

[RHODESIA: POLICY: ADVANCE COPIES]

IMMEDIATE

PS  
FC/SIR I GILMOUR  
FC/ MR LUCE  
PS/PUS  
SIR D MAITLAND  
MR DAY  
*SIR L ALLINSON*  
~~MR ASPEN~~

PS/NO 10 DOWNING STREET  
SIR R ARMSTRONG )  
MR R L WADE GERY )  
MR P M MAXEY ) CABINET  
MR GOULTY ) OFFICE  
MR W N WENBAN SMITH )  
DIO )

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HD/RHOD DEPT (4)  
HD/C AF D  
HD/S AF D  
~~HD/UND~~  
HD/PUSD (2)  
HD/NEWS DEPT  
HD/WAD  
PS/SIR I SINCLAIR  
MR FREELAND LEGAL ADVISER RMK200A  
MR FIFOOT

IMMEDIATE

CONFIDENTIAL

DESKEY 141300Z

FM SALISBURY 141100Z MAR 80

IMMEDIATE

TO IMMEDIATE FCO  
TELEGRAM NUMBER 1368 OF 14 MARCH 1980  
INFO PRIORITY CAPE TOWN

MY TELNO 1356: RHODESIA: FUTURE POLICY

1. IN MY TELEGRAM UNDER REFERENCE I DESCRIBED THE MAIN AREAS IN WHICH WE SHOULD URGENTLY CONSIDER ASSISTANCE TO ZIMBABWE OVER THE NEXT TWO TO THREE YEARS IF WE ARE TO:  
A. ROUND OFF OUR TASK HERE AND HELP TO GIVE THE NEW COUNTRY THE CHANCE OF A REASONABLE START, WITH A PROSPECT OF A STABLE FUTURE;  
B. CONTRIBUTE TO AN ORDERLY EVOLUTION IN SOUTHERN AFRICA (INCLUDING THE ENCOURAGEMENT OF ESSENTIAL CHANGES IN SOUTH AFRICA ITSELF);  
C. HELP TO SUSTAIN WESTERN INFLUENCE IN THE REGION AND HOLD BACK THE EXTENSION OF SOVIET INFLUENCE.  
2. I AM WELL AWARE THAT ANY PROPOSALS FOR EXPENDITURE AT THIS TIME WILL BE HIGHLY UNWELCOME. WHAT I AM PROPOSING, HOWEVER, IS ESSENTIALLY THE GIVING OF A HIGH PRIORITY IN THE SHORT TERM TO ZIMBABWE WITHIN THE EXISTING OVER-ALL AID PROGRAMME SO FAR AS THIS IS POSSIBLE. THERE IS A CHANCE OF AVOIDING THIS COUNTRY TAKING AN EARLY DOWNWARD PATH AND SLIDING TOWARDS CONFRONTATION WITH SOUTH AFRICA. THERE ARE ABOUT 80,000 UK CITIZENS HERE AND ANOTHER 70,000 WHO WOULD BE ELIGIBLE AS DEPENDANTS FOR ADMISSION TO THE UNITED

WOULD BE ELIGIBLE AS DEPENDANTS FOR ADMISSION TO THE UNITED KINGDOM. IF THERE IS A MASSIVE WHITE EXODUS AND RAPID ECONOMIC DECLINE, WE SHALL HAVE TO FACE CONSIDERABLE CRITICISM BOTH AT HOME AND ABROAD. IT IS IN MY VIEW OPEN TO US TO AVOID THIS BY ADOPTING AN IMAGINATIVE ATTITUDE TO ASSISTANCE IN THE SHORT TERM. IF THE NEW GOVERNMENT SETS ZIMBABWE ON A ROAD WE DISLIKE, WE CAN AND SHOULD DISENGAGE. BUT WE HAVE A GREAT CHANCE TO INFLUENCE EVENTS IN THE IMMEDIATE FUTURE. IF WE TAKE THE LEAD IN A GENEROUS MANNER, AND PROMPTLY, WE SHALL BE ABLE TO PERSUADE OTHERS TO FOLLOW AND THE COST WILL BE SHARED. WE HAVE FOR ONCE THE OPPORTUNITY TO INVEST IN SUCCESS. AFTER THE ACHIEVEMENTS OF THE LAST SEVEN MONTHS, IT WOULD BE A TRAGEDY TO THROW AWAY THAT OPPORTUNITY.

