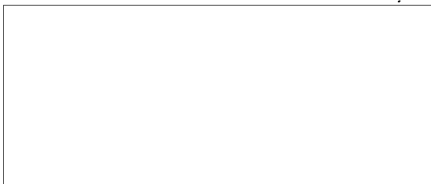


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WASHINGTON, D. C. 20007

Executive Registry
78-7561

RFAC # 0023-79

December 8, 1978

Dear Stan,

I greatly enjoyed our conversation on the train and am sending you some thoughts on Zaire, as you requested.

As you know, it is the policy of the United States to help stabilize the political and economic situation in the Republic of Zaire. Large sums of money will be spent for this purpose over the next three years through emergency programs of foreign aid and investment (also, through the IMF stabilization program - \$1 billion).

However, from my experience in Zaire and knowledge of AID-directed programs, as an example, I would suggest that the recovery of the Zaire economy -- particularly the agricultural sector which is receiving major AID emphasis -- will take considerable time.

The most efficient approach to Zaire reconstruction and development I know of, and one that would be a clear indication of our intent to assist African nations, would be to mobilize the U.S. private sector to undertake important industrial development projects in the Bas-Zaire region of Zaire (see attached maps). This is a geographically compact region adjacent to the Atlantic Coast which has a unique concentration of natural resources, surplus hydroelectric power, and transport facilities; factors which would readily lend themselves to rapid transformation of the area into a future world industrial zone.

Of critical importance to my proposal is the recently completed Inga hydroelectric station located on the Zaire River only 80 miles from the Atlantic Coast. The installed capacity of this hydroelectric station is 1,048 megawatts. By the end of 1979, with the installation of another four hydraulic turbine generator sets, the installed capacity will reach 1,745 megawatts. Only 80 megawatts of this electric power is now being used. This is the only place in the world where substantial, already installed, hydroelectric power is going to waste. Such enormous, unused, electric power capacity provides the essential basis for aluminum and other energy-intensive industries in a world where abundant and inexpensive energy is increasingly rare.

I also wish to bring to your attention certain other features of the Bas-Zaire region which make it attractive for U.S. private investment. Because of its geographical location close to Atlantic shipping lanes, the Bas-Zaire corridor offers a natural enclave for mineral-industrial development that can

be more easily protected from Communist-Cuban incursions and other security threats than major upcountry investments. Contributing significantly to the security of the enclave is the tribal homogeneity in the area. The Bakongo tribe is the dominant tribal grouping in Bas-Zaire, and it extends northwards into Congo-Brazzaville and Cabinda and southwards into northern Angola. Furthermore, regional economic development and cooperation with neighboring countries could be promoted by exporting Inga hydroelectric power to Congo-Brazzaville, Cabinda, and northern Angola.

In view of the severe shortages of energy and minerals which affect the United States, and the rest of the Free World, major U.S. industries are willing to build aluminum, ferroalloys, and related industries in the Bas-Zaire corridor if the U.S. Government provides encouragement and proper incentives. In turn, I know of no faster or more reliable way over the next three to five years to provide employment, increase foreign exchange earnings, and raise revenues for the Government of Zaire.

Failure to use the enormous electric power capacity of the Inga hydroelectric station and the natural resources of the Bas-Zaire region has contributed to the perception of pro-Western African governments that despite U.S. rhetoric the United States is not an effective, rapid-moving aid donor committed to their economic advancement. Meanwhile, other countries, particularly France, are moving rapidly into this political-economic vacuum, making political and economic inroads at our expense.

Several months ago, President Mobutu asked me to form a special U.S.-Zaire Committee for Industrial Development in Bas-Zaire with the objective of building energy-intensive industries as soon as possible. A number of important American firms are interested in participating and investing in Bas-Zaire, but there are severe obstacles to be overcome first, including the crucial need for extended OPIC investment-risk guarantees and ExIm Bank credits to support American investment.

I would be pleased to discuss these and related matters with you at your earliest convenience.

With best personal wishes,

Bob Keating

The Bas-Zaire Region

and

Energy-intensive Industries

Background

The Republic of Zaire touches the Atlantic Coast with only 25 miles of coast line, but sprawls across Africa's equatorial heartland for nearly a million square miles. Its 21 million people come from more than 200 tribes and speak perhaps 400 dialects. Endowed with exceptional mineral wealth, Zaire has the world's largest reserves of cobalt and industrial diamonds, 15% of the world's copper reserves, and significant deposits of manganese, zinc, lead, platinum, cadmium, germanium, bauxite, silver, gold, coal and iron. Much of the land is arable, producing coffee, cocoa, tea, palm oil, rice, sugar, cotton and rubber.

