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9. ABSTRACT Examines U.S. interests with respect to Namibia and discusses what policy choices exist for designing and implementing a massive assistance program. The topics include: U.S. foreign policy interests in Namibia; the international significance of U.S. action with respect to Namibia; implications of present U.S. policy; and recommendations for U.S. foreign policy choices. A review of the economic inequities in Namibia raises serious doubt as to whether the goals of "addressing problems of equity" and "providing continued satisfaction to the whites" are mutually consistent. Any valid policy of protecting U.S. interests in Africa should be geared towards the majority, not the minority. The U.S. approach to an independent Namibia is critical to the communication to South Africa of a decision of non support for minority rule. It is recommended that all U.S. training and assistance be handled through the UN and the Namibia Institute in Lusaka and that the U.S. channel all assistance through the UN, World Bank, IDA, African Development Bank, and other international agencies. Appendices to this report include: "Soviet Aid in Africa"; "Chinese Aid in Africa"; "Soviet and Chinese Assistance to Liberation Movement of Zimbabwe"; "Overview of Communist Economic and Military Aid: Worldwide, to LDC's and to Africa"; "Aid Donors to Lusophone States Upon Independence"; "Implications for Zimbabwe and Namibia of Aid Donors to Lusophone States Upon Independence"; "Foreign Investment and Capital Flows: Analysis of Revelant Examples: Angola"; and "Foreign Investment and Capital Flows: Analysis of Relevant Examples: Mozambique".			
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OCCASIONAL PAPER NO. 1

FINAL REPORT

U.S. POLICY CHOICES
IN NAMIBIA

by

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PART III

Namibia

The purpose of this paper is to examine U.S. interests with respect to Namibia, to assess the consonance of a U.S. massive assistance program to Namibia with these interests; and to determine what are U.S. foreign policy choices for designing and implementing a massive U.S. assistance program to Namibia. Therefore, we will examine (1) parameters of approach with respect to Namibia, (2) U.S. foreign policy interests in Namibia, (3) international significance of U.S. action with respect to Namibia, (4) implications of present U.S. policy, and (5) recommendations for U.S. foreign policy choices.

I. Parameters of approach with respect to Namibia

No objective foreign policy oriented approach to the validity of a U.S. assistance program to Zimbabwe or Namibia can proceed from a predetermined parameter. Thus, serious questions arise in regard to the question posed by the African-American Scholars Council, namely:

"how the present economic growth might continue, providing continued satisfaction for whites while addressing problems of equity which must be met so that corresponding benefits for blacks occur."*

For this is in truth "putting the cart before the horse."

The foreign policy analysis must revolve around

- what are our foreign policy interests
- what are the facts relevant to an assistance program, particularly the economic facts relevant to
 - the internal situation
 - the implications of an assistance program
 - a positive or negative pay-off for U.S. interests
- what are the foreign policy choices.

A review of the gross economic inequities in Namibia raises serious doubt as to whether the goals of "addressing problems of equity" and "providing continued satisfaction to the whites" are mutually consistent. Even more such a review suggests that any decision on which of these goals to concentrate must depend on which foreign policy choice is made, that is whether to make the satisfaction of the minority a basic objective or to put forward programs unshackled by racial considerations.

Moreover, questions arise as to the validity and intrinsic merit of using as a primary objective of a massive assistance program, the goal that economic growth continue. Yet, independence and the consequent restructuring of the society and the ending of the tremendous inequities of the apartheid system must affect growth. A consideration of the enormous problems of inequity in Namibia and the vast, pervasive dislocations of the economy that would be brought about by the restructuring of the society upon independence, makes it clear that economic growth will be negatively affected.

A more reasonable objective from the foreign policy standpoint would be to help Namibia make this transition efficiently, effectively and with minimum economic trauma.

II. U.S. foreign policy interests in Namibia

The overriding facts on U.S. interests are:

- U.S. has important interests in southern Africa in relation to raw materials, investments, trade, political and strategic interests. Thus the U.S. needs the friendship of the people of southern Africa.
- notwithstanding substantial U.S. investment, trade and raw materials in southern Africa, U.S. interests with respect to minority ruled Africa are demonstrably subordinate to U.S. interests in Black Africa. This was true before the Portuguese Coup; and the independence of Angola and Mozambique further unbalanced any equation between our interests in majority versus minority ruled Africa. The impending independence of Zimbabwe underscores this, as does that of Namibia.

When the eruptions inside South Africa are taken into account, it becomes clear that any valid policy of protecting U.S.

interests in Africa either in whole, or in part in southern Africa, must be geared towards the majority not the minority in southern Africa.

Specifically, Namibia is sui generis in its implications for U.S. interests. Although Namibia and Zimbabwe are being grouped together in one AASC project, a fundamental understanding must be grasped here, namely, the basic distinction in U.S. interests with respect to Namibia and U.S. interests with respect to Rhodesia. Both the origin and objectives of U.S. interests relating to Namibia differ fundamentally from those relating to Zimbabwe by reason of

- (i) the United National peculiar interests in Namibia
- (ii) the legal factors which give rise to certain U.S. international legal obligations respecting Namibia.
- (iii) the total South African hegemony of Namibia as a result both of
 - a. Namibia's status as a class C Mandate under the administration of South Africa and of Namibia's subsequent total integration into South Africa following World War II and the demise of the League.
- (iv) the link between U.S. policy towards Namibia and U.S. policy towards South Africa and the message conveyed to South Africa by our policy towards Namibia.

U.S. Foreign Policy Interests in Namibia

Even more than in other areas U.S. policy towards Namibia cannot be viewed discretely. For an assistance program with Namibia can both circumscribe our freedom of action regarding South Africa, affect our ability to disengage from South Africa and either help or hinder our flexibility with respect to any economic pressures we might wish later to consider to assist "peaceful progress" to majority rule in South Africa.

Care must be taken so that U.S. business interests, which are in some respects antithetical to the U.S. interests in preserving U.S. access to minerals of southern Africa and in denying the area to communist influence do not predominate in the approach to an assistance plan. For the objectives of continued economic growth, although serving these business interests, cannot be the primary aid objectives, since its place as a foreign policy objective must be secondary to the overriding foreign policy interests mentioned above.

III. The international significance of U.S. policy with respect to Namibia

Namibia has special meaning for U.S. foreign policy interests. The interests of the United Nations and the international community in Namibia brings about a certain unusual international significance to U.S. actions with respect to Namibia.

A. The Significance for U.S. policy towards South Africa

The U.S. approach to an independent Namibia is critical to the communication to South Africa of a U.S. decision of non support for minority rule. Although designing an assistance program geared to helping Namibia become independent from South Africa and gain control over its own productive resources is a challenge, its accomplishment is a function of our creativity. Admittedly, however, a prerequisite is the possession of the facts on the inter-relationship of Namibia and South Africa. These are not easily available ; and, a study of the economic relationships between South Africa and Namibia, is an obvious precondition to a project, part of whose objective should be to help Namibia stand on its own feet.

B. The Significance for Christianity

Namibia, as the UN Commissioner Sean McBride often states, is one of the few Third World countries that is clearly Christian. When both the growing disenchantment in the developing world with Christianity and the increasing perception of Christianity as a wedge of the West is recalled, it becomes clear that it is more than economic, legal and political values that are at stake in our policy towards Namibia. Namibia presents a real cross-the-board test to the West.

C. The Significance for the U.S.

Without the U.S., there would be no Namibia. For Namibia is the direct product of President's Wilson's success in having the victorious World War I powers accept the principle that inhabitants of the colonies of the defeated Germany are a "sacred trust" of mankind and that there is international responsibility to prepare them for independence. Thus, what the U.S. does when Namibia's international status ends and its nationhood begins has more than ordinary significance.

Whereas a massive assistance program designed and oriented towards U.S. economic interests with Zimbabwe might be viewed with relative equanimity, a U.S. designed massive assistance program for Namibia similarly oriented might have adverse international implications for U.S. interests. On the other hand, U.S. participation in a multilateral assistance program consistent with UN objectives towards Namibia and designed under the aegis of the UN and in consultation with Namibians would greatly redound to U.S. interests and in several respects U.S. interests regarding Africa, the United Nations and the developing world generally would be enhanced.

IV. Implications of U.S. policy towards Namibia

Historically, the U.S. had had a long-standing commendable position on Namibia:

- Beginning immediately after World War I in the efforts of the United States President to establish in the Versailles Treaty a mandate system for the former German colonies

to implement the principle that the welfare of the inhabitants of a defeated territory are a "sacred trust" of mankind;

- Continuing in the 1950 written submission by the United States on south West Africa and its successful argument that, notwithstanding the demise of the League, international responsibility for the international territory continued;
- Continuing in the 1966 support by the United States for General Assembly resolution 2145 revoking South Africa's mandate;
- Continuing in the U.S. support for a number of important Security Council resolutions, including:
 - (1) SC Resolution 264 (1969) recognizing the termination of the mandate and declaring the implementation of the South West Africa Affairs Bill, providing for the establishment of "homelands", contrary to the Charter and relevant UN resolutions;
 - (2) SC Resolution 276 (1970) reaffirming G A Resolution 2145;
 - (3) SC Resolution 283 (1970) calling on all states to discourage their nationals from investing in Namibia and,
 - (4) SC Resolution 284 (1970) referring to the International Court of Justice the question of the Legal Consequences for States of the Continued Presence in South Africa in Namibia (notwithstanding SC Resolution 276);
- Continuing in the 1970 submission by the United States in its written and oral statements to the International Court advising that South Africa was an illegal occupant whose only duty was to withdraw and, while doing so, to restore the fundamental freedoms of the inhabitants of the international territory;

- Continuing in the U.S. support for SC Resolution 301 (1971) accepting the Advisory Opinion of the ICJ on the "Legal Consequences for States of the Continued Presence of South Africa in Namibia, notwithstanding Security Council Resolution 276 (1970)";
- Continuing in U.S. support for SC Res. 310 (1972) calling on all states whose nationals continue doing business in Namibia, notwithstanding Security Council Resolution 283, "to use all available means to ensure" that the hiring policies of such companies conform to the Universal Declaration of Human Rights;
- Demonstrated in the U.S. protest against and presence at the first Terrorism trial, the trial of the 37 Namibians, and the later Terrorism trials of Namibians;
- Demonstrated in the U.S. policy of discouraging U.S. investment in Namibia and advising U.S. businesses that the U.S. government will not protect them against the claims of a future lawful government of Namibia;
- Demonstrated in U.S. support of the UN Educational and Training Program for Southern Africa.

On the other hand, this record has been tarnished by the failure of the U.S. government particularly since 1969, to take positive action to support its legal and oral positions in particular;

- The U.S. failure to support SC Res. 2248 (S-V) establishing the UN Council for Namibia;
- The U.S. failure either to join the Council for Namibia or to announce its willingness to join the Council with appropriately revised terms of reference;
- The U.S. failure to support the general issuance of UN visas for travel to Namibia;
- The U.S. failure to deny tax credits for payments

to South Africa by U.S. businesses operating in Namibia;

- The U.S. failure to use government leverage towards implementation of SC Res. 310;
- The U.S. refusal to acknowledge that the situation in Namibia constitutes aggression and therefore is within Article 39 of the Charter;
- The U.S. unwillingness to use the UN Charter machinery of Chapter VII to get the message to South Africa that it must respect UN authority over Namibia;
- The U.S. vetoes of proposed Security Council action under Chapter VII.

Nor was this U.S. inertia ended either by the accelerated momentum in southern Africa in the aftermath of the Portuguese coup or by the era of interdependence. It is thought by many that only the Angola debacle and the presence of Cuban troops in Namibia galvanized former disinterested higher officials to try to defuse the situation in Namibia.