3. IT WILL SIMPLY NOT BE ADEQUATE FOR THESE PURPOSES TO THINK IN TERMS OF AID OF THE ORDER OF £40 MILLION FOR ZIMBABWE OVER THE NEXT THREE YEARS. AS I UNDERSTAND THAT IN 1978 WE SPENT £175 MILLION ON AID TO AFRICA AND WE SEEM TO BE SPENDING £20 MILLION A YEAR ON AID TO TANZANIA ALONE. THE AID WE DISBURSE HERE IS LIKELY TO HAVE A CONSIDERABLE EFFECT IN A COUNTRY WHICH WILL REMAIN PARTICULARLY IMPORTANT TO US FOR SOME TIME. WE SHOULD BE PREPARED TO COMMIT AT ANY RATE £30M A YEAR FOR THE NEXT THREE YEARS TO INCLUDE:

THE IMMEDIATE £5M FOR RECONSTRUCTION AID;

DEVELOPMENT AID;

THE VARIOUS FORMS OF MILITARY AND OTHER TRAINING ASSISTANCE;  
SOME CONTRIBUTION TO HELP DEAL WITH THE IMMEDIATE SHORT TERM PROBLEM OF A MASS EXODUS FROM THE PUBLIC SERVICE.

4. I DON'T WANT YOU TO THINK I HAVE GONE NATIVE BECAUSE I HAVEN'T, BUT WHAT I AM PROPOSING IS THAT IN THE SHORT TERM WE GIVE A HIGH PRIORITY TO ZIMBABWE. THERE IS NO NEED TO REGARD THIS AS AN OPEN-ENDED COMMITMENT. WE CAN THEREFORE REVIEW THE SITUATION IN RELATION TO THE SIZE OF THE REMAINING BRITISH COMMUNITY AND THE GENERAL ECONOMIC AND POLITICAL DIRECTION THE COUNTRY HAS TAKEN. BUT WE HAVE A REAL CHANCE TO INFLUENCE EVENTS IN A COUNTRY IN WHICH, IN THE SHORT TERM AT LEAST, VERY CONSIDERABLE BRITISH INTERESTS AND THE FUTURE OF A LARGE NUMBER OF BRITISH CITIZENS WILL BE AT STAKE. LET US DO IT WITH SOME STYLE, AND UNGRUDGINGLY.

FCO PASS CAPE TOWN

SOAMES

IMMEDIATE

MT/NN

CONFIDENTIAL  
DESKBY 140700Z

CONFIDENTIAL

FM SALISBURY 131855Z MAR 80

P S TO PRIME MINISTER  
10 DOWNING ST

TO IMMEDIATE FCO

TELEGRAM NUMBER 1057 OF 13 MARCH

INFO PRIORITY CAPE TOWN

My IMMEDIATELY PROCEEDING TELEGRAM: RHODESIA: FUTURE POLICY: AID

1. RHODESIA'S REQUIREMENT FOR LARGE SCALE FOREIGN AID SHOULD BE ESSENTIALLY SHORT TERM. THE UNDERLYING ECONOMIC POTENTIAL OF THIS COUNTRY IS CONSIDERABLE AND PROVIDED THAT THE GOVERNMENT PURSUES REASONABLE POLICIES (AND IN PARTICULAR DOES NOT SCARE OFF THE WHITES) THIS POTENTIAL SHOULD BEGIN TO BE REALISED WITHIN A FEW YEARS. BUT THE INFRASTRUCTURE AND THE ECONOMY HAS BEEN SERIOUSLY DAMAGED BY THE WAR. THE WAR HAS ALSO CREATED MASSIVE SOCIAL PROBLEMS, BOTH ACTUAL AND POTENTIAL, WHOSE SOLUTION WILL REQUIRE OUTSIDE HELP. FURTHERMORE THE GOVERNMENT IS COMMITTED TO POLICIES AIMED AT IMPROVING THE WELFARE AND OPPORTUNITIES OF THE BLACK MAJORITY.
2. AGAINST THIS BACKGROUND THE FOLLOWING SEEM LIKELY TO BE THE GOVERNMENT'S AID PRIORITIES.