Inga Hydroelectric Station

The Zaire River has the largest hydroelectric potential in the world -- over 41,000 megawatts. Over the past few years, a small portion of the Zaire River has been diverted at the Inga Rapids in the Bas-Zaire region for the purpose of installing a hydroelectric station. The installed capacity of the Inga hydroelectric station is now 1,048 megawatts. By the end of 1979, with the installation of another four hydraulic turbine generator sets, the installed capacity will reach 1,745 megawatts. Only 80 megawatts of this electric power is now being used. This is the only place in the world where substantial, already-installed, hydroelectric power is going to waste.

The Bas-Zaire Region

The Bas-Zaire region (see maps), where the Inga hydroelectric station is located, has a unique concentration of natural resources, surplus hydroelectric power, and transport facilities. These may be summarized as follows:

- A concentration of natural resources (e.g., bauxite, iron ore, phosphates, quartzite, limestone, dolomite, and petroleum) in a relatively small area of Zaire close to the Atlantic Ocean and major shipping lanes;
- Abundant and inexpensive energy provided by the Inga hydroelectric station, located on the Zaire River only 80 miles from the Atlantic Coast;

- A major navigable river - the Zaire River - which permits easy access for ocean-going ships from the mouth of the river as far as the port of Matadi, 90 miles inland;
- Two major river ports - Boma and Matadi - located near the Inga hydroelectric station (Boma is 49 miles from Inga and Matadi is 25 miles from Inga); and
- Zaire Government incentives for new productive industries in the Bas-Zaire region which accord special treatment in fiscal, legal, customs and foreign exchange requirements.

Industrial-economic analyses indicate that the combination of natural resources, surplus hydroelectric power, and transport facilities would lend themselves to a rapid transformation of the area into a future world industrial zone. The factors of abundant and low-cost electric power in close proximity to extensive deposits of bauxite and other minerals, coupled with locally produced petroleum from off-shore wells, inexpensive labor, non-stringent pollution requirements, and easy access for Atlantic Coast shipping, all interact to permit economies of scale and attractive profit margins for energy-intensive industries.

Potential for Energy-intensive Industries

Based on the power produced by the Inga hydroelectric station, the industrialization of the Bas-Zaire region may be outlined for large-scale electro-metallurgy, electro-chemistry, and uranium-metallurgy industries. Particular industries now sought for the region include several plants for the electrolysis of aluminum, several electric furnaces for the production of ferrous alloys, and a plant to produce magnesium by electrolysis or electro-thermal means.

Illustrative of the potential for energy-intensive industries are the following remarks with respect to the aluminum industry:

The U.S. aluminum industry is facing increasing demands for aluminum metal for the automotive and other industries requiring weight savings in conformance with U.S. energy policy. With increasing emphasis being placed on reducing weight in automobiles, trucks, and other equipment to conserve energy, the United States and the Free World will not have sufficient aluminum to meet critical demand requirements by 1980. It is generally recognized that we face a shortage of at least one million tons of aluminum metal by 1982 and two million tons by 1985. Additional hydroelectric power cannot be provided in the United States or Europe, and because expansion cannot take place in the United States, our aluminum industry is searching overseas for abundant and economical sources of energy.

This search has revealed that the only place in the world where both water power and large deposits of bauxite are found in close proximity to a navigable river is in the Bas-Zaire region. Building a major aluminum industry in the Bas-Zaire corridor would be important to the U.S. economy for the following reasons:

