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DEPARTMENT OF STATE

BRIEFING MEMORANDUM

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June 19, 1976

EPR
6/27

TO: The Secretary
FROM: D - Charles W. Robinson *cl*
SUBJECT: Nine-Point Action Plan for International Aid to Zaire

We have drawn up and have commenced initiation of the attached nine-point action plan for mobilizing broad international economic assistance for Zaire. This plan is adapted largely from an excellent memorandum prepared by AF and EB. I have also added several specifics, including measures to increase copper and agricultural production.

The action plan fixes responsibilities for each step. I am asking Schaufele to assume overall management responsibility, in consultation with E, T, EB and AID, with Bill Rogers to arrange for periodic reviews of progress and problems.

Attachment:
Nine-point action plan

cc: E - Mr. Rogers
AID - Mr. Parker
T - Mr. Maw
AF - Mr. Schaufele

D:RMPoats 6/18/76

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ACTION PLAN: International Aid to Zaire

Objective

To organize a coordinated international effort to overcome Zaire's critical foreign exchange deficit, to establish the basis for early resumption of medium and long term development, to increase assistance from multilateral agencies and national aid donors, to maximize Zairian self-help, to encourage private financial institutions to restore both short and longer term credits to Zaire, and to lay the groundwork for a later request to Congress for a possible supplemental authorization.

Background/Analysis

The rationale for the separate and interrelated actions outlined below is contained in an AF-EB briefing memorandum of June 11 on "Dealing with Zaire's Financial Problems."

Since preparation of that memorandum, the Paris Club has concluded its meeting with an ad referendum agreement outlining the terms for a rescheduling program. The US was alone in entering a reservation regarding the plan to reschedule interest payments for 1977 until we are able to reexamine Zaire's economic prospects in the fall. We also continue to have doubts about Zaire's ability to meet the obligations it will assume under this agreement without the input of additional resources by the donor states. The Paris Club did not, unfortunately, make a serious effort to identify the magnitude of the balance of payments (B/P) gap.

Two points not covered in the earlier memorandum concern the ability of Zaire to maximize its long-term developmental potential in the lagging mineral and agricultural production fields. Copper remains the key to Zaire's developmental plans. Failure to arrest the decline in copper production would render useless all other economic assistance to Zaire. The immediate reasons why production may fall well short of 400,000 MT this year (compared to an original IMF assumption of 500,000 MT) are easily identifiable: shortage of or failure to allocate required foreign exchange to import essential equipment and supplies (coal, fuel, chemicals, etc.), and transport bottlenecks. A collective

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approach could help overcome these bottlenecks but might also identify other ways in which the copper industry could increase efficiency to take fuller advantage of any increase in the price of copper. Both an immediate transfusion of cash and medium term investment measures are required.

The following actions, listed in rough sequence, represent a refinement of the program outlined in the June 11 memorandum of AF and EB. They are designed to meet Zaire's immediate B/P problems and its longer-term developmental needs.

Action Sequence and Responsibility:

1. USG Recommendations to Mobutu: Instruct Ambassador Cutler to outline to Mobutu and others of the GOZ this action plan (outlined below), our appraisal of the economic situation Zaire faces as brought out in the Paris Club meeting, and our willingness to encourage other countries to help fill the resource gap if the Government of Zaire improves its own economic performance. Specifically, Ambassador Cutler will urge President Mobutu to:

(a) ask the IMF to work with the GOZ in reformulating the stabilization program to take into account the substantial deterioration in the B/P outlook, and

(b) request that the IBRD constitute the Consultative Group on aid to Zaire to deal with both immediate financial assistance and long-term development measures.

ACTION: AF with Embassy

2. Paris Club Rescheduling: Use the creditor club to develop a better awareness on the part of both creditors and GOZ of the depth of Zaire's B/P problem and to coordinate economic performance criteria established under the rescheduling agreement with those under a revised IMF standby.

ACTION: EB/AF

3. USG Consultations with IMF: Assure to the maximum extent possible that IMF and USG appraisals

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of Zaire's economic situation are consistent; encourage IMF to be responsive to a GOZ request that a new stabilization agreement be negotiated, permitting it to draw both the first and second tranches, within the context of stricter performance criteria.

ACTION: AF, EB and Embassy

4. USG consultations with IBRD: Deputy Secretary Robinson will urge McNamara to: (a) respond favorably to an anticipated request from the GOZ to reconstitute the Consultative Group; (b) include short-term B/P aid in the fund-raising functions of the Consultative Group; (c) begin work promptly with the IMF and GOZ on an assessment of Zaire's 1976-77 B/P deficit, as a basis for budgetary/parliamentary actions by donor countries and supplemental aid budget action by the USG; and (d) assist in long-term development planning (see 5 below). Department officials will follow up with IBRD at the working level.

ACTION: Deputy Secretary, AF and AID

5. Joint Emergency Measures to Restore Copper Production: Urge GOZ and IMF to agree to earmark all or substantial part of the pending first tranche (\$50 million) of the IMF standby credit to meet Gecamines immediate foreign exchange requirements. Simultaneously, assist the GOZ in employing an international group of mining consultants to make urgent recommendations on technical and financial measures to raise copper production and exports. Additional, medium-term financing might be raised by the sale of copper bonds guaranteed against political risk by OPIC and similar national insurance agencies acting in tandem. (The latter approach would require consultation with existing international creditors who look to Zaire's copper earnings as the basis of their credit security.)

ACTION: AF with Embassy and IMF

6. Focus on Long-Term Development Priorities: In consultation with IBRD and GOZ, stimulate action by IBRD staff to prepare an agenda and analytical papers for consideration and action at one of the first of the Consultative Group meetings, with concentration on two key factors:

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(a) maximizing Zairian mineral production and exports.

(b) reducing bottlenecks to early expansion of agricultural and domestic marketing through an integrated reform program derived from existing and additional expert analysis (e.g. AID-funded agricultural sector survey).

ACTION: AID with AF

7. USG Bilateral Consultation with Donor Countries: Through use of an emissary and Embassy approaches to host governments, make the case for expanded assistance to Zaire and the need for better Zairian performance in Ottawa, Brussels, Paris, London, Bonn, Tokyo, Jidda, Abu Dhabi, The Hague, Rome and Kuwait. We should take the opportunity to explain our views on the need for better co-ordination on longer term development assistance, specifically:

-- implementation of a major USG planned agricultural sector survey.

-- major infrastructure needs.

ACTION: AF

8. USG Promotion of AID to Zaire in Multi-lateral Meetings: Incorporate talking points for use by the Secretary in papers being prepared for the OECD Ministerial meetings, the Puerto Rico Summit Conference and subsequent gatherings of major country foreign and finance ministers.

ACTION: AF with EUR, C

9. Military Aid: Quite apart from the international economic program, we should follow up the Secretary's discussions in the security field by examining with the GOZ and very discreetly with selected European governments the possibility of coordinating a multilateral military assistance program for Zaire to supplement our bilateral efforts.

ACTION: AF, PM

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D:RMPoats:AF/C:TRBuchanan:AF/C:EMarks:sjc

CLEARANCE: EB/OMA-Mr. Crowe
AF - Mr. Blake
T - Mr. Maw
E - Mr. Frank

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DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
May 4, 2006