Moreover, the hiatus in the reference to Namibia in the Lusaka Speech of Secretary Kissinger has caused speculation that the U.S. is retreating from SC Resolution 385. Specifically, the Secretary (1) did not clearly call for South Africa's withdrawal from Namibia or specify that elections be held under UN supervision and control, (2) appeared to acquiesce in South African control of movement toward, and the timetable for, self-determination, and (3) appeared to find hope in the Turnhalle Conference. The appearance of such policy deviations from the accepted international legal position is not helpful to the foreign policy image of the U.S.

Even the Secretary's September 30, 1976 address to the General Assembly failed to indicate full U.S. appreciation of either the indigenous nature of the liberation movements or of the seriousness of the challenge to U.S. foreign policy interests in southern Africa. The subsequent triple veto of the SC Resolution reinforced this evaluation. (Nor is it clear here how the U.S. abstention on the UN vote on the Transkei advanced U.S. foreign policy interests.) It is certainly clear that the U.S. has refused to exercise the kind of leverage with respect to South Africa which could lead to South African withdrawal from Namibia and the realization of self-determination in an expeditious and peaceful manner under UN supervision and control.

Notwithstanding the former U.S. enlightened policy on Namibia the ramifications of the NSSM 39 policies have effected profound misgivings towards American motives in southern Africa. This disenchantment encompasses the projected U.S. assistance program and mandates circumspection and wisdom. Specifically, the projected massive assistance program to Namibia is interpreted in some quarters as a threefold effort

- to buy cooperation in resolving the situation from both sides,
- to put an independence cover on a continuing colonial situation,
- to avoid any real economic changes in the area.

In order to counter this perception, any U.S. initiative or assistance to Namibia should be taken with good faith, creativity and coordination with the UN (the legitimate authority on Namibia), full consultation with the people concerned (particularly SWAPO, the recognized authentic representative) and cooperation with the OAU.

V. Recommendations for U.S. foreign policy choices

A. In order to pave the way for a U.S. role and cooperation with an independent Namibia present policy must be revamped immediately to

1. end support of Turnhalle
2. take bilateral steps such as denial of tax credits
3. provide support for UN Council
4. provide support for Council Decree #1
5. apply pressure on U.S. companies
 - to comply with SC Resolution 310
 - to register with the Council for Namibia
6. scrupulously comply with the 1971 ICJ Advisory Opinion.

B. It is submitted that no U.S. assistance programs for Namibia can be intelligently mapped out and grounded to U.S. foreign policy towards Namibia until the U.S. confronts and comes to a decision on U.S. policy towards South Africa.

C. The basic foreign policy fact is that given the legitimate special interests of the UN in Namibia, given the African suspicions regarding U.S. motives and given the interrelation

of U.S. policy towards Namibia and U.S. policy towards South Africa, the scope of U.S. freedom bilateral action regarding Namibia is narrow.

Therefore our foreign policy interests dictate (1) not only that all U.S. training and assistance be handled through the UN and the Namibia Institute in Lusaka, but (2) that the U.S. remove itself as fully as possible from direct assistance and channel all assistance thru the UN, World Bank, IDA, African Development Bank and other international agencies.

D. There is even an indirect correlation between the result of assistance programs for Namibia, Namibia's relationship to the South African liberation movement and the growth of communist influence in the area. That is so because the economic and, therefore, the political independence of Namibia is limited by the extent to which they accept a massive U.S. assistance program predicated upon, or assuming, the continuing of the integral economic links between Namibia and South Africa. For this would affect their inclination and ability to assist, even in humanitarian ways, the liberation movements.

Thus, the South African majority and their liberation movements would be impelled to depend increasingly upon communist assistance to win their freedom. Thus, such an assistance program would itself feed the necessity for the liberation movements to widen communist influence in the area.

E. The biggest contribution which the outside world can make to an independent Namibia is to help it stand on its own feet.

Namibia need not be in the economic position of Botswana, Lesoto or Swaziland. (Here a study should be done on the extent to which Namibia needs to be subject to the same type of economic thralldom to South Africa, as are the BLS states.)

The foreign policy pay-off of a U.S. assistance program is directly related to the extent to which the U.S. can and does assist Namibia.

(1) to become less dependent upon South Africa, less tied to South Africa in its investments, infrastructure, administration and management, and

(2) to become a functioning independent component within the southern African economy.

F. Any U. S. assistance program must, in view of the peculiar role of the UN in regard to Namibia, be conceived, designed, and coordinated thru the UN and controlled and implemented by international organizations.

Here history provides a guide. We might recall the course of action followed in early 1970 and proposed the Security Council appoint an Ad Hoc Subcommittee on Aid to an independent Namibia. This would give an international grounding to any bilateral proposals or projects we might have. It would provide an opportunity for international appraisal of such proposal. Even more, it would insulate us from criticism and probably result in the development of a more satisfactory program from the standpoint of our true interest and those of Namibia.

G. On the assumption that the AASC will proceed, notwithstanding the above primary recommendations against the unilateral design of an assistance program for Namibia, the secondary recommendation for the drafting of a U.S. assistance program for Namibia so that U.S. foreign policy interests are protected to the maximum extent is that the program be designed with a six-pronged objective;

1. From the internal standpoint, the program should be to assist the Government of Namibia, in accordance with its wishes, in the elimination of the inequities of the South African occupation period and apartheid.
2. From the internal economic standpoint, the program should be to assist the Government of Namibia to overcome the economic disabilities resulting from the policies of discrimination.
3. From the regional economic standpoint, the program should be designed and implemented as to assist the Government of Namibia to lessen its dependence on South Africa and to stand on its own feet economically.
4. From the general perspective of U.S. interests and of the equities on the African scene, it should be designed to be consistent with and not disproportionate to, other U.S. assistance programs in Africa.
5. From the standpoint of law and human rights, it should be designed equitably to avoid and so as not to giving undue advantage to the white minority.
6. From the standpoint of Africa and U.S. interests

with respect to the resolution of the situation in South Africa, it should be designed to promote the development in South Africa of economic alternatives to South Africa's economic hegemony over the region generally and over Namibia in particular.

Conclusion

It is hoped that a thorough appraisal of foreign policy implications of a massive U.S. assistance program will enable both old and new policymakers to reconsider such programs;

- in terms, not of short-term temporizing goals
- but in terms of real U.S. interests and of the economic and political realities in southern Africa, Zimbabwe and South Africa on the one hand;
- and, on the other, in terms of a realistic re-evaluation of the optimum course for achieving and underpinning such U.S. interests.

PART IV

Conclusion

CONCLUSION

1. The foreign policy interests of the U.S. in Zimbabwe and Namibia cannot be viewed in discrete focus. They can only be viewed in terms of our foreign policy interests first in southern Africa, second in Africa, and third with the developing world; for these interests with the developing world; for these interests interface inseparably.
2. Moreover, such interests are not negligible. Indeed they are rather substantial.
3. Therefore, the benefit or harm to U.S. foreign policy cannot be calculated by assessing the local or immediate results of a particular course of action.
4. U.S. foreign policy interests require wisdom and circumspection in analysis of, as well as tolerance of, a future different economic structure.
5. The political oppression and economic inequities of the apartheid type systems applied by the minority to the majority, and the history of the struggle in Zimbabwe and Namibia are such that the formula for decolonization of Kenya, for example, may not succeed in Zimbabwe or Namibia. This formula, as used in Kenya, was the granting of independence "on the basis of the continuation of the system, and not on its destruction." (A. Mohiddin, as cited in Wasserman,

The Independence Bargain: Kenya, Europeans and the Land Issue, 9 Journal of Commonwealth Studies, No. 2, p. 99 (1973). Wallerstein has also referred to the decolonization process as

the coming "to terms with the middle-class leadership by arranging a rapid transfer of power to them in the expectation of ending their verbal radicalism before it became coherent, ideological and national in organization." (Ibid).

In Zimbabwe and Namibia the revolutionary process has gone far beyond "verbal radicalism" and the effort to preempt mass nationalism and to use pre-independence international financial aid as a post-independence constraint may well not work. Such a constraint, although successfully imposed initially, may boomerang.

6. Accordingly, the basic question there is whether the nationalist leaders and the people want any plan such as is envisaged in the proposed massive assistance project. (In Zimbabwe the rejection by the people of the Pierce Commission proposals indicate the people's political awareness. In Namibia, the growing support for SWAPO throughout the territory also indicates the politicalization of the people.)
7. Thus, the question is not how a massive assistance plan or international financial aid is to be designed, but does Zimbabwe and does Namibia want any such aid?

8. The question, put different is "Do the people want only 'transition'"? For transition may be conceived as process of change from one set of actors to another in the same fundamental system - modified only in that African aspirations are being assuaged by bringing some (the nationalist leaders) into the system and by a plan which includes only "addressing problems of equity", but not bringing about fundamental change. Or do the Zimbabweans or the Namibians want a different system?
9. Moreover, negotiations on the designing of an assistance program and the terms of the bargain (such as who pays for it, on what schedule) are essentially questions, or rather conclusions, accepting the principle of continuity of the present economic system, with only the cosmetic or externals different.
10. It should be borne in mind that, whatever the practical constraints may be, that neither Zimbabwe nor Namibia is a regular colonial situation. For both are now in illegal situations and are so recognized by the U.S. Government. From the standpoint of moral and legal justification, there is no rationale for compensating the whites in Rhodesia. They not only gambled contrary to international law and the views of the entire international community, but in the interim they have enjoyed

one of the highest standards of living in the world. Similarly, the whites in Namibia have profited from their acquiescence in the continuing illegal administration of Namibia by South Africa. Therefore the concept of minority privilege for those internationally adjudged to be illegal usurpers is not well-founded, unless otherwise dictated by practical considerations.

11. Acceptance of an international financial aid program for the purpose of "continued economic growth" or "development", that is development of the existing economic structure, would lock the new nations into "transition", not transformation, of an economic system that is fundamentally inequitable and would remain so under such transition. This is so whether the plan is designed unilaterally or multilaterally or under the aegis of the UN.
12. Further, a question arises whether using "economic growth" and the "continued satisfaction of the whites" as an objective for this AASC project is consistent with the stated aims of foreign aid, particularly of the World Bank, and also of the U.S. under the 1973 amendment of the Foreign Assistance Act, namely to focus aid on those countries where a main target of the development is the poorest 40% of the people.

13. Another question arises here because (1) the majority-ruled countries of the region need an alternative to South Africa's economic domination and (2) both Zimbabwe and Namibia arguably would need assistance to become significantly less dependent of South Africa. Although it might be argued that in order to do this, an independent government in Zimbabwe or Namibia must accept and build on the colonial economic structure, this argument is probably fallacious.
14. In any event it is clear that (1) South Africa should not be involved in such assistance planning; (2) South Africa should not be a donor, lender or member of any aid consortium and (3) these proscriptions run against indirect or direct, public or private South African involvement.
15. The real challenge is (a) not to pre-determine that Zimbabwe and Namibia will accept the present structure and thus lock them into it by a pre-independence international financial assistance plan: but, (b) to wait until they have decided what system they want and to what extent, if any, they desire such assistance; and, (c) on what terms they are willing to consider such assistance.

16. It is submitted that U.S. foreign policy interests would be served by including the above considerations in the approach to any foreign assistance project for Zimbabwe or Namibia.
17. It should be noted that the basic country recommendations as stated in Part I and II are:

1) for Zimbabwe:

The decision must be confronted whether the implicit or direct objective of U.S. assistance to Zimbabwe is to increase those factors integrating the country into the Southern African economy, whose center and vortex is South Africa; or, whether it is to begin to assist the forces that would eventually create a Southern African economic system independent of South Africa and perhaps to assist Zimbabwe to become that center.

