities. Out of this total, \$US8,550 was contributed to a medical institution to provide for the costs of 170 refugee patients suffering from tuberculosis; \$US15,504 to build a science laboratory at the Sona-Bata secondary school and to contribute towards the construction of twenty other classrooms at Kimpese-Moerbeke in Central Congo; and \$US5,504 for simple school facilities.

8. In 1968, the proposed allocation for marginal assistance is again for \$US50,000 to provide help to new refugees and to subsidize communal health and education facilities. During the year increased assistance is to be made available to primary schools for Angolan pupils with the earmarked contributions received under the Education Account.

B. Refugees from Mozambique in Tanzania

9. During 1967, there were some 6,000 new refugees from Mozambique in the areas of Rutamba in Southern Tanzania and Muhukuru in south-western Tanzania. These refugees were moved to the established settlements in those areas. In addition, about 2,000 Mozambique refugees who had settled in the Mbamba Bay area were moved by the Government to the Lundo area. At the end of the year there were 8,200 refugees at the Rutamba settlement, 9,300 at the Muhukuru settlement and 6,000 at the Lundo settlement.

10. Rutamba settlement. At the beginning of 1967 there were only 6,000 refugees at this settlement. The UNHCR's allocation to this project for the year totalled \$US45,600; the World Food Programme donated food and the Lutheran World Federation/Tanganyika Christian Refugee Service (LWF/TCRS) contributed also in cash and in kind. In addition, the Swedish Government donated \$US23,256 for the construction and equipment of a primary school and running costs.

11. The building programme at this settlement was completed in 1967 with the opening of a new health centre. The May harvest last year was better than had been anticipated and while the refugees are not yet self-supporting it has been possible to reduce to half the rations for 6,000 persons.

12. In 1968, the UNHCR allocation will again be \$US45,600, and the Swedish Government has contributed a further \$US13,566 for the costs of the primary school. Greater efforts are to be given this year to agricultural development with the assistance of an agronomist from LWF/TCRS. The World Food Programme will provide rations for another year for newcomers.

13. The financing of this project in 1968, excluding education facilities, is as follows:

Tanzanian Government	\$US 6,350
World Food Programme	86,250
LWF/TCRS	102,700
UNHCR	45,600
Total	240,900

14. Lundo settlement. According to the original plan, international assistance was to be provided from July 1966 to June 1968. Difficulties of construction of access roads have slowed down the project but a temporary dispensary, a primary school and a warehouse have been started. The 1967 allocation of \$US127,300 was fully committed and an additional sum of \$US28,245 was authorized, bringing the year's total to \$US155,545.

15. During 1968, commodities donated by the World Food Programme will be moved to the project, health and primary school services will be set up and tools will be provided to speed up agricultural settlement. It is expected to complete the project by the end of the year. The 1968 cost of this project is estimated at \$US191,350, of which \$US47,150 will be provided by the UNHCR. The other financing will be as follows: Tanzanian Government, \$US3,600; World Food Programme, \$US77,500, and Lutheran World Federation/Tanganyika Christian Refugee Service, \$US63,100.

16. Muhukuru settlement. The 1967 allocation of \$US255,400 approved for this project was fully committed and by the end of the year all the planned building work had been started and is expected to be completed in 1968. Five thousand acres of land were also prepared for the 1968 planting season.

17. As a result of the increase in the number of refugees at this settlement in 1967, budget estimates are expected to rise. New land is being opened up and the villages are being resited.

18. The total financial requirement for 1968 is estimated at \$US388,900, with \$US124,000 from the UNHCR. The other financing will be as follows: Tanzanian Government, \$US3,800; World Food Programme, \$US172,500; and the Lutheran World Federation/Tanganyika Christian Refugee Service, \$US88,600. The UNHCR funds will be used mainly to provide health and education needs and the cost of transporting to the settlement the supplies donated by the World Food Programme.

