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UNDER SECRETARY OF STATE  
FOR ECONOMIC AFFAIRS  
WASHINGTON  
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March 6, 1976

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MEMORANDUM FOR THE SECRETARY

FROM: E - Charles W. Robinson *CR*

SUBJECT: Expanded U.S. Assistance to Zaire

Urgent and coordinated action is under way to carry out your instructions to mobilize expanded U.S. and multilateral support for Zaire. In summary:

-- The attached report from AF covers the main elements of our proposed expanded bilateral aid programs, totalling \$184 million over the two fiscal years 1976-77. Further increases in military assistance are being considered by AF, P/M, DOD and Carl Maw, in response to the request handed to me by President Mobutu. Action documents covering budget amendments for FY 1977 Security Supporting Assistance and probably for Military Assistance will reach you early next week.

-- In addition, ExIm Bank agreed on Thursday to provide \$68 million in additional loans to finance completion of the key Inga-Shaba power line project, which will forge a link of interdependence between western Zaire and copper-rich Shaba (ex-Katanga).

-- I am pressing IMF to make maximum use of its loan facilities, probably totalling \$150 million, to give prompt support to Zaire along with the IMF's endorsement of Zaire's new economic stabilization program, expected to be announced about March 15.

-- Next week I plan to press the IBRD and key European Governments to join with us in reviving the international Consultative Group for (aid to) Zaire and provide expanded economic assistance to Zaire. (We also are urging the EC governments to restrain certain members who want to show "balance" by launching immediate aid to Angola before the future course of Neto and the Cubans is clear.)

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-- We are organizing a unified U. S. Government position in favor of extensive rescheduling of Zaire's debt to foreign government agencies under a multi-lateral approach being planned by IMF.

-- I am actively exploring with the present shareholders of the now mothballed SMTF copper project ways of reorganizing and financing this centerpiece of Zaire's plans for achieving self-support. At the right moment I plan to discuss with financial officials of Kuwait and Saudi Arabia their possible participation as equity or quasi-equity suppliers of the needed additional capital, possibly in association with the World Bank.

-- All of these actions should be producing tangible proof of our interest in Zaire's independence and progress by the time of your visit to southern Africa in late April.

As I reported orally on my return, I found a situation ripe for effective U.S. action. The government leadership in Zaire is desperately worried over the prospect of encirclement by pro-communist neighbors. They suspect the new Angolan government intends to exploit politically its capacity to choke Zaire's life-line via the river and the severed Benguela railway. They are eager for evidence of continued support by the United States and other western friends. Economic distress--stemming from a combination of depressed copper prices, inflated costs of imports, heavy foreign debts accumulated in a binge of spending, and nationalistic-socialist excesses--combines with political crisis to make Mobutu look to the industrial west for salvation. He and his government now accept IMF-prescribed reforms and appeal for western financial and managerial help. They say with apparent sincerity that they are ready to reverse some of their mistakes in expelling thousands of foreign managers and technicians through business nationalizations; now they invite foreign companies to return and acquire 40 percent--in some cases 100 percent--of some of their old enterprises.

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In this atmosphere, we have a better chance than we ever have had or may again have to move Zaire along the way toward fulfilling its great promise. In Zaire, Zambia and Nigeria there are the resources on which to build viable national economies naturally oriented toward economic associations with us. I believe the course of political events in all of Africa will be greatly affected by the economic vitality of these three countries. In Zaire and Zambia, much depends on the development and export of copper at remunerative prices. We are almost certain to experience a substantial rise in world copper prices beginning the latter part of this year, inspiring greater confidence by western financial institutions and investors in the future of Zambia and Zaire. If we can involve the international agencies, particularly IMF and IBRD, and the European Community more deeply in the economic future of Zaire and Zambia, the political risks of supply-line interdiction which now deter new foreign investment will be reduced. This economic strategy should enhance the success of their and our political and security measures to maintain these key countries' independence.

Attachment:

Memorandum from AF - William E. Schaufele,  
ZAIRE: Plans and Prospects for US  
Assistance, dated March 6, 1976

Cleared: AF - Mr. Schaufele *WES*

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PA/HO Department of State

E.O. 12958, as amended

May 4, 2006