The premise for U.S. assistance programs, of U.S. economic foreign policy and more broadly U.S. foreign policy, should be that the firmest base for friendly, satisfying and mutually helpful relationships between Zimbabwe and the United States rests in U.S. assistance towards Zimbabwe to develop to be an independent country along the course freely chosen by the majority of the people. This would be the best insurance of the United States against Soviet influence in the area.

It would be the best guarantee that the raw materials of Zimbabwe would continue to be accessible to the United States. And it would be a policy that would probably pay the most dividends in having a friendly helpful government in regard to U.S. policies, both bilaterally and in international forums.

Although the setting up of affirmative guidelines for such a policy might be difficult, it is possible at least to indicate what should not be done. First, a relationship between equals is basic. This would preclude not only attitudes, but policies, of paternalism. This would also mean that to the largest extent the United States would seek to place some distance between itself and the aid which it grants. Where possible it should be done on a multilateral basis.

The U.S. should take as its starting point what Zimbabwe needs and requests. The United States should not seek to implement any assistance program that the United States designs, controls, imposes or holds out as an inducement to Zimbabwe. A main objective to any assistance program should be to assist Zimbabweans in accordance with their requests to become independent of South Africa, and to redress the economic inequities in the situation in Zimbabwe.

The United States should assist, as requested, Zimbabwe itself to have a UDI so that Zimbabwe can become an independent economic center and develop its real potential.

2) for Namibia:

Any U.S. assistance program must, in view of the peculiar role of the UN in regard to Namibia be conceived, designed, and coordinated thru the UN and controlled and implemented by international organizations.

On the assumption that the AASC will proceed, notwithstanding the above primary recommendation against the unilateral drafting of a U.S. assistance program, a secondary recommendation is that:

1. From the internal standpoint, it is designed to assist the government of Namibia, in accordance with its wishes, in the elimination of the inequities of the South African occupation period and the apartheid.
2. From the internal economic standpoint, it be designed to assist the governments of Namibia to overcome the economic disabilities resulting from the policies of discrimination.
3. From the regional economic standpoint, it be designed and implemented so as to assist the

Government of Namibia to lessen its dependence on South Africa and to stand on its own feet economically.

18. A basic problem with the approach of the Project is that the predetermined parameter, posed by AASC, namely,

how the present economic growth might continue, providing continued satisfaction for whites while addressing problems of equity which must be met so that corresponding benefits for blacks occur,

is not the product of a profound realistic thought process and is posited on racial considerations not U.S. foreign policy interests.

19. Overall, the recommendations are that the project, if it proceeds to design an assistance program, does so according to the following precepts:

1. From the general standpoint of U.S. interests and of the equities on the African scene, it should be designed to be consistent with and not disproportionate to, other U.S. assistance programs in Africa.
2. From the standpoint of law and human rights, it should be designed equitably and so as not to give advantage to the white minority or protect minority privileges.
3. From the standpoint of Africa and U.S. interests with respect to the resolution of the situation in South Africa it should be designed to promote the develop-

ment in southern Africa of economic alternatives to South Africa's economic hegemony over the region generally and over Namibia and Zimbabwe in particular.

PART V
Appendices

APPENDICES

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APPENDIX A
Soviet Economic Aid in Africa

Soviet Economic Aid in Africa

I. Types of Soviet Economic Aid Extended

A. Project aid

- 1) The most important category (80%) of Soviet economic aid to developing non-communist nations between 1959-1973
- 2) "materials and related technical services supplied through concessionary credits, for geological surveying and prospecting and for the construction and commissioning of industrial, agricultural, and other facilities"
- 3) Note: compared to Chinese supported development projects, which we remember were to a large extent light industrial (often textile mills) and often involved transport projects, the Soviets seem to concentrate on heavier industrial projects often of an extractive nature, perhaps revealing one of their primary interests in developing nations, ie. access to minerals; this could have implications for Soviet policy in Southern Africa; the Soviets' relatively aggressive behavior in mineral - rich Angola seems to support this proposition.
- 4) the credits extended by the USSR on project aid are repaid in that country's exports over a 12 year period at 2-2.5% interest.
- 5) Note: Russia's preference for repayment in commodities rather than foreign exchange may have implications for which countries the Soviets extend aid ie. those countries which have commodities that Russia cannot supply themselves; this would certainly include Africa in general, with its wide range of tropical products and minerals; it may also impinge on decisions for aid to Zimbabwe and Namibia

B. Trade credits (7% of aid commitments to non-communist LDC's between 1959-1973)

- 1) extended to finance a recipient's import of Soviet goods for commercial sale or government use

- 2) Again, repayment is made in recipient's export over a 5 year period at 3-3.5% interest

C. Grant aid

- 1) only 3% of total aid commitments to non-communist LDC's between 1959-1973 is known to be grants
- 2) extended for educational, scientific, health care facilities

II. Philosophy of Soviet Economic Aid in Africa; Theories of Why Soviets Have Aid Commitments Where They Do

A. The "Thanks but no Thanks"

"Take Your Aid And Sit On It" Theory

- 1) there are 14 African states that have, as of the end of 1973 never been aided by the Soviet Union (Botswana, Burundi, Dahomey, Gabon, Gambia, Ivory Coast, Lesotho, Liberia, Libya, Malagasy Republic, Malawi, Swaziland - not to mention Angola, Mozambique, Rhodesia, South Africa and Namibia)
- 2) it is probable that these countries either have refused or the Soviets know they would refuse, their aid
 - a) for example, Botswana, Lesotho, Swaziland, and Malawi are under the South Africa thumb enough to be proscribed from accepting Soviet aid
 - b) for another example, Liberia and Ivory Coast are conservative regimes who themselves distrust Soviet intentions; Gabon and Madagascar are among these who refuse any diplomatic relations with USSR.

B. The "Quest for Strategic Benefits" Theory (strategic benefits - bases, landing and resupply rights, and access to strategic raw materials for oneself or to deny them to your rivals)

- 1) it is probable that in virtually every offer of aid, strategic interests are important

- 2) Note: they certainly must have been major considerations in regard to Soviet policy in Mozambique and Angola
- 3) Note: the idea of a massive strategic block in Southern Africa, including Rhodesia and Namibia, must provide great motivation for the Soviets

C. "Trade benefits" Theory

- 1) the Soviets are very anxious to establish reliable trading partners, especially those offering goods normally less available to them; such African goods include cotton, hides, cocoa, coffee, fruits, edible oils, etc.
- 2) of course, these goods could be bought by the Soviets with foreign exchange, but they prefer barter arrangements; it is often difficult to tell Soviet goods aid procured from a barter agreement because of no consumer loyalty to brand names and because there is no marketing for the goods
- 3) therefore, aid help introduce Soviet goods to consumers and producers.

D. The "Support Similar Ideology" Theory

- 1) extension of aid and, even more often, the amount of aid extended seems somewhat dependent on the ideology of the African regime
- 2) this was true especially in the period between 1959-1968
 - a) the Soviets had high hopes that the newly independent nations would be particularly ripe for Communist influence because: they were down on the Western ex-metropolises; they had weakly - developed capitalist structures; they hungered for rapid economic transformation and growth; they had a tradition of communal land tenure, etc.
 - b) the Soviets seemed to single out those with the more radical ideology and backed them with assistance (Algeria, Mali, Ghana, Guinea, Congo-Brazzaville)

- c) apparently, they hoped that some would evolve into a Soviet Union - like Marxist - Leninist enterprise; at the very least, they would be relatively firm allies in restricting Western influence
- 3) soon, however, it was clear that no "mirror state" would be emerging; moreover, Guinea expelled Soviet and East European diplomats (1961) Lumumba was ousted in Zaire, Ghana expelled all Soviet personnel when Nkrumah was deposed (1966), Keita's Soviet backed government in Mali fell (1968), the communist led coup in Sudan failed (1971)
- 4) by 1968, Soviets placed considerably less emphasis on their "Support Similar Ideology" theory

E. "Contain China" Theory

- 1) Given: China and the Soviet Union are and have been in competition for influence in the non-Western world, particularly the developing world
- 2) Given: since the end of the Cultural Revolution (1969), and especially since the Sino-American diplomatic breakthrough, the Chinese have extended their influence dramatically in Africa (See my research paper on Chinese Foreign Economic Aid), while Soviet policy has languished (See Section II, D, 3 of this paper)
- 3) Two of the Chinese successes were particularly worrisome to the Russians
 - a) China's inroads with the liberation movements - particularly FRELIMO, ZANU and SWAPO
- 4) Around 1972-1973, the Soviet Union began to intensify their black African policy to counter the growth of Chinese influence
- 5) The Soviet Union's behavior in Angola reveals their intent to preempt further Chinese gains
 - a) China had good relations with both FNLA and UNITA and stationed military instructors in Zaire for the FNLA's benefit
 - b) some months before the U.S. or other Western powers had substantially increased their aid

to any of the liberation groups, the Soviet Union sharply increased their military supplies to the MPLA, later helped organize Cuban assistance, and, for a while, defied the collective OAU policy which favored a government of national unity in Angola

- c) this Russian gamble indicates that the Sino-Soviet rivalry is at least as important to Russia as the U.S.-USSR rivalry
- 6) Note: Though the Angola crisis involved mainly military aid, the point remains that the Soviets are to some extent driven by a "contain China" impulse. This probably has implications both for their strictly economic aid policy and for their future policy in Rhodesia and Namibia especially in light of China's inroads into ZANU, ZILA and SWAPO thus far (See my forthcoming research paper on aid to Liberation Movement)

III. Magnitude of Soviet Aid in Africa Over Time

A. Proportion of Total Soviet Aid which goes to Africa

- 1) From 1954-1973 total Soviet aid commitments to the non-communist developing world were 8.9 billion; only 14% of this, or 1.2 billion, went to Africa and it was spread out over 25 different African states.
- 2) Note: Africa as a whole cannot be considered a major area for Soviet economic assistance
- 3) between 1959-1965, the Soviet Union made aid commitments to 15 African nations, the total of which represents 30% (112 million annual average) of the USSR's total annual commitment to the developing world
 - a) between 1965-1973, total Soviet assistance to Africa represented only 11% (or \$62 million) of their total annual commitment to the developing world

- 4) Note: between 1965 and 1973, Soviets reassessed and devalued the worth of assistance to African nations (See II, D, 3)
- 5) Though African nations account for almost half (15) of developing nation recipient states, only 2 (Guinea, Algeria) rank in the top ten of amount of economic aid received.

B. Soviet economic aid to African nations in relation to economic aid received from other sources

- 1) for most of the 15 African nations which have received project aid, the amount received has been small, both absolutely and relatively: less than \$25 million and/or less than 10% of aid receipts from other major sources of assistance
- 2) Algeria, Ghana, Mali and Guinea have been the top recipients of Soviet project aid between 1955-1973; for Algeria, this represents 9% of total Western receipts; for Ghana (while it was being given) this was 15%; for Mali 12%; for Guinea, an exception, 200%.

IV. Future of Soviet Economic Aid to Africa

A. General trends, 1955-1973

- 1) indicate that Soviet aid is on the down swing after suffering drastically in the 60's and early 70's
- 2) indicates a concentrated "target" nation approach

B. Recent events

- 1) In 1972-1973 the Soviets intensified their African policy mostly to counter increased Chinese influence on the continent (ie Tanzan Railway, diplomatic inroads in Zaire contacts with ZANU, SWAPO, FRELIMO)
- 2) Note: this is a new theory of Soviet involvement in Africa which certainly has great significance for the Rhodesian/Namibian crisis

APPENDIX B

Chinese Aid in Africa

Chinese Economic Aid in Africa

There is little doubt that China seeks to attain certain political aims by offering aid. But China's aid program is designed and implemented so as to appear divorced from any political gains or hegemonial desires. 1/ China attempts to capitalize on her newness on the international scene to divorce her aid programs from those of "imperial" powers (which refers to the Soviet Union, as well as the Western powers). 2/ China also reaps some advantageous trust from developing African nations because they too are non-white and non-industrialized. 3/

One of the guiding principles of China's aid program is that the donor reap no profit. 4/ Therefore, most of her aid is given in the form of interest-free loans with easy repayment schedules, considerably easier than capitalist or other socialist donors. For example, most large Chinese aid loans are extended with a 10-year grace period, then repayments may take another 20 years.