(A) RECONSTRUCTION. THE RURAL AREAS AND PARTICULARLY THE TRIBAL TRUST LANDS HAVE BEEN DEVASTATED BY THE WAR. THE TASK OF RECONSTRUCTION INVOLVES THE REBUILDING OF SCHOOLS, HOSPITALS, CLINICS, CATTLE DIPS AND DAMS, THE REESTABLISHMENT OF PEST CONTROL PROGRAMMES AND THE FINANCING OF AFRICAN TRADESMEN AND ARTISANS WHOSE WORK PLACES HAVE BEEN DESTROYED. THE PROBLEM OF RURAL RECONSTRUCTION WILL BE COMPOUNDED BY THE NEED TO RESETTLE THOUSANDS OF RETURNING REFUGEES (BOTH THOSE WHO FLED OUTSIDE THE COUNTRY AND THOSE WHO LEFT THE RURAL AREAS FOR THE COMPARATIVE SAFETY OF THE TOWNS), TOGETHER WITH THOSE MEMEBRS OF THE P F FORCES AND THE SECURITY FORCE AUXILIARIES WHOM IT WILL NOT BE POSSIBLE TO ABSORB INTO THE ARMED FORCES OF THE NEW ZIMBABWE. ALL OF THIS WILL CALL FOR ASSISTANCE, BOTH FINANCIAL AND TECHNICAL, FROM OUTSIDE.

(B) LAND RE-SETTLEMENT. THE GOVERNMENT IS COMMITTED TO A POLICY OF RESETTLING AFRICANS ON UNUSED OR UNDER-UTILISED LAND. I UNDERSTAND THAT A PROPORTION OF OUR PROPOSED AID HAS ALREADY BEEN EAR-MARKED FOR THIS PURPOSE: WE MAY ALSO BE ABLE TO ASSIST WITH ADVICE BASED ON EXPERIENCE IN THIS FIELD GAINED ELSEWHERE, POSSIBLY IN KENYA.

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(C) RE-EQUIPMENT OF INDUSTRY AND CAPITAL INVESTMENT. A CONSIDERABLE PROPORTION OF RHODESIA'S INDUSTRIAL CAPITAL EQUIPMENT IS OUTDATED, BUT IT COULD NOT HITERTO BE REPLACED BECAUSE OF SANTIONS. IF INDUSTRY IS TO REALISE ITS FULL POTENTIAL THIS EQUIPMENT MUST NOW BE REPLACED. IF WE ARE TO GET OUR SHARE OF THIS POTENTIAL MARKET IT IS ESSENTIAL THAT E C G D SHOULD GRANT MEDIUM TERM CREDIT. IN ADDITION THE ALREADY EXISTING 5-YEAR PLAN FORESEES A NUMBER OF MAJOR CAPITAL INVESTMENT PROJECTS: FOR ENERGY (THE THERMAL POWER STATION WANKIE II), TRANSPORTATION (RAILWAY ELECTRIFICATION) AND TELECOMMUNICATIONS. WE ASSUME THAT THE NEW GOVERNMENT WILL WISH TO PURSUE THESE PROJECTS, WHICH ARE IMPORTANT FOR THE COUNTRY'S INFRASTRUCTURE. THESE PROJECTS WILL CALL FOR SPECIAL LOAN FACILITIES.

(D) DEBT RELIEF. RHODESIA AT PRESENT OWES THE UNITED KINGDON DEBTS TOTALLING APPROXIMATELY POUNDS STERLING 56 MILLION. ALL OF THESE DEBTS DATE BACK TO THE FEDERATION PERIOD AND SOME OF THEM - EG FOR THE SALE OF JET FIGHTERS - ARE POLITICALLY CONTENTIOUS. MUGABE HAS ALREADY TOLD THE TREASURY SECRETARY THAT HE HOPES THAT WE WILL NOT PRESS FOR THE REPAYMENT OF THESE DEBTS. ANY ATTEMPT BY US TO RECOVER THESE LONG STANDING DEBTS WOULD LEAD TO POLITICAL FRICTION AND MIGHT NOT BE SUCCESSFUL.