C. Refugees from Angola and Mozambique in Zambia

19. As at 31 December 1967, there were some 9,000 refugees from both Angola and Mozambique in Zambia, an increase of 3,000 over the beginning of the year. There are now three settlements; one of refugees from Mozambique at Nyimba inside the Zambian-Mozambique border, and two settlements of refugees from Angola, one at Lwatembo, near the eastern border of Zambia with Angola, and a newly established one at Mayukwayukwa, further inside Zambia.

20. Nyimba settlement. This settlement project has progressed as planned and land allocated to refugees has been brought under cultivation with food crops and cotton and tobacco. The construction of three classrooms and three teachers' houses was completed and work had been started on the extension of the local dispensary by twenty additional beds.

21. The total cost of this project in 1968 is estimated at \$US89,500, of which \$US19,000 is to be provided by the UNHCR. The other financing is as follows: Zambian Government, \$US10,450; World Food Programme, \$US14,240; Lutheran World Federation/Zambian Christian Refugee Service, \$US38,000; and the Zambian Red Cross, \$US7,810.

22. During 1968, facilities for primary education are to be increased and continued assistance will be provided for agricultural development, health services, clothing and community development. It is expected that these refugees will become self-supporting by the end of 1968 as planned.

23. Lwatembo settlement. Various difficulties during 1967, including the arrival of 3,700 new refugees, caused delays in the scheduled work, and since the land available became insufficient to meet the additional needs, about 1,750 of the refugees were resettled in October at Mayukwayukwa further inside Zambia. The 1967 allocation of \$US251,500 was expected to be used up by early 1968.

24. According to the original plan, this settlement was to have become self-supporting by mid-1968. Estimated costs to complete the programme for the six months total \$US90,315 with \$US33,250 from the UNHCR. The other financing is as follows: Zambian Government, \$US4,645; World Food Programme, \$US40,665; and the Zambian Red Cross, \$US11,755.

25. These funds are to provide for the continuation of the work started in 1967, which includes the provision of food seeds, tools, medical facilities, primary school education and community development.

26. Mayukwayukwa settlement. As noted above, during 1967 some 1,750 refugees had already been moved and settled at Mayukwayukwa. Plans now envisage settling about 2,000 refugees here.

D. Refugees from Guinea, called Portuguese Guinea, in Senegal

27. The High Commissioner reports that a census taken in late 1967 showed that there were about 57,000 refugees from Guinea, called Portuguese Guinea, living in the Casamance area and about 3,000 living in Dakar. The slight decrease in comparison with the number at the beginning of the year is attributed "partly to the integration of some refugees in the Senegalese community, and the spontaneous return of a number of them" to Guinea, called Portuguese Guinea.

28. During 1967, the settlement proceeded as planned and it is reported that the refugees are becoming increasingly assimilated and self-supporting. Some are even able to pay taxes. As a result, it has been possible to reduce aid in kind. In 1967, the refugees were provided with farming implements, seeds and fertilizers, and farm instruments such as palm-nut crushers, rice threshers

and millet mills, are being purchased for the collective use of several villages. Thirty-nine new wells were dug, bringing the total up to 129 dug as part of the UNHCR programme for the creation of new villages. A mobile medical unit launched in 1966 was continued during the year and ten schools to prepare children for primary schools were set up in isolated villages for both refugees and Senegalese children.

29. For 1968, the UNHCR proposed allocation is \$US115,000, of which \$US102,000 is for assistance to refugees in agriculture in the Casamance region and \$US13,000 is to aid refugees in Dakar. These funds are to help financing of collective projects aimed at facilitating their settlement within the Senegalese community. The High Commissioner reports that the refugees enjoy the same advantages as nationals as regards education, the right to work and social benefits.

30. As in the past, the implementation of the refugee programme in Senegal is entrusted to the "National Committee in charge of the programme of assistance to refugees in Senegal", acting in close association with the representative of the UNHCR.