Another unique feature of Chinese aid policy is the remuneration of aid personnel in the host country. 5/ The Chinese on location are paid according to the host country standards and live at the same level as the locals. This means that to the extent that the aid extended to the host country includes remuneration to Chinese technicians, the host country is getting substantially more assistance for the money, as compared to other donors. In fact, it is estimated that

aid figures for China are worth 25% more than their dollar value as listed in the usual tables. 6/

Underlying China's aid policy is the desire to become the leader of the emerging Third World against the superpowers of the U.S. and U.S.S.R. 7/ This necessarily leads to the prescription that Soviet and/or American aid threaten Chinese interests. 8/ Much of Chinese aid is extended in response to particularly Soviet inroads in particular countries or regions of the world. 9/ Another evolving characteristic in Chinese aid policy since its inception has been the tendency to support existing governments as well as liberation movements.

The Magnitude of Chinese Economic Aid (Loans)

After a slow beginning in the late 1950's, Chinese loans grew during the 1960's with some erratic shifts (Refer to Table 4 attached). 10/ During the Cultural Revolution, 1966-1969, loans were severely cut back. Nineteen-seventy (1970) was a particularly big year because of the record loans for the Tanzam Railway (and an unusually large loan to Pakistan). Nineteen-seventy one (1971) and 1972 also show large amounts of loans, due to China's more outward looking policies after the Cultural Revolution. 11/ The drop in 1973 underlines the exceptionally large amounts in the three preceding years. It might be estimated that in the near future Chinese loans will hover somewhere between \$300 - \$500 million. 12/ The observation

that domestic instability seems to be reflected in lower levels of loans leads one to believe that the death of Mao and subsequent turmoil might drastically reduce China's foreign aid program in the near future.

The Political Context of Current Chinese Economic Aid

The most significant recent event in relation to China's aid policy was the Sino-American diplomatic breakthrough of the u0's, beginning with Henry Kissinger's first visit to Peking in 1971. 13/ This event allowed China to expand its role in the world and develop its posture as the protector and leader of the Third World. 14/ Previously, since the days of Dulles, the U.S. influenced parts of the world tended to view China as a communist threat. Now, however, this perception has substantially disappeared. 15/

What Kinds of Chinese Economic Aid and Where -Loans-

Between 1956 and 1973, the Chinese extended \$3,384 million in loans, more than half of which has been used (Refer to Table 3). 16/ Note that 48.8%, or \$1,643 million went to Africa (Refer to Table 2). 17/ The next largest block went to Asia, 32%. It is interesting that until 1973, Asia ranked first in amount received, and Africa second. It is primarily the Sino-American diplomatic thawing that is responsible for the shift. 18/

Between Kissinger's 1971 trip and the end of 1973, eight African nations opened diplomatic relations with China. Whereas no more than 13 African countries had received Chinese aid before June, 1971, 29 received such aid by the end of 1973.

From another perspective, it is interesting that almost half of Chinese loans to eight countries, five of which are African (Tanzania, Zambia, Somalia, Zaire, Guinea). This indicates a "target country approach to Chinese aid policy.

-Donations-

China does offer a limited amount of "non-repayable loans" or donations. The overwhelming majority of these are to Asia, presumably reflecting the paramount desire to create goodwill on her own doorstep. 19/

-Development Projects-

China also participates in a number of development projects in Africa and the world (Refer to table 11, which indicates all Chinese projects completed, under construction, or in planning at the end of 1973). 20/ Note that the greatest number of these (36%) are light industrial projects. These light industrial projects span 55 different sectors, but most important here is textile mills. China historically, has had a relatively well-developed textile industry and has numerous qualified technicians. 21/ The lack of heavy industrial projects indicates China's technological limitations. 22/ Another favorite project for China is transport development.

Finally, worth noting is China's rather unique medical projects, which have been so successful and impressive. 23/ Mobile groups of 20-30 Chinese doctors will travel the countryside administering to thousands of people a year. Whereas Chinese personnel in the host country usually keep a low profile and do not mix with the locals, the medical groups are an exception. In 1973, these medical teams were operating in eleven African countries. ((Algeria, Guinea, Mali, Mauritania, Sierre Leone, Somalia, Congo-Brazzaville, Equatorial Guinea, Sudan, Tanzania, Tunisia). 24/ They also help build and equip hospitals and factories producing pharmaceutical products.

China's Economic Aid (Loans) Vis-A-Vis Other
Communist National, Particularly the Soviet Union

Between 1954 and 1972 a total of \$15,477 million of aid in loans was extended by the Communist world to the developing nations. Of this, 53% was from the Soviet Union, 27% from Eastern Europe, and 20% from China. 25/

With regard to Africa, however, China dominates in the loans extended--not only in the numbers of countries aided, but also in absolute amount and the number of countries to which both give but China gives more. (Refer to Table 7, 26 to the I & R, Department of State figures 27/ and to Table 825).

APPENDIX C

Soviet and Chinese Assistance to Liberation
Movements of Zimbabwe

Soviet and Chinese Assistance to liberation movements of Zimbabwe

1. Background

- A. In 1952 Joshua Nkomo established the African National Congress (Rhodesia)
- B. In 1961 Joshua Nkomo founded the Zimbabwe African People's Union (ZAPU).
- C. In 1963 Sithole split from ZAPU and formed his own party, the Zimbabwe African National Union (ZANU).
- D. In 1971 another group broke off from the two (ZAPU & ZANU) feuding liberation movements; this one was called the Front for the Liberation of Zimbabwe (FROLIZI) led by James Chikerema.
- E. Also in 1971, the African National Council (ANC) led by Bishop Muzorewa, emerged as a fourth political party advocating majority rule now.
- F. In December, 1974 the four groups united under the banner of ANC with Bishop Muzorewa as their head; this was an extremely shaky alliance as certain factions of certain parties never accepted the unification. 1/
- G. The alliance broke down very soon. The abortive constitutional talks with Prime Minister Smith at Victoria Falls in August, 1975 resulted in a further split of the 4 parties and their leaders. 2/
- H. The political conflict between the two major parties, Zapu and Zanu, has always been reflected in the guerrilla forces of these parties; since ULI in

1965, both ZAPU and ZANU have been convinced of the necessary role of the armed struggle and the external wing of each party started training programs for guerillas. 3/

- I. From the very early stages of the armed struggle ZANU has been more successful in organizing its military effort; 4/ in 1972 guerrilla fighting was renewed with vigor and the guerilla movements began cooperating with FRELIMO in Mozambique. 5/
- J. An attempt was made by Muzorewa and Sithole in mid to late 1975 to unify the two guerrilla factions under a 21 man Zimbabwe Liberation Council (ZLC); it was not recognized by many of the guerrillas. 6/
- K. Instead, certain leaders of the guerillas themselves, under the asupices of the four front-line presidents (Machel, Kaunda, Nyerere, Khama), established their own unified command in late 1975, alternately called the Zimbabwe People's Army (ZIPA) and the "third force"*; the intent was to forge a united guerrilla army free of political infighting and it is believed that the leadership consisted of 9 ZAPU and 9 ZANU members 7/; it is also believed that the large majority of the fighting forces were ZANU supporters 8/.

*Colen Legume in his article "The Soviet Union, China and the U.S. in Southern Africa" in the July, 1976 Foreign Affairs refers to this group as the Zimbabwe Liberation Army, or ZILA.

- L. Many informed observers acknowledge that the real leadership for the Zimbabwe liberation movement has shifted to the guerrilla leaders; after all, the ANC did not back the formation of the ZIPA high command and the political leadership has spent little time in the training camps. 9/
 - M. In May and/or June, 1976 the united ZAPU/ZANU command of ZIPA broke down when fighting erupted between the factions in some of the training camps in southern Tanzania (it is said at least 50, possibly 200, ZAPU members were killed); ZAPU withdrew from ZILA and are thought to be regrouping in Zamiba and possibly Botswana to launch their offensive from the north or west, leaving ZANU forces in Mozambique to attack from the east. 10/
2. The Front-Line Presidents:
- A. Have played a key role in coordinating and legitimizing developments in Zimbabwean liberation.
 - B. Although they undoubtedly differ somewhat in their political philosophy and vision of an independent Zimbabwe they have agreed for some time to four main principles: 11/
 - 1. no outside troops should fight in the Zimbabwe liberation struggle
 - 2. no more foreign military instructors should be introduced into the effort

3. all economic and military aid to the liberation movements should be channelled through the OAU Liberation Committee
4. persist in the all-out armed struggle
3. Soviet and Chinese Assistance
 - A. The Soviet Union has traditionally supported ZAPU; the Chinese, ZANU.
 - B. Though I have seen no date attached to it, it is probable that Soviet contacts and assistance to the major liberation movements began very soon after their creation.
 - C. It is believed that in the late 60's and early 70's ZAPU forces were being trained by Russians, Algerians, and Cubans in Tanzania; ZAPU forces also had Russian-made light artillery and automatic weapons. 12/
 - D. The Chinese are thought to have begun aiding ZANU directly around 1969 13/ (after their Cultural Revolution).
 - E. In 1972 the Zimbabwe guerilla movements, especially ZANU, began cooperating with FRELIMO in their efforts. FRELIMO was, and had been, receiving assistance from the Soviet Union. China began aiding FRELIMO more recently than the Soviet Union, but handled their aid and relations more deftly, and therefore became quite close to FRELIMO

ideologically and emotionally--closer than the Soviet Union. 14/

F. The Chinese became very strongly entrenched in the ZANU guerrilla movement, having a considerable number of military instructors 15/ training them, mostly in Mozambique, but also in Tanzania and probably Zambia 16/; the Chinese strive to maintain this influence when ZIPA was created in late 1975. 17/

G. The Soviets are thought to have some military instructors particularly in some forward bases in Mozambique and in some rear bases in Zambia. 18/

H. It now seems that the Chinese have recently lost some of their influence with the Zimbabwean guerrillas to the Soviet Union. 19/

1. Russia's show of force in Angola manifested their willingness to provide substantial support for liberation movements in southern Africa. 20/
2. Russia's superior technology can provide more sophisticated weaponry to the guerrillas; it is clear that if the guerrillas were to mount a large offensive (as they are expected to do very soon), weapons from the Soviet Union would be essential. 21/

- I. The Chinese are no doubt resisting these Russian military instructors in the training camps, or Cuban ones, whom the Chinese call "Russian mercenaries". The decision of the front-line presidents to discourage the introduction of more foreign military instructors no doubt pleased them. 22/
- J. The Russians are very anxious to increase their influence and have been known to stall on weapons aid protesting the front-line presidents' decision. Recently, Soviet arms assistance to the movements increased, and small numbers of Cuban 23/ and East European 24/ instructors have been admitted in Mozambique. It was reported in April, 1976 that 18 Soviet instructors had been flown in from Tanzania to Mozambique to train Zimbabwean guerrillas. The same report estimated fewer than 100 Cubans in Mozambique. 25/
- a. Cuban-Chinese traditions are known to have existed within the training camps. 26/
 - b. it seems that one source of dispute between ZAPU and ZANU members is this issue of instructors; a ZAPU spokesman explained in late August, 1976 that ZAPU troops preferred Arab or other black African instructors (specifically, he mentioned

Egyptian and Ghanaian), while ZANU troops preferred Chinese instructors. 27/

- K. Since Mozambique's independence in June, 1975 FRELIMO and Machel have greatly assisted the Zimbabweans; many of the increased Soviet arms are being passed through FRELIMO to the Zimbabweans 28/. Machel visited the Soviet Union last May, 1976 and extensive aid and cooperation commitments are believed to have been agreed upon -- the Soviets promised to "render assistance to Mozambique in consolidating its defense capability". 29/
- a. In March, 1976, it was reported that two Soviet freighters unloaded arms and military equipment at Beira. The goods were variously identified as possibly T-34, T-54 tanks and rocket launchers, but more probably the customary light guerrilla equipment, rifles, light machine guns, mortars, grenades, land mines and elementary anti-tank weapons. 30/
- b. it is believed that the bulk of weapons used by the guerrillas today are supplied by the Soviets. 31/
- L. Soviet strategy appears to be to assist both ZAPU and ZANU, choosing one or the other only unless/until it is considered necessary.
- M. The leaders and troops of ZIPA (particularly since ZAPU troops withdrew) are believed to be ideologically

and emotionally closer to the Chinese; but the Soviets can provide the needed hardware.

