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DEPARTMENT OF STATE  
ACTION MEMORANDUM

SS

October 31, 1975

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IO  
EB  
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AID  
RF (jhw)

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To: The Secretary

From: AF - Edward W. Mulcahy *EW*

Congressional Strategy on Zaire AID Loan

Problem

In a private conference after their hearing on our proposed Security Supporting Assistance Loan to Zaire October 25, Senators Humphrey and Clark told our witnesses that they would like to discuss ways to help neighboring countries also suffering economic difficulties so that our assistance might be less conspicuously concentrated on Zaire. The Senators' staffs have asked us to meet to discuss possibilities Wednesday, November 5.

We conclude that firm assurances on our part on PL 480 and AID programs for Tanzania and an expression of willingness to help Zambia with its balance of payments problem would gain Humphrey's and Clark's support for our Zaire proposal. This in turn could help us with Senator Inouye and his Senate Appropriations Subcommittee.

This would pose difficulties for our UN policy, however, in light of the position taken by Tanzania and Zambia on the Korean and Puerto Rican questions.

Background and Analysis

Where we stand on the Zaire loan

On October 15 AID Administrator Parker notified the chairmen of the relevant appropriations subcommittees, Inouye and Passman, of our intention to authorize a \$20 million Security Supporting Assistance Loan for Zaire using Continuing Resolution Authority. Inouye and Passman replied on behalf of their subcommittees asking that we not proceed with the loan until it could be considered

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as a part of the Administration's overall Security Supporting Assistance and Military Assistance request. While we have the legal authority to authorize the loan after 15 days, this would be sure to arouse Congressional ire and would be costly for us in the long run.

The joint military/supporting assistance request went to the Congress October 30, and we expect hearings on it to begin in both houses early in November. Our objective is to develop sufficient support--or sufficiently to neutralize opposition--to permit us to proceed with authorization of the Zaire loan under Continuing Resolution Authority once hearings on the Zaire portion have been completed.

The hurdles we see before us are the Humphrey-Clark request for a deal on Tanzania and Zambia, Inouye and his Committee, and Passman. Inouye has indicated that he may be satisfied if we can satisfy Humphrey and Clark. We at present see no obstacle in the House International Relations Committee.

#### Tanzania and Zambia

We have put a hold on a proposed \$6 million PL-480 program and \$12 million Agriculture Sector Loan for Tanzania because of Tanzania's hostile vote on Puerto Rico; they have also cosponsored the hostile Korean resolution. Zambia has asked us for no aid this year, but is in a balance of payments bind similar to but less serious than Zaire's and could use PL-480 assistance or a program loan. Zambia too, however, is sponsoring the hostile resolution on Korea and has taken an unfriendly public position on Puerto Rico.

The issue is whether to appease Humphrey and Clark on Zambia and Tanzania to improve the chances of getting our Zaire loan through the Congress.

#### Options

1. Tell Humphrey and Clark we will proceed with a PL-480 program for Tanzania and also with an agricultural

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loan, contingent upon Congressional funding, and that we will consider favorably meeting a Zambian request for assistance, through a modest PL-480 program, if Humphrey and Clark will go along with our Zaire proposal and will try to bring Inouye with them or at least tell him that they no longer oppose the proposal.

#### Advantages

-- This would remove the Humphrey/Clark obstacle to our Zaire proposal and probably also clear the way with Inouye. We would then work for support within Passman's subcommittee to overcome Passman's own expected opposition to our proposal. We also believe Passman could be won over by a personal call from you.

-- This course would give us a fair chance of coming through in timely fashion with the AID loan portion of our promised assistance package to Mobutu and would therefore further our bilateral objectives in Zaire. Early announcement of the loan would have a significant favorable material and psychological impact on Zaire's critical financial position. It would help shore up Zaire's position and protect our own exposed financial interests there pending completion of an arrangement between Zaire and the IMF.

-- Assistance to Tanzania and Zambia would meet real economic needs of those two developing countries.

-- In the case of Zambia, our assistance would strengthen the internal position of a leader, Kaunda, who is a key moderate on southern African issues and Angola.

-- Aiding Tanzania and Zambia would help build support for our overall African policy in the Congress, where both countries enjoy broad favor.

#### Disadvantages

-- Reversing our position on aid to Tanzania and expressing a disposition to help Zambia would weaken our policy of punishing those who have opposed us on the Puerto Rican and Korean issue.

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-- Humphrey and Clark might not be able to deliver Inouye's support for the Zaire loan, and we would still face the Passman hurdle.

2. Tell Humphrey and Clark that we cannot be forthcoming with Tanzania and Zambia at present given their hostility on the Korean and Puerto Rican issues and ask them nevertheless to give us their support on Zaire.

#### Advantages

-- This would reinforce and protect our UN policy on the Puerto Rican and Korean questions.

-- Even without the AID loan, we will be able to give Zaire the remainder of our proposed assistance package, about \$40 million, which does not require Congressional approval.

-- It would avoid a possible situation in which we would have given on Tanzania and Zambia only to find ourselves still blocked on Zaire by Inouye or in the House.

#### Disadvantages

-- This would probably kill the Zaire Supporting Assistance Loan.

-- Failure to come through on the proposed loan, which has been well publicized, would compromise our political purposes in Zaire. Insofar as it appeared to throw into question the US commitment to helping Zaire through its financial straits, it would shake creditor confidence in Zaire's ability to avoid financial collapse and in so doing increase the chances of such a collapse.

-- The \$40 million which would be left in our package would contain only \$8 million of soft money (PL-480) and would therefore be, and appear, much less generous than a \$60 million package with \$28 million in soft loans.

-- We could not make up for loss of the \$20 million Supporting Assistance Loan by increasing another element

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of our package without risking the same Congressional ire we would arouse by proceeding with the loan over Congressional opposition. Senator Inouye has already made this clear in a warning letter to Eximbank.

Bureau Views:

AF prefers Option 1, in view of the importance of the Supporting Assistance Loan to our interests in Zaire as well as the economic case for assistance to Tanzania and Zambia and the availability of other ways to show our displeasure with Tanzania and Zambia on the UN issues. With the exception of IO, the clearing bureaus and offices concur.

IO prefers Option 2 in view of the actively hostile positions taken by Tanzania and Zambia on key US issues in the United Nations.

EB's views are attached.

Recommendation:

That you authorize us to offer Humphrey and Clark assurances on aid to Tanzania and Zambia in return for their support of the Zaire loan (Option 1).

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Alternatively, that we continue our efforts on the Hill on behalf of the Zaire loan but inform Humphrey and Clark that we cannot be forthcoming with Tanzania and Zambia at present given their hostility on the Korean and Puerto Rican issues (Option 2).

Secretary asks that Mr. Ingersoll call Humphrey and Clark.

Secretary asks that Ingersoll call Humphrey and Clark. Approve H/K/one Disapprove \_\_\_\_\_

Drafted: AF/C:RRstrand:osm  
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Concurrences: S/NM-Amb. Vance; AID/AFR-Mr. Brown; H-Mr. Goldberg; IO-Amb. Buffum; AID/LEG-Ms. Lewis;

(all in draft)

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