(E) EDUCATION: AS A RESULT OF THE WAR THE EDUCATION SYSTEM IN MANY RURAL AREAS IS VIRTUALLY NON-EXISTENT. THE GOVERNMENT IS COMMITTED TO IMPROVING EDUCATIONAL OPPORTUNITIES IN BOTH URBAN AND RURAL AREAS.

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(F) PUBLIC HEALTH AND RURAL DEVELOPMENT. IT FOLLOWS FROM THE NEW GOVERNMENT'S COMMITMENT TO IMPROVING THE CONDITIONS OF THE AFRICAN MAJORITY THAT THEY WILL WISH TO GIVE INCREASED EMPHASIS TO PUBLIC HEALTH AND RURAL DEVELOPMENT. A MAJOR PRIORITY IN THE PUBLIC HEALTH FIELD, AND ONE IN WHICH FOREIGN ASSISTANCE COULD BE VALUABLE IS BIRTH CONTROL. THE RATE OF POPULATION GROWTH IN THIS CCOUNTRY (3.6 PER CENT) IS AMONG THE HIGHEST IN THE WORLD.

3. THE ABOVE LIST ILLUSTRATES THE MAGNITUDE OF THE TASK WHICH FACES THE NEW GOVERNMENT, CLEARLY A MAJOR INTERNATIONAL EFFORT WILL BE REQUIRED: BUT IT MUST BE FOR US TO GIVE A LEAD.

FCO PASS CAPE TOWN

SOAMES

(REPEATED AS REQUESTED)

FILES  
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PUSD  
PLANNING STAFF  
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PS/MR LUCE  
PS/MR RIDLEY  
PS/MR HURD  
PS/MR MARTEN  
PS/PUS

SIR D MAITLAND  
SIR A ACLAND  
LORD N G LENNOX  
SIR L ALLINSON  
MR DAY  
MR FERGUSSON  
MR MILLS  
CPO

ADDITIONAL DISTN.  
RHODESIA POLICY

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[RHODESIA: POLICY: ADVANCE COPIES]

PS/NO 10 DOWNING STREET

PS/SIR I GILMOUR  
PS/MR LUCE  
PS/PUS  
SIR D MAITLAND  
MR DAY  
*SIR L ALINSON*  
~~MR ASPEN~~

SIR R ARMSTRONG )  
MR R L WADE GERY )  
MR P M MAXEY ) CABINET  
MR GOULTY ) OFFICE  
MR W N WENBAN SMITH )  
DIO )

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HD/RHOD DEPT (4)

HD/C AF D  
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HD/PUSD (2)

HD/NEWS DEPT  
HE/WAD  
PS/SIR I SINCLAIR  
MR FREELAND LEGAL ADVISER RMK200A  
MR FIFOOT  
RESIDENT CLERK

*mb*

V  
CONFIDENTIAL  
DESKBY 140700Z  
FM SALISBURY 131900Z MAR 80

*3 ltr on policy towards  
Rhodesia: Read in full*

TO IMMEDIATE FCO  
TELEGRAM NUMBER 1056 OF 13 MARCH 1980  
INFO PRIORITY CAPE TOWN

**RHODESIA: FUTURE POLICY**

1. THE FOLLOWING IS INTENDED AS A BASIS FOR OUR DISCUSSION ON 17 MARCH. I SHALL BE SENDING YOU SOME FURTHER THOUGHTS TOMORROW.
2. I UNDERSTAND THE CONCERN FELT IN LONDON THAT WE SHOULD BE CAUTIOUS ABOUT GETTING INVOLVED IN THE ENORMOUS PROBLEMS WHICH WILL CONFRONT THE NEW GOVERNMENT HERE. BUT, IN THE LIGHT OF OUR INTERESTS IN ZIMBABWE, AND IN THE CONTEXT OF THE GENERAL PROBLEMS CONFRONTING SOUTHERN AFRICA OVER THE NEXT FEW YEARS, IT IS GOING TO BE OF GREAT IMPORTANCE TO ESTABLISH THE BEST RELATIONSHIP WE CAN WITH THE NEW GOVERNMENT OF ZIMBABWE: TO TAKE ADVANTAGE OF THE OPPORTUNITY AT PRESENT OFFERED TO INFLUENCE ITS POLICIES: TO TRY TO STEER IT AWAY FROM ACTIONS LIKELY TO UPSET THE APPLE CART IN THE SHORT TERM IN RHODESIA (EG BY PROVOKING A MASSIVE WHITE EXODUS): AND TO ENCOURAGE IT TOWARDS ESTABLISHING A WORKING RELATIONSHIP WITH SOUTH AFRICA RATHER THAN AN EARLY CONFRONTATION (WHICH