- N. Although there is evidence that some Soviet aid has been channelled to the liberation groups through the OAU Liberation Committee, it is believed that most has been extended directly and bilaterally, presumably to provide the USSR more control of its use and to serve better their political purposes. 32/
- O. Estimates of ZIPA troop numbers range between 2,000 and 40,000.
- a. one source estimates about 12-15,000 troops, 3-4,000 of which are fully trained, and 1,100 of which are operating inside Rhodesia. 33/
 - b. another source estimates 4-5,000 ZIPA troops with 1,000 of these inside Rhodesia; there are another 1,500 ZAPU guerrillas, 600 of which are now in Zambia and the rest in training camps in Tanzania. 34/
 - c. apparently, the Mozambique army is also participating in some of the fighting; they are using Soviet-made 122 millimeter rockets and 60 and 80 millimeter mortars, among other things. 35/
 - d. apparently the training camps instruct troops in the use of the rifle, light and heavy machine guns, mortar, and grenade; also in demolition and sabotage. 36/

4. United States Assistance

- a. the U.S., of course, provides no direct assistance to the Zimbabwean liberation movements.
- b. U.S. bilateral assistance to countries economically damaged by enforcement of sanctions on Rhodesia; U.S. contributions to international organizations which in turn help alleviate economic hardship of countries neighboring Rhodesia; U.S. humanitarian provisions for the wounded and for refugees; and U.S. programs of educational assistance to Zimbabweans: all are indirect assistance to the liberation movements.

APPENDIX D

Overview of Communist Economic and Military Aid:
Worldwide, to LDC's And to Africa

Definition of Terms

The term "Communist countries" refers to the USSR, People's Republic of China, and the following Eastern European nations of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania.

"Less developed countries of the Free World means":

- 1) all countries of Africa except South Africa;
- 2) all countries of East Asia except Hong Kong and Japan
- 3) Malta, Greece, Portugal, Spain in Europe
- 4) all countries in Latin America except Cuba
- 5) all countries in the Near East and South Asia.

"Extension of aid" means a commitment to provide goods and services either on deferred payment terms (5 or more years with maximum 8% interest) or as grants.

"Drawings of aid" means the delivery of goods or the use of services. Sums are in Soviet trade prices

The Military Program (See Table 1)

Table 1

Communist Military Agreements with and Deliveries to Less Developed Countries¹

	Million US \$							
	Total		USSR		Eastern Europe		China	
	Agree-ments	Deliv-eries	Agree-ments	Deliv-eries	Agree-ments	Deliv-eries	Agree-ments	Deliv-eries
Total	16,600	14,375	14,350	12,475	1,675	1,375	575	525
1955-55	4,750	3,675	4,025	3,075	625	575	100	25
1956-75	11,850	10,700	10,325	9,400	1,050	800	475	500
1956	525	625	450	500	25	50	50	75
1957	675	550	525	500	100	25	50	25
1958	575	600	500	500	50	75	25	25
1959	450	525	350	400	100	20	Negl.	25
1960	1,150	1,100	1,025	1,000	50	75	75	25
1971	1,625	1,000	1,450	850	100	75	75	75
1972	1,150	925	925	800	150	50	75	75
1973	2,025	2,225	1,900	2,075	100	75	25	75
1974	2,750	1,600	2,475	1,500	200	125	75	25
1975	925	1,550	725	1,275	175	200	25	75

A. Observations from Table 1

- 1) Total deliveries were less in 1975 than in 1973 and 1974 due to the Arab-Israeli conflict; but 1975 deliveries are the highest peacetime total.
- 2) 80% of Communist arms to the LDC's are Soviet; Eastern European and Chinese arms supplied are insignificant by comparison.

B. Other Observations

- 1) Communist arms agreements in 1975 represents 10% of global military sales to the Third World; Communist deliveries were 22% of total delivered to the Third World.
- 2) The bulk of Moscow's military sales go to the Middle East area.
- 3) USSR also promoted their political and military objectives in Africa most notably in 1975 in Somalia and Angola; Guinea also receives substantial Soviet military equipment.
- 4) Soviet military assistance in Africa has been over \$2 billion in the past 5 years (\$3 billion in economic and military aid).

C. Communist military technicians in LDC's (See Table 2).

Table 2
COMMUNIST MILITARY TECHNICIANS IN THE LESS DEVELOPED COUNTRIES, 1975

	<u>Total</u>	<u>USSR and Eastern Europe</u>	<u>China</u>
Total	9,300	8,090	1,210
Africa	3,745	2,605	1,140
Latin America	35	35	--
Near East and South Asia	5,520	5,450	70

1. Rounded to the nearest five persons. Data are minimum estimates of the number of persons present for a period of one month or more. Persons engaged solely in commercial activities are excluded.

- 1) the number of these technicians in LDC's increased 20%.
 - 2) Somalia had 1,000 Soviet technicians in 1975, same as in 1974
 - 3) Other Soviet military technicians are in Egypt, Libya, Algeria, Guinea, Mali, Congo, Nigeria, Uganda, Sudan, Somalia, Mozambique, Angola, and Zambia
 - 4) Most of China's 1,140 in Africa were in Tanzania, the 2nd largest recipient of Chinese aid.
 - 5) Chinese military personnel are also in Zaire, Burundi, Congo, Guinea, Mozambique, Sudan, Mali, Sierre Leone, Zambia.
- D. Military Training (See Table 3)

Table 3

Military Personnel from the Less Developed Countries Being Trained in Communist Countries, as of December 1975

	<u>Total</u>	<u>USSR¹</u>	<u>Eastern Europe¹</u>	<u>China¹</u>
Total	4,400	3,575	200	625
Africa	3,025	2,325	100	600
Latin America	50	50	-	-
Near East and South Asia	1,325	1,200	100	25

1. Rounded to the nearest five persons. Data refer to the number of persons departing for or in training but not necessarily completing training.

*For further details on military training see Appendix B, Table 7.

- 1) LDC personnel receiving training in Communist countries rose 30% in 1975.
- 2) Libya, Somalia, Tanzania and a number of African countries which received small amounts of Soviet aid accounted for the increase.
- 3) Again, the overwhelming majority were in the USSR.

- 4) See Table 7: Note that the Soviets dominate the total; also note the overwhelming majority of this type of China's aid has gone to Africa.

Table 4

Communist Economic Aid to Less Developed Countries, Extensions and Drawings

	Million US \$							
	Total		USSR		Eastern Europe		China	
	Ex-tended	Drawn	Ex-tended	Drawn	Ex-tended	Drawn	Ex-tended	Drawn
Total	20,529	9,282	10,859	5,900	5,830	1,722	3,840	1,660
1954-65	6,295	2,657	3,833	1,915	1,719	487	743	255
1966-75	14,234	6,625	7,026	3,985	4,111	1,235	3,097	1,405
1966	1,699	500	1,241	335	294	75	164	90
1967	473	520	291	305	132	115	50	100
1968	638	495	379	305	205	120	54	70
1969	933	520	494	350	426	100	13	70
1970	1,101	570	198	375	175	125	728	70
1971	2,171	770	1,125	430	484	150	562	190
1972	2,188	735	802	370	828	110	558	255
1973	1,569	805	657	435	484	140	428	230
1974	1,610	1,030	575	665	764	145	271	220
1975	1,852	680	1,264	415	319	155	269	110

12. Communist economic aid, which has never bulked large in the global aid picture, contributed less than 10% of all official aid agreements with LDCs in 1975 and only 2%-3% of global aid deliveries. Communist aid shipments lag commitments by a much longer time than do those of the West, in part because

* For further details on individual economic agreements, see Appendix B, Table 8.

A. Observations about Table 4

- 1) Communist economic aid has remained fairly constant since 1971.
- 2) the Soviet Union's share was way up due to large credits to Afghanistan and Turkey.

- 3) China was down mainly because Tan-Zam railway was finished in 1975.

B. Other Observations

- 1) Communist economic aid represented 10% of global aid extended, and only 2-3% of global aid delivered was Communist.
- 2) the bulk (over 80% of Soviet economic aid went to Afghanistan and Turkey in 1975.
- 3) though China's aid program had dropped some from its early 70's onslaught, China continues to emphasize Africa, giving about 55% of her assistance to that continent in 1975

C. Communist economic technicians (See Table 5)

Table 5

Communist Economic Technicians in Less Developed Countries¹

	1970	1971	1972	1973	1974	1975
Total	24,010	35,050	39,295	43,960	47,355	55,290
China total ²	8,110	18,600	22,165	23,540	22,945	23,590
Africa	6,960	17,200	20,275	22,010	20,675	21,325
East Asia	150	....	30	40	75	35
Europe	....	....	....	....	120 ³	70 ³
Latin America	....	....	30	50	75	70
Near East and South Asia ⁴	1,000	1,400	1,830	1,440	2,000	2,090
USSR total	10,600	11,025	11,200	13,095	14,685	17,785
Africa	4,010	4,200	3,760	4,590	6,000	5,930
East Asia	100	150	25	25	10	25
Latin America	35	75	190	185	300	330
Near East and South Asia	6,455	6,600	7,225	8,295	8,375	11,500
Eastern Europe total ⁴	5,300	5,425	5,930	7,325	9,725	13,915
Africa	3,150	3,300	3,805	5,075	7,450	10,290
East Asia	60	75	20	10	25	30
Latin America	140	150	150	165	175	225
Near East and South Asia	1,950	1,900	1,975	2,075	2,075	3,370

1. Minimum estimates of persons present for a period of one month or more.

2. Including laborers in some countries, especially Tanzania, Zambia, and Somalia.

3. Malta.

4. Excluding the large number of Chinese personnel reported working on the Karakoram Highway in Pakistan.

- 1) the number of economic technicians rose 25% in 1975.
- 2) the Chinese dominated in this category, particularly in Africa where they have 3½ times the number as the Soviet Union.
- 3) the Chinese in Africa were working on major projects like the Ram-Zam railway and road construction in Somalia and Sudan.

D. Academic training (See Table 6)

- 1) LDC students in Communist educational establishments is up in 1975 over 1974.
- 2) Again the Soviet Union hosts 2/3 of these LDC students.
- 3) Over the past two decades, over 72,000 Third World students have attended Communist schools, costing \$70 million a year.

