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THE WHITE HOUSE  
WASHINGTON

July 18, 1975

MR PRESIDENT:

Attached is a joint package prepared by NSC and OMB on the subject of Foreign Aid Budget Amendment for Zaire. Secretary Kissinger's comments are at Tab A.

Jim Connor

*Scowcroft &  
McFarlane  
advised.  
7/18/75*

THE WHITE HOUSE  
WASHINGTON


July 19, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

HENRY KISSINGER  
JAMES LYNN

FROM:

JAMES E. CONNOR 

SUBJECT:

Foreign Aid Budget Amendment for  
Zaire (Congo)

The President has reviewed your joint package on Foreign Aid Budget Amendment for Zaire (Congo) and approved the following option:

"Approve the \$50 million assistance package (including the \$14 million budget increase). Ambassador Vance would urge adoption of the IMF reform, but would be authorized to provide U.S. aid without conditions."

Please follow-up with appropriate action.

cc: Don Rumsfeld

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

July 17, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES F. LYNN

SUBJECT: Foreign Aid Budget Amendment  
for Zaire (Congo)

State and AID are requesting a 1976 budget amendment to increase economic aid to Zaire. State is anxious to improve diplomatic relations, following President Mobutu's charges of a CIA plot to assassinate him and his expulsion of Ambassador Hinton. Ambassador Vance has been negotiating with Mobutu, and Secretary Kissinger has developed a \$50 million assistance package to facilitate the discussions. This package, including reprogramming of PL-480, CCC and Eximbank credits within the budget totals, requests a budget amendment for an additional \$20 million supporting assistance grant which would provide immediate balance of payments relief. This increase would be partially offset by eliminating the currently planned, but less urgently needed \$6 million AID development loan for port improvement. Thus, under Secretary Kissinger's proposal, the budget would increase by a net amount of \$14 million. There are two issues:

First, whether any increase is desirable in view of Mobutu's false charges against the United States and expulsion of Ambassador Hinton. A significant U.S. aid offer at this time may well be viewed either as proof of his charges or as an effort to buy him off. Against these concerns, State argues that failure to give him assistance at this time could "have severely negative, immediate consequences on our political and economic interests in Zaire," possibly going as far as a formal break in diplomatic relations and nationalization of U.S. firms.

Second, whether the provision of U.S. aid should be linked to acceptance of an International Monetary Fund (IMF) reform package. Zaire faces a severe foreign exchange crisis because of gross economic mismanagement and the fall in

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AUTHORITY RAC nve-PHF-2-10-3-2 5/5/08

BY lh NARA, DATE 11/17/09

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copper prices. The Government has taken some steps to cope with the situation, but reasonable assurance of progress toward a full set of reforms will depend on further negotiations with the IMF, tentatively set for September. The IMF could provide up to \$90 million in immediate balance of payments relief under a standby agreement contingent on acceptance by Zaire of a package of reforms. Thus far, however, Mobutu has resisted a formal agreement with the IMF -- which would include budgetary restraint and devaluation -- as an infringement on his sovereignty.

### Analysis

Secretary Kissinger believes that Mobutu may continue to resist the IMF, but that if he does, the stakes are so important that we must offer our own assistance anyway. Our assistance would be intended to give Mobutu leverage in negotiating relief from other creditors. Secretary Kissinger believes it should be offered, conditional only upon assurances of a satisfactory refinancing of the country's short-term commercial debt, which is now in default.

Mr. Casey has stated that Eximbank is willing to extend a \$20 million line of credit for "political" reasons. However, the Eximbank commitment would be finalized only if other U.S. agencies also participate in extending assistance. Eximbank would prefer, but not insist on, acceptance of an IMF standby as a pre-condition for assistance, but would insist on a satisfactory arrangement with Zaire's short-term creditors to refinance past due short-term debt.

Secretary Simon and I believe that failure to tie U.S. assistance to an IMF agreement will undermine the IMF and is likely to leave the United States in the position of having to provide even more aid in the future. I do not believe that the short-term creditors are in a position to impose reasonable financial reforms because they want to get their money back on payments which are already in default.

We believe the only justification for additional assistance would be overriding foreign policy concerns. I understand Secretary Kissinger will provide a separate memorandum expressing his views on the foreign policy

implications. Unless a convincing public case can be made, Congress is likely to resist budget amendments for Zaire in view of Mobutu's accusations, the lack of publicly defensible rationale for increased aid, and Presidential vetoes for domestic spending. I recommend you discuss the likely Congressional reaction with Jack Marsh before reaching a final decision.