AND TO ENCOURAGE IT TOWARDS ESTABLISHING A WORKING RELATIONSHIP WITH SOUTH AFRICA RATHER THAN AN EARLY CONFRONTATION (WHICH WOULD ALSO HAVE SERIOUS IMPLICATIONS FOR OUR INTERESTS).

#### MILITARY ASSISTANCE

3. MR MUGABE HAS MADE IT CLEAR THAT HE WISHES MILITARY ASSISTANCE TO COME FROM BRITAIN RATHER THAN ELSEWHERE AND FOR THE ZIMBABWAN ARMY TO BE ORGANISED ON THE BRITISH PATTERN. DURING HIS RECENT VISIT GENERAL PERKINS IDENTIFIED A NUMBER OF AREAS IN WHICH BRITAIN COULD GIVE MILITARY ASSISTANCE: PARTICULARLY THE ESTABLISHMENT OF A BRITISH MILITARY TRAINING TEAM IN ZIMBABWE AND THE OFFER OF TRAINING COURSES IN THE UK. IF WE DO NOT PROVIDE ASSISTANCE TO THE FUTURE NATIONAL ARMY OTHERS WILL DO SO - AND THIS COULD LEAD QUITE QUICKLY TO SERIOUS DIFFICULTIES IN THE REGION. IF ENCOURAGEMENT IS NOT GIVEN FOR THE USE OF NATO WEAPONS, THE NEW ARMY WILL INEVITABLY TURN FOR ITS SUPPLIES TO EASTERN EUROPE. THE MOD MAY FIND IT DIFFICULT TO FIND PLACES ON MILITARY TRAINING SCHEMES FOR ZIMBABWE AT SHORT NOTICE. BUT IT IS OF GREAT IMPORTANCE THAT SUCH PLACES SHOULD BE FOUND, PARTICULARLY SO FAR AS OFFICER TRAINING IS CONCERNED. IF NECESSARY SPECIAL PROGRAMMES SHOULD BE ARRANGED, WITHOUT THE USUAL ADMIXTURE OF BRITISH STUDENTS (THOUGH THIS WOULD BE A PITY).

4. THE DEMOBILISATION ON LARGE NUMBERS OF ARMED MEN, AND THE AMALGAMATION OF THE THREE ARMIES WILL IMPOSE A SERIOUS FINANCIAL BURDEN OVER THE NEXT FEW MONTHS. THERE IS FURTHERMORE THE RISK AT THE END OF APRIL OF AN EXODUS OF RHODESIAN OFFICERS ON A SCALE WHICH WOULD INCREASE THE DIFFICULTIES OF TRAINING THE NEW ARMY (AND SERIOUSLY UNDERMINE CONFIDENCE THROUGHOUT THE WHITE COMMUNITY). APART FROM THE NEED (SEE PARA 9 BELOW) TO NEGATE THE EFFECT OF THE ILL-ADVISED SPECIAL INCENTIVE SCHEME, IT WOULD GREATLY HELP TO CONTAIN THIS RISK IF WE COULD MAKE THE EARLIEST POSSIBLE OFFER OF A PROGRAMME OF EXCHANGES FOR JUNIOR OFFICERS BETWEEN THE BRITISH AND ZIMBABWEAN FORCES (THEREBY ALSO BROADENING THE EXPERIENCE OF THE OFFICERS CONCERNED).