Table 6

Academic Students from Selected Less Developed Countries
Being Trained in Communist Countries, as of December 1975

			Persons
Total	27,275	Zambia	295
Africa	14,895	Other	615
Algeria	1,750	East Asia	335
Angola	300	Indonesia	50
Botswana	25	Laos	190
Burundi	145	Other	95
Cameroon	180	Latin America	2,940
Central African Republic	305	Bolivia	240
Chad	190	Brazil	140
Congo	855	Chile	245
Dahomey	115	Colombia	460
Equatorial Guinea	85	Costa Rica	320
Ethiopia	920	Ecuador	385
Gambia	55	El Salvador	165
Ghana	315	Guatemala	25
Guinea	365	Mexico	35
Ivory Coast	30	Nicaragua	60
Kenya	300	Peru	190
Madagascar		Venezuela	60
Malawi		Other	675
Mali	425	Near East and South Asia	9,105
Mauritania	585	Afghanistan	895
Mauritius	185	Bangladesh	1,105
Mexico	180	Cyprus	990
Nigeria	270	Egypt	815
Rwanda	1,140	India	545
Senegal	245	Iraq	650
Sierra Leone	215	Jordan	650
Somalia	415	Lebanon	465
Sudan	600	Nepal	100
Tanzania	1,575	North Yemen	410
Togo	655	Pakistan	180
Tunisia	150	South Yemen	470
Uganda	350	Sri Lanka	175
Upper Volta	290	Syria	1,125
Zaire	215	Other	530
	525		

According to a report by the Institute for International Policy*:

- in 1975 the Communist nations committee (pledged) some \$1.85 billion in new economic aid to the Third World; making 1975 their 3rd highest year on record.
- in actual disbursements in 1975, the Communists spent \$1.2 billion; this represented only 7% of the \$16.7 billion that the West spent in aid in 1975; and only 23% of the \$5.1 billion in aid by the oil-exporters of OPEC to the Third World.
- except for the huge increases in Soviet aid to both Afghanistan and Turkey, the general trend of Communist economic aid in the Third World was down.
 - a. the Soviet bloc's other 5 ranking economic aid recipients in the Third World got little or no new aid.
 - b. China continued to scale down their economic aid since their record high post-Cultural Revolution figure of \$709 million in 1970 to \$269 million in 1975.
 - c. East European nations cut their economic aid by 58% in 1975. (See Figure 3): Comparisons of Communist and Western Aid
- Soviet bloc and Chinese aid is extended exclusively to the public sector of Third World nations to hasten the transition to socialism over capitalism.

*Institute for International Policy, "International Policy Report: Communists Fall to Third in Economic Aid to Developing Nations"

-- Africa has received 55% of total Chinese aid to the Third World, with the share rising to 70% in recent years, and 90% in 1974.

It has been said* "The major source of Soviet influence altogether in the underdeveloped world has been the supply of arms."

* Source William E. Griffith, professor of political science at Massachusetts Institute of Technology (MIT) in testimony before two subcommittee's of the Senate Foreign Relations Committee in their hearings on "U. S. Policy Towards Africa" March 5, 1976.

Aid Donors to Lusophone States Upon Independence

Upon general recognition of the imminence of the independence of lusophone Africa (i.e. since the April, 1974 coup in Portugal) the following aid has been given to:

- A. Guinea-Bissau (Formal independence, September 10, 1974)
1. China ... pledged \$17 million for the purchase of agricultural equipment and rice cultivation development; 2,000 tons of rice. 1/
 2. Soviet Union. . . agreed to give aid for the development of energy, health services and education; 2/ signed agreements on economic, technical, cultural and scientific cooperation, and on trade and air services 3/ provided a \$500,000 refrigerated fishing trawler as a gift and will send four more. 4/
 3. EEC . . . will provide 3,000 tons of cereals, 250 tons of skimmed milk powder, 350 tons of butter oil. 5/
 4. France . . . granted food and two agronomists and will aid with a telecommunications center worth \$700,000; 6/ signed agreement of cultural, scientific technical and economic cooperation. 7/
 5. West Germany . . . agrees to give \$2.1 million to Guinea-Bissau and Cape Verde. 8/
 6. Portugal . . . loans at least \$8 million. 9/

7. Cuba . . . provides technical assistance for construction of prefabricated houses and a secondary school. 10/
8. UNDP . . . provides \$2.5 million and a \$48,000 fact finding mission. 11/
9. UNICEF . . . will use a special \$200,000 West German contribution to assist health and education projects; will provide antibiotics, basic drugs, medical equipment, 4 regional hospitals, 8 mobile medical teams and more. 12/
10. Kuwait. . . grants \$500,000. 13/
11. Canada's International Development Agency, (CIDA) . . . allocates \$100,000 for health, education and agriculture to be administered by the World Council of Churches. 14/
12. Senegal . . . provides \$100,000 in aid and Guinea-Bissau will turn over all facilities the liberation forces had in Senegal during the war 15/ signed an agreement for cooperation in trade, foreign policy, transport, immigration, and culture. 16/
13. Sweden, Italy . . . provided some amount and form of aid. 17/
14. Other Guinea-Bissau actions creating potential for other forms of aid.

- a. Joins Economic Community of West African States (COWAS) when it was created May 25, 1975. 18/
 - b. Joins African Development Bank. 19/
 - c. Joins Africa, Caribbean, Pacific (ACP) countries and signs Lome Convention. 20/
 - d. Joins U.N.
- B. Angola (formal independence, November 11, 1975; MPLA generally recognized as the sole legitimate government, February, 1976)
1. Soviet Union (found no figures)
 2. China (found no figures)
 3. German Democratic Republic (GDR). . . provided 200 trucks, signed agreements of cooperation in agriculture; technical aid promised; training of cadres in GDR planned. 1/
 4. West Germany. . . will give \$1.4 million to help develop geological explorations, to expand its radio and television facilities. 2/
 5. Nigeria. . . commits \$100 million and actually hands over \$20 million to MPLA on December 23, 1975. 3/
 6. Sweden. . . donates 11 million Kromer for humanitarian aid in the form of food, ambulances and vehicles; 4/ donated \$1 million to help pay for charter flights to evacuate Portuguese. 5/

7. Algeria. . . signs agreements on technical and economic assistance; will provide technical assistance to help Angola form its own national oil company. 7/
8. Libya . . . signed technical, economic, and cultural accords; loaned \$150 million and bought large quantities of Angolan timber and cement.8/
9. U.S. . . . Note: U.S. has not recognized Angola yet, therefore, would not be expected to extend bilateral aid; U.S. grants \$600,000 in cash to the International Committee of the Red Cross (ICRC) 9/ donated \$25,000 to Portuguese High Commissioner for refugee assistance; 10/ financed numerous charter flights evacuating Portuguese at a cost of \$7,500,000 11/ financed \$200,000 worth of educational training to all three factions (FNLA, UNITA, MPLA) i.e. 15 people from each movement -- and additional \$1 million is planned for 1976 12/ \$6.4 million planned for ICRC in their expanded relief effort in 1976. 13/
10. ICRC . . . 3 officials divided into 3 teams, each behind the lines of some faction, providing food, blankets, medical equipment and care; also 10 additional mobile teams supplying drugs, clothing, food to the injured and homeless;14/

TABLE 1
COMMUNIST COMMITMENTS OF ECONOMIC
AID TO THE THIRD WORLD
(in millions of \$)

	Total	USSR	East Europe	China
1974	1610	575	764	271
1975	1852	1254	319	269
1954-1975	20529	10359	5830	3340

Commitments in 1975 by country

Africa	313	73	90	150
Algeria	70	..	70	..
Chad	9	9	..	..
Congo	10	..	10	..
Ethiopia	1	1	..	..
Gambia	17	..	..	17
Guinea Bissau	18	1	..	17
Malagasy Republic	55	..	..	55
Mali	2	..	..	2
Mozambique	59	..	..	59
Somalia	62	62	..	..
Tunisia	10	..	10	..
East Asia	65	1	35	29
Laos	6	1	4	1
Philippines	59	..	31	28
Latin America	165	0	155	10
Bolivia	2	..	2	..
Brazil	150	..	150	..
Ecuador	4	..	4	..
Guyana	10	..	..	10
Near East & South Asia	1309	1190	33	80
Afghanistan	437	437	..	..
Bangladesh	56	46	10	..
Egypt	25	..	25	..
Nepal	80	..	..	80
Sri Lanka	57	57	..	..
Turkey	653	650	3	..

Source: IMF

Note: 1. Includes commitments of Communist countries in the form of grants. 2. Excludes commitments of the USSR and East Europe for arms, military equipment, and military training and other non-economic commitments. 3. Excludes commitments for interest-free credits and interest-free grants.

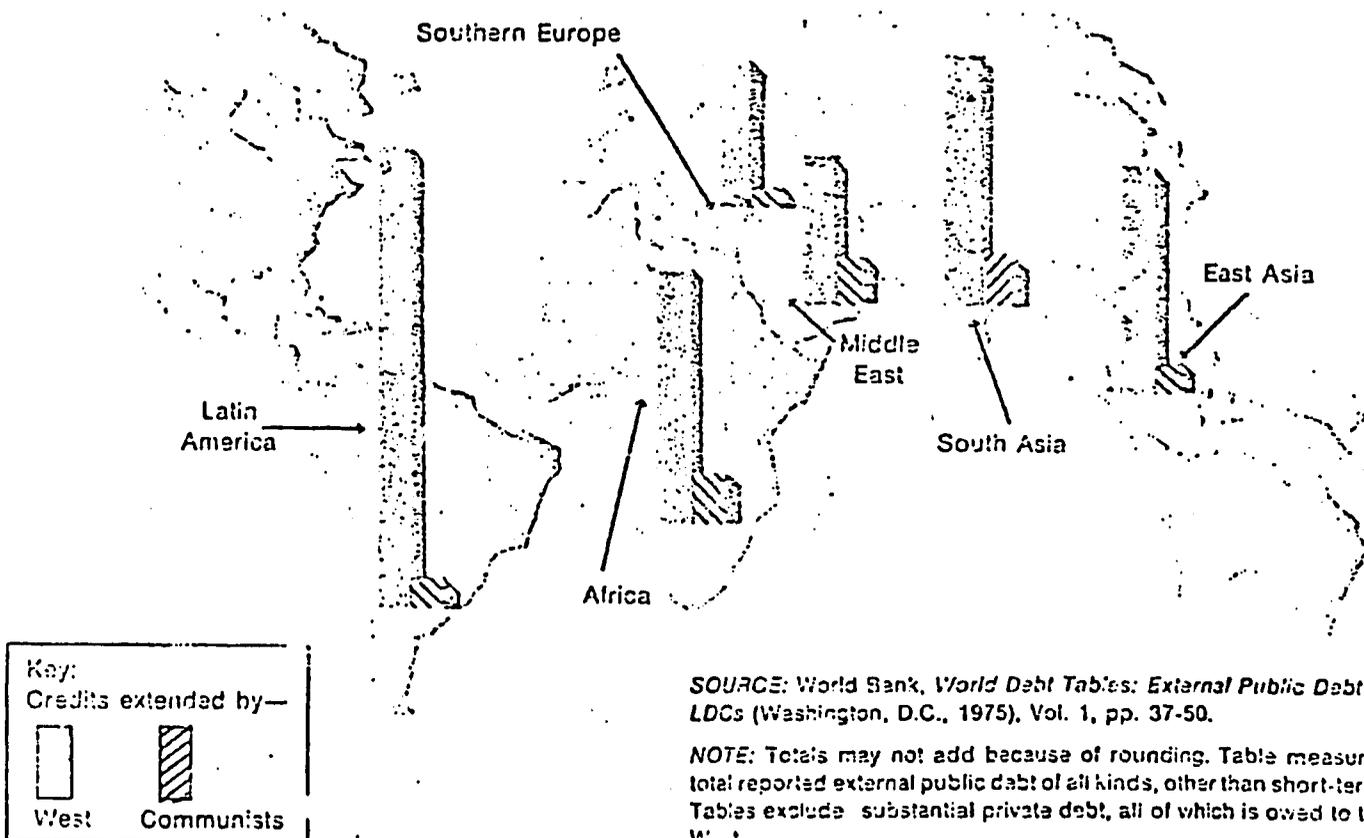
4. Excludes commitments for the purchase of goods and services from Communist countries. 5. Excludes commitments for the purchase of goods and services from Communist countries. 6. Excludes commitments for the purchase of goods and services from Communist countries.

