Approved For Release 2005/06/09 : CIA-RDP86T00608R000600060006-5

CONFIDENTIAL

CIA/OER/S-08342-75

S-08342

MEMORANDUM FOR: Mr. William Morell
Spec. Asst. to the Sec.
for National Security
Department of the Treasury

The attached discussion of Zaire's current financial situation, prepared by [redacted] is in response to your request of 11 July.

25X1

[redacted]

25X1

[redacted]

Chief
Near East/Africa Branch
Developing Nations Division

25X1

18 July 1975
(DATE)

FM 10-101
USED. (47)

Attachment:
As stated above

Distribution: (S-Project 08342)
Orig. & 1 - Addressee
1 - D/OER, DD/OER, SA/ER
1 - Ch/D/D, Dep. Ch/D/D
3 - St/P/C (1-CRS, 1-Treasury)
2 - D/NE

25X1

OER/D/NE: [redacted] (18 July 1975)

[redacted]

25X1

CONFIDENTIAL

4

## Zaire: Deteriorating Financial Position

Low copper prices and improvident economic policies have created a severe foreign exchange crunch in Zaire which affects its ability to import basic consumer and industrial goods. Zaire is the world's fourth largest exporter of copper and depends on it for three-fourths of its foreign exchange earnings. The fall in copper prices -- from more than $1.50 a pound in April 1974 to about 55¢ now -- coupled with spiralling import demand has almost depleted Zaire's foreign assets and left it unable to meet current foreign exchange obligations. (See below)

Zaire: Foreign Assets 1/
(Million U.S. Dollars)

| | 1973 | 1974 | 1975 1st Qtr. |
|---|---|---|---|
| Foreign Exchange Receipts | 1195 | 1888 | 241 |
| Foreign Exchange Expenditures | 1231 | 1956 | 367 |
| Net Foreign Assets | 220 | 130 | 2 |

a. Since data are on a settlement basis, actual expenditures are considerably understated. Imports financed through short-term trade credits, for example, are registered only when payments are made. Short term credits outstanding doubled from $300 million at the end of 1973 to $600 million at the end of 1974.

25X1

Since independence, Zaire's economy has followed a "boom or bust" pattern depending on the price of copper. In the past it has been able to wait out economic slumps with the knowledge that eventually copper prices would rise. Now, however, with government economic policies responsible for a soaring import bill, even optimistic projections indicate that copper prices will not rise enough over the next few years to finance Kinshasa's recent level of imports.

As there is little possibility of quickly expanding other exports and anticipated foreign credits have not materialized, the government's only option has been to cut imports. Import controls were introduced in early 1975. Only imports of specified goods -- foods, pharmaceuticals, and raw materials for domestic processing -- may be imported freely. All other imports are subject to individual licenses which are issued rarely. In practice, even orders for many authorized imports have been cancelled -- creating industrial shortages and disrupting output -- because foreign suppliers have been unable to obtain advance payment for shipments to Zaire.

Zaire's financial troubles combined with management and personnel problems are starting to take a toll on copper production. A shortage of foreign exchange has forced the state-owned company GECAMINES, which is responsible for almost all copper production, to restrict imports of raw materials and spare parts. This, combined with an exodus of expatriate technical staff, is causing rapid deterioration of the physical plant. Recent equipment breakdowns will cause a shortfall of at least 20,000 tons from planned 1975 production of 482,000 tons. Production could fall well below 400,000 tons if the deterioration continues.

CIA/OER
18 July 1975