#### AID

5. I CAN UNDERSTAND THE VIEW THAT THERE IS NOT MUCH POINT IN GETTING INVOLVED IN DETAILED DISCUSSION OF AID PROGRAMMES UNTIL THE NEW GOVERNMENT HAS HAD TIME TO PLAY ITSELF IN. BUT GIVEN THE DELAYS INVOLVED IN GETTING AID COMMITMENTS AGREED AND THEN DISBURSE, IT IS ESSENTIAL IN THE CIRCUMSTANCES CONFRONTING THIS COUNTRY TO MOVE AT A LESS DELIBERATE PACE. I AM TELEGRAPHING SEPARATELY ABOUT THE MAIN SECTORS TO WHICH THE NEW GOVERNMENT IS LIKELY TO GIVE PRIORITY IN ITS REQUESTS FOR DEVELOPMENT AID. BUT THERE IS A GREAT DEAL THAT COULD BE DONE WITH AID FUNDS IN THE SHORT TERM IN RE-SETTLEMENT AND RE-CONSTRUCTION. THE NEW GOVERNMENT

SHORT TERM IN RE-SETTLEMENT AND RE-CONSTRUCTION. THE NEW GOVERNMENT WILL HAVE TO EMBARK ON A MASSIVE PROGRAMME TO RE-BUILD AND RE-ESTABLISH SCHOOLS, CLINICS, CATTLE-DIPS ETC, AND TO RE-SETTLE REFUGEES FROM THE RURAL AREAS. I REALLY THINK IT INDISPENSIBLE THAT

WE SHOULD MAKE AN IMMEDIATE GESTURE BEFORE, BUT RELATED TO INDEPENDENCE. IN MY VIEW THIS SHOULD BE AN IMMEDIATE GRANT OF £5 MILLION FOR RE-CONSTRUCTION.

6. SO FAR AS ECONOMIC AND SOCIAL DEVELOPMENT IS CONCERNED, THE SOONER AN AID TEAM COMES HERE AND BEGINS TALKING WITH THE NEW GOVERNMENT THE BETTER. I UNDERSTAND THAT WE ARE AT PRESENT THINKING IN TERMS OF A £40 MILLION PROGRAMME OVER THE NEXT THREE YEARS. WE MUST TRY TO DO BETTER THAN THIS (EVEN IF THIS HAS TO BE AT THE EXPENSE OF SOME OTHER PROGRAMMES). ZIMBABWE SHOULD BE A MUCH EASIER COUNTRY TO HELP THAN MOST OTHER AID RECIPIENTS. THERE IS AN EFFECTIVE ADMINISTRATIVE MACHINE, A WELL-DEVELOPED PRIVATE SECTOR, AND AN IMPRESSIVE AMOUNT OF PLANNING DOCUMENTATION ALREADY PREPARED WHICH ONLY NEEDS TO BE BROUGHT TOGETHER IN A FRAMEWORK REFLECTING THE POLITICAL PRIORITIES OF THE NEW GOVERNMENT.

7. WE SHOULD ALSO CONSIDER LOOKING AGAIN AT THE POSSIBILITY OF WRITING OFF THE OLD FEDERATION ERA DEBT (OF WHICH THERE IS SOME £56 MILLION OUTSTANDING), OR AT THE LEAST A LARGE PART OF IT. THIS WOULD NOT AFFECT THE UK PSBR: IT WOULD AVOID AN UNPLEASANT WRANGLE AT A MOMENT WHEN WE SHALL BE TRYING TO PERSUADE OTHERS TO BE GENEROUS: AND, WITH THE INCREASE IN AID SUGGESTED, WOULD ENABLE US TO APPEAR GENEROUS OURSELVES.

#### INTERNATIONAL AID

8. WE MUST SURELY BEGIN FORTHWITH TO SET IN TRAIN A PUBLIC INTERNATIONAL APPEAL FOR AID TO THE NEW STATE. SUCH AN APPEAL FOR BOTH IMMEDIATE RECONSTRUCTION, AND FOR DEVELOPMENT AID, SHOULD BE LAUNCHED IMMEDIATELY. A DONOR'S CONFERENCE WILL REQUIRE PREPARATION. BUT IT IS NO USE THINKING IN TERMS OF SUCH A CONFERENCE IN THE AUTUMN. THIS WOULD BE MUCH TOO LATE IN THE DAY. WE MUST SURELY SEEK TO EXPLOIT THE PRESENT ADVANTAGEOUS POLITICAL CLIMATE TO APPEAL TO THE AMERICAN, EUROPEAN, SCANDINAVIAN AND OLD COMMONWEALTH GOVERNMENTS TO COMMIT SIGNIFICANT AID FUNDS TO ZIMBABWE QUICKLY. WE SHOULD AIM FOR A DONORS' CONFERENCE TO BE HELD (IN SALISBURY IF THAT SEEMS PSYCHOLOGICALLY THE BEST CHOICE) BEFORE THE SUMMER BREAK. WE SHOULD ALSO ENCOURAGE THE NEW GOVERNMENT TO APPLY AS SOON AS POSSIBLE TO JOIN THE LOME CONVENTION: AND M CHEYSSON TO PAY AN EARLY VISIT HERE.