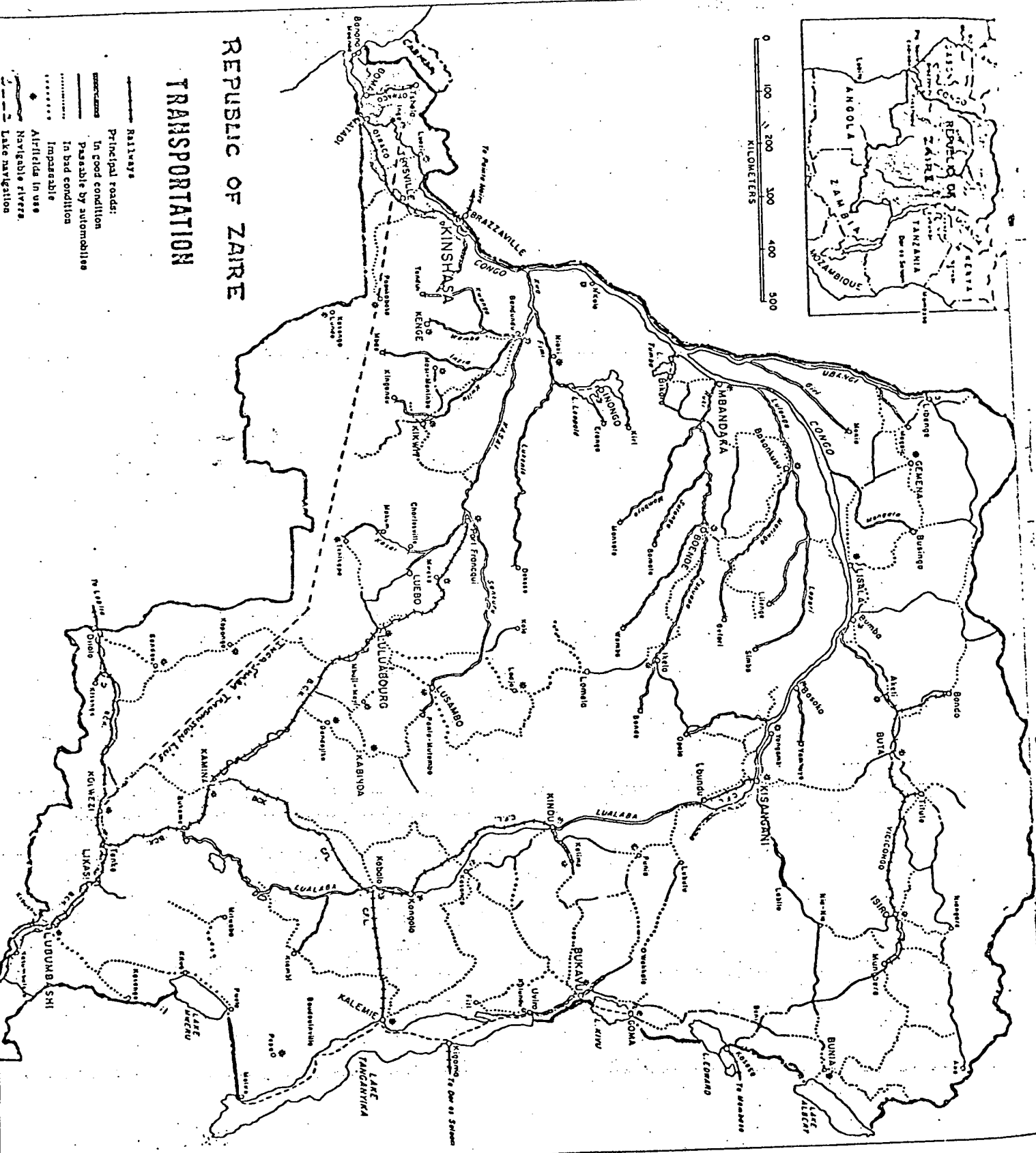
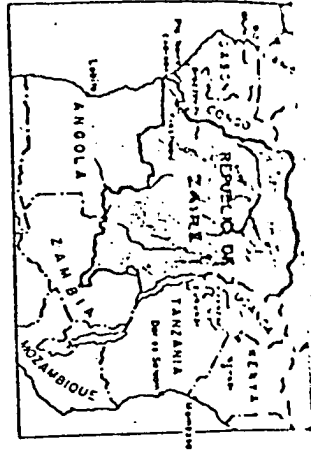
1. U.S. industry and the Free World need the Inga hydroelectric power, now going to waste, to meet growing requirements for aluminum metal, especially in the automobile industry which requires new assured sources of aluminum metal for future lightweight cars.
2. North America, with 50% of the Free World aluminum capacity, has less than 1/2 % of the Free World bauxite deposits. Access to the bauxite deposits of Bas-Zaire in conjunction with Inga hydroelectric power would permit the aluminum industry of the United States to meet important national energy program goals with relatively low production costs.
3. The use of American equipment, materials and services would represent a major part of the capital cost of building an aluminum industry in the Bas-Zaire corridor.