7. Excludes commitments for the purchase of goods and services from Communist countries. 8. Excludes commitments for the purchase of goods and services from Communist countries. 9. Excludes commitments for the purchase of goods and services from Communist countries.

10. Excludes commitments for the purchase of goods and services from Communist countries.

WESTERN AND COMMUNIST AID TO THIRD WORLD
 (credits outstanding, including undischarged, January 1, 1974)

Area	Credits outstanding		
	Western (billions of \$)	Communist (billions of \$)	Communist as % of Western
Latin America	34.8	0.6	1.6
Africa	18.4	3.4	18.3
Southern Europe	10.5	0.7	6.3
Middle East	10.8	2.5	22.6
South Asia	18.4	1.9	10.5
East Asia	15.6	1.2	7.8
World	108.7	10.2	9.4



SOURCE: World Bank, *World Debt Tables: External Public Debt of LDCs* (Washington, D.C., 1975), Vol. 1, pp. 37-50.

NOTE: Totals may not add because of rounding. Table measures total reported external public debt of all kinds, other than short-term. Tables exclude substantial private debt, all of which is owed to the U.S.

the governments contributing to ICRC are:
Canada, Denmark, West Germany, Netherlands,
Norway, Switzerland, UK, U.S. 15/

11. U.N. . . . various agencies gave \$410,000 in assistance;
\$20,000 from UN Disaster Relief Office
\$20,000 from UNDP
\$220,000 from World Food Program
\$150,000 from UNICEF 16/
 12. UN High Commissioner for Refugees is assisting. 18/
 13. UNDP. . . allocates \$3 million 17/
 14. Church World Service, Mennonite Central Committee, and Baptists also contribute. 19/
 15. Belgium, France, West Germany, East Germany, USSR, UK, U.S. help provide aircraft to evacuate Portuguese. 20/
 16. Other actions by Angola creating potential for assistance.
- C. Mozambique (formal independence, June 25, 1975)
- Soviet Union . . . received President Machel in May, 1976 and they signed what is thought to be an extensive "agreement of cooperation, " though the terms were not revealed; provided for extensive technical assistance in 1976 and beyond; 1/ surveying the coastline and providing information to improve the fishing industry; 2/ helping to

survey the huge coal and iron deposits in the Zambezi Valley; 3/ (constructing a jet landing strip on a small island off the coast of Mozambique, presumably for Soviet reconnaissance planes over the Indian Ocean) 4/ sent a team of 11 Soviet physicians and 30 more will come. 5/

2. China . . . provides an interest-free loan equivalent to \$56 million to be repaid over 20 years starting in 1990. 6/
3. Sweden . . . committee \$12.5 million for 1976 and \$18.5 million for 1977. 7/
4. Denmark . . . grants \$4.8 million for 1975-77; provides interest-free loan of \$5.3 million for the purchase of Danish equipment and services in 1975-77. 8/
5. Norway . . . committee a \$4 million grant for 1975-76. 9/
6. Finland . . . committed \$85 million (could have been a misprint for \$8.5 million) in aid. 10/
7. West Germany . . . provided \$8.2 million in development aid. 11/
8. East Germany . . . provides technical personnel; provides training in sectors such agriculture, health, transportation, industry, education, animal husbandry. 12/

9. Netherlands . . . granted \$10 million. 13/
10. Bulgaria . . . provides technicians to ease shortage of technical staff; 14/ signed agreement for cooperation in geology and mining; 15/
11. Romania . . . provided technicians and will provide wheat. 16/
12. India . . . promises \$100,000 in grant aid. 17/
13. Lesotho . . . donates \$23,000 in beans. 18/
14. Zambia . . . establishes a permanent commission to handle all programs of cooperation with Mozambique; 19/ offers medical assistance and 10,000 tons of maize; 20/ provides \$4.5 million in aid. 21/
15. Nigeria . . . provides \$5 million in aid. 22/
16. Ghana . . . provides \$40,000. 23/
17. Ecuador . . . provides \$11,500. 24/
18. OAU . . . provides \$2 million. 25/
19. African Development Bank (ADB) . . . will finance construction of bridge over Rivuma River between Mozambique and Tanania. 26/
20. Arab Bank for Economic Development in Africa (ABEDIA) . . . signs \$6 million loan repayable over 25 years with 10-year grace period at 1% interest; 27/ also finances irrigation project. 28/
21. Arab League . . . provides \$1 million; 29/ recently granted \$20 million to be repaid in 30 years. 30/

22. South Africa . . . sends 400 tons of wheat, will send 400 tons more; 31/ offered to shuttle South African technicians between Johannesburg and Maputo daily to assist operations in the harbor 32/ (this could as easily be interpreted as South Africa's own interest in exporting their own goods out of Maputo) (WEL)
23. Portugal . . . gave \$148 million in aid in 1974, but beginning to have their own financial troubles; 33/ agrees to continue employing Portuguese civil servants in Mozambique, but most evacuate regardless; 34/ by March, 1976, Portugal had given \$20 million in aid for that year. 35/
24. UK . . . pledges \$12 million in soft loans and \$24 million with terms as yet undecided; studying a technical assistance program. 36/
25. EEC . . . planning and studying what they will do. 37/
26. U.S. . . . provided two shipments of food relief, each worth \$25,000; 38/ then shipped 28,800 tons of wheat more; 39/ Congress approves \$4 million in economic aid from previous foreign aid legislation; donated \$1 million for a \$7.2 million resettlement scheme by the U.N. 40/
27. U.N. . . . UNDP opens an office in Maputo in January, 1975 and started emergency programs in health, agriculture, housing, water supply, 41/

- UNDP has spent \$4.5 million for their programs; 42/ UNDP set side 20 million for various forms of aid; 43/ UNICEF allocated \$3 million for medicine, clothing, seeds, and air transport; 44/ UN Emergency Fund donated \$3.2 million for the purchase of oil; 45/ FAP provided \$373,000 in food and medicines and \$3.5 million more approved; 46/ World Food Program (WFP) will provide \$2.4 million in emergency food aid; 47/ U.N. Secretary-General Kurt Waldheim's appeal for special aid to Mozambique due to her closing borders with Rhodesia was answered by: U.S. Canada, UK. Netherlands, Trinidad-Tobago, Nigeria, Zambia, Kenya, Ghana, India, Jamaica, Sweden, Pakistan, Lesotho, Australia; 48/ U.N. High Commissioner for Refugees gives \$75,000 to help survivors of the Rhodesia raid in the refugee/guerrilla camp in Mozambique 44/
28. Commonwealth Fund for Technical Cooperation . . . will send special help. 50/
29. Other actions by Mozambique creating the potential for further assistance.
- a. joins U.N.
 - b. Will probably join IBRD/IMF. 51/
 - c. joins African Development Bank. 52/
 - d. joins Economic Commission for Africa's Mineral Resource Center in Dodema, Tanzania along with 13 other African nations. 53/

APPENDIX F

Implications for Zimbabwe and Namibia of Aid Donors
to Lusophone States Upon Independence

From the survey of aid extended to Lusophone Africa upon independence, the following projections seem reasonable.

A. Generally;

1. The world certainly appears to respond to the plight of newly independent nations -- not just the West or the East, but all corners of the world.
2. The world also tends to respond strongest to those who need the help most. In this case Mozambique is not as well-structured and diversified as Angola. Mozambique is not as rich in minerals as Angola. From this position of weakness Mozambique then cut off all border transactions with Rhodesia. Though Angola's civil war disrupted agricultural and manufacturing production, oil exports were still expected to maintain a balance of payments surplus for the country.
3. One would expect a similarly generous response to Namibia and to Zimbabwe. With world attention focused on the process of change in southern Africa, and with so many concerned countries (U.S., UK, South Africa, USSR, China, the Scandinavian countries, Tanzania, Zambia, Mozambique, Botswana, Angola) concerned, perhaps even a more generous response might be

anticipated (not to mention the compensation scheme which, among other things, seeks to minimize disruption of the economy)

4. Aid to all types was extended: humanitarian aid in the form of food, medicines, administered by apolitical organizations; agreements to purchase the country's exports; outright grants to money; tied aid; technicians, easy credit for the country's purchase of imports; training and educational assistance etc., (also military aid but this tends not to be so well publicized)
5. The same could be expected for Zimbabwe and Namibia
6. The mass exodus of the Portuguese from Mozambique, Angola and Guinea-Bissau caused an acute shortage of qualified personnel to administer the aid donated. 1/ These governments are also reluctant to accept foreigners to administer these programs. 2/ Therefore, the most effective aid that can be offered, and the kind of aid the new governments are most anxious to receive is well-tailored, specific programs which involve little local administration.

In Zimbabwe white flight is not expected to be as great if negotiations succeed.

The interrelationship of the Namibian and South African economies make prophecy more difficult.

7. These newly independent nations are not anxious to come under the influence of any other country; they probably prefer aid extended by international agencies or by a consortium of nations. Here, the sui generis nature of the Namibian situation makes internationalization of aid more necessary.

B. Specifically by,

1. The Metropole

Admittedly, the aid for the Lusophone territories is not extensive considering the historical involvement of Portugal with Angola, Mozambique, and Guinea-Bissau. No reference of Portuguese aid to Angola were found this may not mean there was none. Mozambique seems to have received the most assistance from the metropole.

b. Of course, aid from the metropole is only a small piece of the post-independence interaction of a colony to its metropole. Other agreements such as who will assume what debit and who will inherit which foreign exchange reserves, etc. can have a much greater impact on the economy of a young government than grants of aid. How the

transfer of power is actually implemented in all its aspects is more important.

d. The unique relationship between Rhodesia and the U.K. limits the value of comparison with metropole behavior toward a former colony upon independence. Generally, one expects an increase in interactions between the U.K. and a new Zimbabwe; the opposite is usually the case.

2. The United States

a. Capable, and apparently willing to respond quickly with bilateral humanitarian aid (witness the 3 different shipments of food grain to Mozambique) and contributions to international organizations like the Red Cross and the UN, even if the U.S. is politically opposed to the new regime (witness our aid to Angola who we have not yet recognized)

b. Bilateral economic aid is not readily forthcoming presumably because of its subjection to the approval of Congress in most cases. Congress approved a bill in September which extends \$4 million in technical aid to Mozambique, as well as more generous sums to Zambia (\$20 million), Zaire (\$20 million), Botswana (\$10 million). It is also reported that the Administration will

divert funds from an earlier foreign aid allotment. These funds will allow Secretary of State Kissinger to fulfill his promise in Lusaka in April, 1976 to provide assistance to these African nations around Rhodesia who are suffering economically from the sanctions, particularly Mozambique.

c. Still more U.S. aid in one form or another might be expected for Mozambique as our relations gradually improve. Rhodesian chrome exports to the U.S., which were held up in Beira for quite some time, have been released. The U.S. Missionary Armand Doll has been released. U.S. investments in Mozambique, though certainly not encouraged yet, have not been ruled out.

d. Relations with Angola continue to suffer as the U.S. thwarts attempts to join the UN

e. If a negotiated settlement is attained in Zimbabwe, one might expect generous commitments of both humanitarian and economic aid; however, if the third forces comes to power, the Congress (for one) may be much less likely to act and favorably on economic aid.

3. The International Community

a. Capable and willing to respond very generously to fledgling nations; most notable are the UN agencies and the Red Cross.

- b. Perhaps the most trusted form of aid, from the recipient's point of view.
- c. Again, the international community could be expected to respond equally well in Zimbabwe.