#### FINANCIAL ASSISTANCE

9. THE NEW GOVERNMENT FACES NOT ONLY AN ACUTE SHORTAGE OF FOREIGN

## FINANCIAL ASSISTANCE

9. THE NEW GOVERNMENT FACES NOT ONLY AN ACUTE SHORTAGE OF FOREIGN EXCHANGE BUT ALSO AN IMMEDIATE BUDGETARY CRISIS. THE FORECAST NET DEFICIT, AFTER TAKING INTO ACCOUNT OIL RESOURCES AND LOCAL BORROWING, FOR THE NEXT FINANCIAL YEAR IS OF THE ORDER OF 400 MILLION RHODESIAN DOLLARS - AND THIS IS WITHOUT MAKING ANY PROVISION FOR THE COST OF RECONSTRUCTION. AT PRESENT THE ONLY REAL SOURCE OF SHORT-TERM FINANCE IS SOUTH AFRICA AND IN THE EARLY DAYS THE NEW GOVERNMENT WILL HAVE TO COME TO TERMS WITH THAT - IF THE SOUTH AFRICANS WILL COOPERATE. THE SOUTH AFRICANS HAVE STOPPED, FOR THE TIME BEING, RHODESIANS DRAWINGS FROM THE SOFT LOAN FUNDS AVAILABLE. THIS WILL LEAVE THE RHODESIAN TREASURY SHORT OF 80 MILLION RAND DUE TO BE DRAWN DOWN IN MARCH AND MAY, AND ANOTHER 85 MILLION RAND TO BE NEGOTIATED. UNLESS THESE BORROWINGS ARE RESTORED (AND THERE ARE INDICATIONS THAT MUGABE WOULD BE PREPARED TO DO SO FOR HIS PART) THE BUDGETARY SITUATION WILL BE EVEN WORSE. BUT THERE WILL IN ANY CASE BE AN URGENT NEED TO ASCERTAIN TO WHAT EXTENT IT IS POSSIBLE TO ATTRACT FINANCE FOR FOREIGN EXCHANGE PURPOSES THROUGH MULTILATERAL INSTITUTIONS. THIS IS AN AREA WHICH WE MUST DO ALL WE CAN TO HELP WITH ADVICE. FURTHERMORE, ECOD SHOULD BE ENCOURAGED TO GRANT MEDIUM TERM COVER AS SOON AS POSSIBLE (THEREBY ENCOURAGING OTHERS TO DO SO).

## REMITTABILITY OF PENSIONS

10. I HAVE TELEGRAPHED SEPARATELY (MY TELNO 1013) ABOUT THE POTENTIALLY SERIOUS PROBLEM POSED BY THE LIKELIHOOD OF A MAJOR EXODUS OF ARMY OFFICERS, POLICE OFFICERS AND CIVIL SERVANTS FEELING THAT THEY MUST TAKE ADVANTAGE OF THE ABILITY TO COMMUTE AND REMIT THEIR PENSIONS AT THE END OF APRIL. THEIR FEAR IS THAT IF THEY DO NOT DO SO THEN, THEY MAY NOT SUBSEQUENTLY BE ABLE TO REMIT THEIR PENSIONS AT ALL. I FULLY APPRECIATE THE DIFFICULTIES THAT WOULD BE POSED BY OUR DIRECT INVOLVEMENT IN A SCHEME TO GUARANTEE THE REMITTABILITY OF PENSIONS. I HOPE THAT NEVERTHELESS WE SHOULD BE ABLE TO OFFER SOMETHING OF THE SORT. IF WE CANNOT, THERE MAY BE ALTERNATIVES. WHAT IS REQUIRED AS A MINIMUM IS VERY URGENT ASSISTANCE IN WORKING OUT WITH THE NEW GOVERNMENT A WAY OF ASSURING PEOPLE IN THE PUBLIC SERVICE WHO ARE PREPARED TO STAY THAT THEY WILL NOT BE PREJUDICING THEIR FINANCIAL FUTURE. PERHAPS FINANCIAL EXPERTS COULD WORK OUT A PLAN FOR THE ESTABLISHMENT OF A FUND TO WHICH AMOUNTS COULD PROGRESSIVELY BE REMITTED BY THE GOVERNMENT OF ZIMBABWE AND WHICH COULD BE HELD IN TRUST FOR PERSONS PREPARED TO SERVE ON FOR SOME TIME. SINCE THE SETTING UP OF SUCH A FUND WILL IMPOSE A FOREIGN EXCHANGE BURDEN, WE SHOULD NOT EXCLUDE THE POSSIBILITY OF OUR MAKING A LOAN OF SAY £10 MILLION TO COVER PART OF THE INITIAL COSTS - BUT AS A "ONCE ONLY" OPERATION, AND AS A CONTRIBUTION WHICH SHOULD BE SET AGAIN OUR GENERAL PROGRAMME OF