Options

1. Approve the \$50 million assistance package (including the \$14 million budget increase). Ambassador Vance would urge adoption of the IMF reform, but would be authorized to provide U.S. aid without conditions (State and NSC recommendation)
2. Provide some immediate balance of payments relief by converting the planned \$6 million development project to a supporting assistance grant of foreign exchange (necessitating budget amendments, but no net budget increase). Provide up to \$40 million in additional assistance (PL 480, CCC, Eximbank credits), if Mobutu agrees to the IMF package. (Marsh recommendation)
3. Stick to the original \$6 million AID development loan, thereby avoiding the need for budget amendments. Agree to provide up to \$40 million in balance of payments relief through PL 480, CCC and Eximbank credits if Mobutu agrees to the IMF package. (Treasury, OMB recommendation)

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THE WHITE HOUSE

WASHINGTON

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: HENRY A. KISSINGER *K*

SUBJECT: Mr. Lynn's Memo to the President concerning a Foreign Aid Budget Amendment for Zaire - Add-on

State and AID are requesting a 1976 budget amendment to increase economic aid to Zaire and Mr. Lynn has written you an options paper with regard to that request. My recommendation is that you approve the budget amendment (which would provide for a \$14 million supporting assistance budget increase to Zaire) as part of a \$50 million assistance package, including an additional \$15 million in CCC credit and PL 480 Title I, and a \$20 million Ex-Imbank line of credit. We would urge President Mobutu to adopt certain IMF reforms but would provide the \$50 million in aid without conditions.

I believe there are important political and economic elements which support approval of the budget amendment, and have attached for your consideration a memorandum outlining some of these elements (Tab A).

As you know, in the wake of President Mobutu's charges of US Government involvement in a plot against him, I sent Sheldon Vance, our former Ambassador to Zaire, to Kinshasa for discussions with Mobutu aimed at improving our bilateral relations. I have asked Ambassador Vance to return to Zaire to continue those discussions tomorrow, July 18. We hope to convince President Mobutu to accept an IMF stabilization program to deal with his current fiscal problems, and believe we need to inform him of our desire to be of assistance with a \$50 million package as a demonstration of our good faith.

I therefore recommend that in considering Mr. Lynn's memo you approve a \$20 million supporting assistance grant for Zaire as part of a \$50 million US assistance package and that you agree that while Ambassador Vance would urge adoption of an IMF standby, he would be authorized to provide US aid without condition.

Attachment

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KR 4-12-88

*original returned  
to NDC*



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E.O. 13526, Sec. 3.4

NR 92-68 #28, State Ltr. 2/5/93

By KSH NARA, Date 3/19/93

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MEMORANDUM IN SUPPORT OF SPECIAL ASSISTANCE FOR ZAIRE

US relations with Zaire have been severely strained by the recent charges of US coup plotting and by President Mobutu's disappointment in what he has perceived as our lack of support for his legitimate economic and political concerns. In meetings with President Mobutu in Kinshasa three weeks ago, Ambassador Vance was able to allay Mobutu's apparently real suspicion that we had conspired to obtain his assassination and was able to begin to repair our bilateral relations. Vance will be returning to Kinshasa shortly to continue this effort.

Our economic interests in Zaire are large: access to Zaire's enormous energy and mineral wealth; an existing financial stake of some three quarters of a billion dollars in investment, loans and contracts; and our largest market in black Africa after Nigeria.

Our political interests in Zaire are equally significant, given the country's importance to the stability and ideological orientation of all central Africa and its growing influence in African councils and in the Third World. These factors are recognized by other powers, including the communists who are expanding their presence in Zaire.

Zaire is now experiencing a severe foreign exchange cash-flow problem and needs assistance to see it through until copper prices begin to rise again. If the problem is not cured, and if the cure is not applied soon, there is a high risk of economic breakdown--which would jeopardize our economic interests--followed either by political disorder, in which we would be embroiled, or a sharp swing to the left.

Mobutu has asked us for help. We believe our help would be most effective in the context of an IMF stabilization program, which would provide the policy discipline and the basis for international banking confidence which would assure a successful recovery. We are, therefore, urging Mobutu to turn to the IMF and we intend to continue doing so. We would hope that by

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offering assistance at this time we might induce Mobutu to pursue that course. If, however, Mobutu persists in trying to overcome his financial problems without an IMF program, our failure to offer assistance now could have severely negative, immediate consequences on both our political and economic interests in Zaire and could completely reverse the momentum we have succeeded in creating toward repairing our bilateral relations. These consequences could be even more serious and longlasting if other countries respond to Mobutu's requests for bilateral assistance, as the French and Arabs to a limited extent have already done.

We realize that from a purely economic standpoint it makes sense to insist on an IMF stabilization program. However, we believe the stakes in Zaire are so important that we must be in a position to offer to Zaire assistance even if Mobutu continues to resist the IMF. Accordingly, it is recommended that the President approve amending the AID appropriation request to provide for a \$20 million program loan to Zaire, whether or not Mobutu agrees to an IMF program. In such case it would be our objective to encourage Mobutu to accept as much fiscal discipline and control as possible.

To serve our political and economic interests effectively we believe the total assistance package should be of the order of \$50 million. In addition to an AID program loan, it would comprise about \$15 million in CCC credit and PL 480 Title I, and a \$20 million Eximbank line of credit.

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