APPENDIX G

Foreign Investment and Capital Flows: Analysis of
Relevant Examples; Angola

A. Pre-civil war Angolan economy:

1. Relatively diversified exploitation of natural resources, notably diamonds, oil, and iron ore - all three of which were being exported in considerable quantities. 1/
2. Diversified agricultural sector, too; nearly self-sufficient in food production; most important crops, cotton, coffee, sisal, tobacco, corn - some of these were exported; favorable conditions for cattle production. 2/
3. Between 1961-1973 the DGP increased 8-9% per year in real terms; in 1974 Angola had the third highest sub-Saharan African per capita income, about \$500 per year; Angola balance of payments in 1972 and 1973 were surpluses; 3/ in 1973, Angola's manufacturing sector grew at a 26% rate. 4/
4. "The variety of Angola's natural resources base, the adequate infrastructure, the electrical generating capacity in existence, and a considerable volume of capital investment, contributed to the development of a rather large and diversified manufacturing sector up until 1974, primarily of import substitution industries." 5/

B. Now, I have not studied the Rhodesian economy, but I think it is fair to say that the Angolan economy as described above more closely resembles that of Rhodesia than did

Mozambique's; let's look at what happened to the Angolan economy at independence, and does this suggest anything to us with respect to a new Zimbabwe.

1. Generally:

- a. in 1974, despite the political upheaval and the great increase in private transfers abroad on the slow down in foreign investments, the balance of payments was almost certainly favorable again. 6/
- b. in most of 1974 the GDP continued to increase at 8-9%. 7/
- c. finally, during 1975 and into 1976 foreign investment came to a standstill, domestic production on virtually all fronts was disrupted. At the same time payments for Angolan exports were being delayed, especially from Portugal and terms for payments for imports were being tightened by sellers around the world. In addition, sources of financing in supplier countries were harder to find. 8/
- d. yet, despite all these hardships, Angola is expected to continue to register balance of payments surpluses, due mainly to its oil exports, right up until today. 9/
- e. so if we accept the proposition that Angola's and Rhodesia's economies are somewhat similar with regard to diversification, resiliency, and

substantial production of a highly desired raw material (i.e. Angola's oil and Rhodesia's chrome), then even if the solution is violent, and more than 50% of the whites evacuate, one might not necessarily forecast economic collapse. This of course, does not speak to the issue of human suffering and does not deny extensive disruption of the Zimbabwean economy, but if there is considerable quantities of foreign exchange being earned amidst the chaos, at least the needed imports for reconstruction can be financed without severe reliance on foreign loans. In this type situation the primary need of a new Zimbabwe would be qualified personnel to supplant the whites - thus, the most welcome assistance might be training of Zimbabweans to run the civil service, to man the transportation and communications network, to administer the businesses and industries, etc.

f. on the onther hand, if guerrilla war reached such intensity that all sectors were disrupted, including chrome mining, the economy of Zimbabwe would hardly have a leg to stand on; perhaps the freedom fighters might bear in mind that when the Smith regime is toppled, the country in its entirety will be theirs to salvage.

2. Specific things which have significance for capital flows, foreign investment or general economic conditions in Angola.
 - a. As in Mozambique, the ability to borrow directly from other nations, to trade freely in the world market at world prices, to manage one's own fiscal and monetary policies has ramifications for capital flows.
 - b. Angola can also manage its own policy with regard to foreign investment;
 1. Nationalization: MPLA assumed ownership over all Portuguese land and assets which were abandoned; but on the whole, Portuguese state-owned assets in Angola by far the greatest part of Portuguese interests in the country, were not nationalized, nor were privately owned foreign non-Portuguese interests of a confiscated asset were not confiscated. 10/ Judging from Neto's Marxist philosophy and known attempts to form a national oil company to supplant Gulf and the others, it is my guess that the range of nationalization will be extended over the next years.
 2. Also, on May 9, 1976 Prime Minister Lopo de Nascimento declared that Angola must be "master of its resources" oil, diamonds, iron ore and of

"major factories and companies"; they "must be collectively owned by the people." 11/

3. Neto said on May 1, 1976: "We want to develop relations with the Socialist countries but also with capitalist countries not hostile to us and wanting to establish relations at diplomatic or commercial levels." 12/ Thus, the door seems slightly open to future foreign investments.

4. During the civil war, important parts of the economy were disrupted.

a. General Mining of South Africa withdrew from their mining concession for floursper, lead, and zinc in Angola. 13/

b. it is estimated that at least 75% of the Portuguese evacuated between April, 1974 and November, 1975; 14/ more have probably left by now.

c. one of the four major foreign exchange earners, iron ore production, was completely shut down during the war. 15/

d. Diamang, the diamond mining company in the northwest controlled by South African, American Belgian and British interests was seriously disrupted during the war and has recently reported operating at a large and "permanent loss;" they have requested to be nationalized. 16/

e. Gulf Oil Company in Cabinda closed operations in December, 1975 and withheld \$125 million in

- taxes and royalties from MPLA; 17/ the closure is said to have cost MPLA \$1.4 million a day in revenues, about one half of their revenues. 18/
- f. in August, 1975, the Benguela Railway was cut, costing Angola much in revenues. 19/
- g. agriculture was seriously disrupted, too; for example, 125,000 workers are needed to supplement the 25,000 available in the north to harvest the 1976-1977 coffee crop; it is expected to be 30-35% of the normal size harvest; it may well take 5-10 years to achieve former yields. 20/
- h. Angola's request for membership into the International Coffee Agreement was denied. 21/
- i. the U.S. is holding Angola out of the U.N.
- j. completion of the Tanzan Railway will take business from Angola's Benguela Railway. 22/
5. On the brighter side,
- a. Texaco discovered oil deposits at the mouth of the Zaire River which are 10 times the size of the Cabinda deposits - one half the size of Nigeria's huge deposits 23/
- b. In February or March, 1976, Gulf Oil released the \$125 million owed the Angola government; 24/ in May or June, 1976 they resumed drilling nearly at previous levels of output. 25/

- c. Angola plans to enter OPEC.26/
- d. The Benguelo Railway is back in operation. 27/
- e. the huge Cunere hydroelectric scheme in the South, which will provide power to Angolans and revenues to the government, has resumed activity after being disrupted during the civil war. 28/

The following is the essence of a conversation with Mr. Ed. Fugit on the Angola desk at State.

It is indeed safe to assume that no new foreign investment has occurred in Angola since independence. Even Gulf Oil Co. has already \$225 million invested in their oil operation there, refuses to expand their activities at the present time. Their current production is strictly with that capital already in place. Gulf's contract with the Angolan government is due for renegotiation soon. Perhaps Gulf will expand operations when and if Gulf gets sufficient guarantees that they will not be nationalized, at least not in the near future.

There is almost certainly more oil off the Angola shore, South of the Cabina reserves. Other oil companies such as Exxon, Citgo, Texaco, and Son secured exploration rights on different parts of the Angola coast from the Portuguese in 1971 and 1972. Each of these companies had invested as much as \$2-3 million for exploration, but when the civil war raged these companies halted operations. They would like to resume their activities, but accept the possibility of writing these expenses off as a loss. If they get certain guarantees from the new Angolan government, they will recommence.

Although there are no figures of the outflow of money from Angola, one indication is the block market price of foreign currencies. That is, if the banks of the country are exchanging local currency for foreign currency at a certain rate, individuals anxious to own the foreign currency (and send it out or smuggle it out of the country) will pay much more for it in the local currency. Before the Portuguese coup \$1 would exchange for 24 escudos in the banks in Angola. Even then an individual could obtain 27 escudos for \$1 outside of the banks. Currently, \$1 will purchase 30 escudos in the banks and about 150 escudos in the streets.

APPENDIX H

Foreign Investment and Capital Flows: Analysis of Relevant
Examples: Mozambique

The latest balance of payments statements available for Mozambique (attached) covers the first 6 months of 1975. The two balance of payments statements* here are:

- a comparison of 1973 with 1974;
- a comparison of January-June, 1974 with January-June, 1975.

They are very informative. I also found the comments very helpful. I have amplified some of these and added a few of my own.

Comments:

- Note that it is suggested that imports demand decreased somewhat with the exodus of Portuguese. There were other factors which offset this, so that payments for imports increased in 1974 over 1973. But, the importance of this for us is to recognize that the same decrease in demand for imports may be left in a new Zimbabwe, thus a helpful factor in considering Zimbabwe's potential payments problem.
- Note the effectiveness of import restrictions on the balance of payments (plus, the reduced demand mentioned above). The "Debit Operations" on the "Merchandise Account" rose considerably between 1973 and 1974 when there were few or no controls. But, the "Debit Operations" on the same account actually decreased in the first half of 1975 over 1974 when extensive import controls were instituted. This could be a valuable weapon for a struggling Zimbabwe.

In comparing the "Balance" under "Capital Transactions" we find that in both charts, the negative balance increased. But, the negative balance increased proportionately much more between the first 6 months of 1974 and the first 6 months of 1975. What is the major contributor to this difference and what are the implications? If we look at the 1973 vs 1974 chart we see that both credit and debit operations increased. This indicates that while capital was flowing out at increased rates in 1974, it was also flowing in at increased rates in 1974. The outflows outweighed the inflows. Now look at the January-June, 1974 vs January-June, 1973 chart. Again, the outflow of capital increased in 1975 over 1974. But, the inflow of capital decreased from \$37 million in the first half of 1974 to \$5 million in 1975. This shows not only the increased capital flight evident in the first comparison, but also a severe drop in investments of any type in Mozambique. One can assume that this trickle of investments in the first half of 1975 slowed to an occasional drop in the bucket in the last half of 1975. With mass exodus of Portuguese continuing through 1975, "Debit Operations" for the last half of 1975 probably registered very high. All of this has implications for Zimbabwe.

From my research (i.e. a thorough survey of the Africa Research Bulletin from August, 1976 back to April 1974 and a thorough survey of the Foreign Broadcast Information Services bulletins from September 25 or so back to July, 1976), I have seen little to suggest an upsurge in the foreign investments or capital flows into Mozambique. Indeed, it seems that potential investors are watching and waiting to see what economic structures will be established by Machel and FRELIMO, and what posture the Mozambican government takes towards foreign investment. A similar wait-and-see attitude may well face a new Zimbabwe.

- viewed by itself the extensive nationalization policies by FRELIMO do little to encourage foreign investments.
- the U.S., for one, notes that future investments have not yet been ruled out; U.S.-Mozambique relations seem to be improving some recently as the U.S. extends at least the \$12.5 million bilateral aid promised by Kissinger in Lusaka, plus the humanitarian and multilateral (via the UN) aid mentioned in my previous paper.
- but, the government seems more oriented towards self-reliance, reminiscent of Tanzania's approach to foreign investment. Indeed, the Prime Minister

of Mozambique has said that their development priorities are education, agriculture and health 1/ (one might argue that this announcement was primarily intended for favorable public consumption.

These are a few other random comments pertaining to capital flows and foreign investment in Mozambique

- A. In addition to the outflow of capital (both money and physical capital), the slackened inflow of investments, the general disruption of the economy of the recent past, there are a few other adverse aspects of the Mozambique economy which deserve mentioning, and any or may not have relevance for Zimbabwe:
1. Because South Africa pays part of Mozambican miners' wages to the Mozambique government in gold at the official price (\$42/ounce) the lower free world market price prevailing these days reduces the value of Mozambique's exchange reserves.
 2. Whereas tourism once was an important foreign exchange source, it has fallen off, virtually completely, since April, 1974. 2/
 3. The U.N. estimated that Mozambique's border closure with Rhodesia will cost here \$139-165 million in 1976; \$108-\$134 in 1977, 120 million or so each year after (the greatest foreign exchange losses will be caused by lost port and rail revenues - \$60 to \$80 million - and remittances from Mozambique.