CONTRIBUTION WHICH SHOULD BE SET AGAIN OUR GENERAL PROGRAMME OF ASSISTANCE TO THE NEW GOVERNMENT.

11. IF NOTHING IS DONE, THE NEW GOVERNMENT MAY BE FACED BY A MASSIVE EXODUS OF THOSE COVERED BY THE "INCENTIVE" SCHEME AND THE CONSEQUENT NEED TO PAY OUT LARGE AMOUNTS IN FOREIGN EXCHANGE (THE NOTIONAL POSSIBLE TOTAL IF EVERYONE LEFT ON 30 APRIL, WOULD BE RHODESIAN DOLLARS 91 MILLION).

#### OTHER AREAS

12. THERE ARE OTHER AREAS IN WHICH WE CAN USEFULLY HELP - AND BY DOING SO QUICKLY CAN TRY TO LIMIT INTERFERENCE BY GOVERNMENTS WHOSE INTERVENTION WOULD BE UNWELCOME TO US. THESE INCLUDE THE PROVISION OF POLICE TRAINING COURSES IN THE UNITED KINGDOM; ADVICE TO THE ZRBC AND ON THE ORGANISATION OF THE CIVIL SERVICE; ASSISTANCE TO THE NEW FOREIGN MINISTRY AND IN THE GENERAL FIELD OF SECURITY. PLANS FOR ASSISTANCE IN THESE FIELDS ARE ALREADY IN HAND.

#### GENERAL

13. IF IT IS POSSIBLE TO GET A FAIRLY RAPID START MADE WITH A GENEROUS MILITARY ASSISTANCE PROGRAMME; WITH AID PROGRAMMES WHICH YIELD SOME EARLY RESULTS (ESPECIALLY RECONSTRUCTION) AND DO NOT INVOLVE VERY LONG DELAYS BEFORE ANYTHING COMES TO FRUITION; WITH A DONORS' CONFERENCE AT WHICH WE CAN SEEK TO ATTRACT FINANCIAL SUPPORT FROM OTHER COUNTRIES; AND WITH A SOLUTION TO THE PROBLEM OF SHORT TERM FINANCE FOR THIS COUNTRY, THE RISKS OF IT TAKING A DOWNWARD PATH AND OF AN EARLY CONFRONTATION WITH SOUTH AFRICA WILL BE GREATLY REDUCED. THERE IS THEREFORE A LOT AT STAKE IN THE SHORT TERM. WE SHOULD NOT COMMIT OURSELVES TO MASSIVE PROGRAMMES OF INDEFINITE DURATION FOR ZIMBABWE. THE COUNTRY OUGHT TO BE ABLE TO STAND ON ITS OWN FEET IN A FEW YEARS TIME. BUT WE OUGHT TO COMPLETE THE TASK WE UNDERTOOK LAST YEAR BY DOING AS MUCH AS WE CAN IN THE AREAS INDICATED ABOVE AND IF NECESSARY AT THE EXPENSE OF SOME OTHER PROGRAMMES, OVER THE CRUCIAL PERIOD OF THE NEXT TWO YEARS.

FCO PASS CAPE TOWN

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