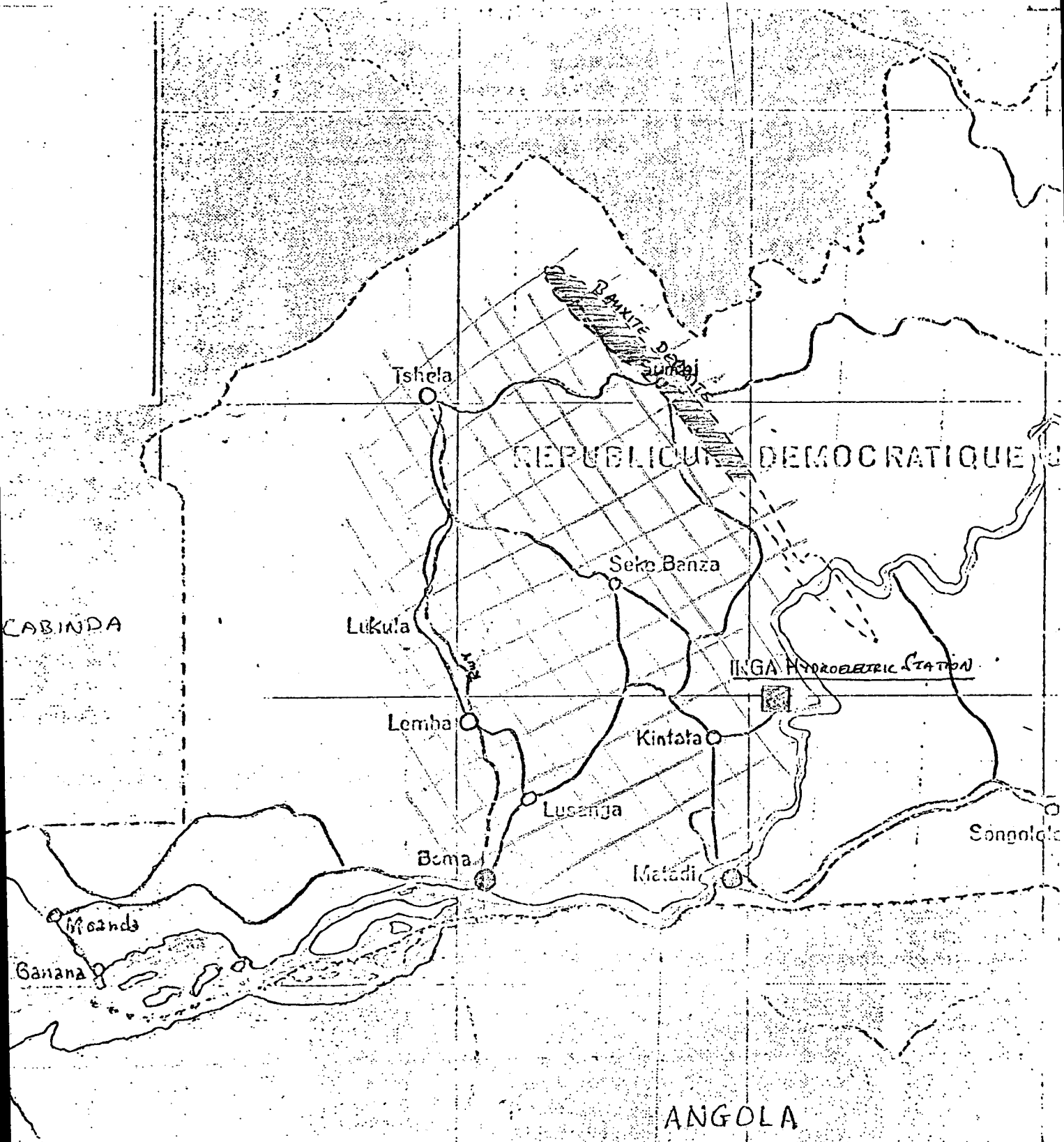
N.B. The major river port of Boma (49 miles from Inga and 48 miles from the Atlantic Ocean) is now virtually abandoned, but has extensive dock area, cargo handling equipment, transit sheds, and other facilities for ocean-going ships. Already served with electrical power via a transmission line from the Inga hydroelectric station, the port and town of Boma have been proposed as a free port zone and industrial park for energy-intensive industries. The important bauxite deposits are located 58 miles northeast of Boma.

Attachment to Ltr. of 12/8/78 to Admiral Turner

REPUBLIC OF ZAIRE TRANSPORTATION

- Railways**
- Principal roads:
 - In good condition
 - Passable by automobiles
 - In bad condition
 - Impassable
 - Airfields in use
 - Navigable rivers
 - Lake navigation





ROBERT B. KEATING