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FM SALISBURY 191055Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 232 OF 19 JANUARY

AID FOR ZIMBABWE AND RHODESIAN DEBT

1. I AM GRAVELY CONCERNED AT THE IMPLICATIONS FOR H M G AND FOR ANGLO-ZIMBABWE RELATIONS WHEN IT BECOMES KNOWN HOW VERY SMALL OUR AID PROGRAMME FOR INDEPENDENT ZIMBABWE IS GOING TO BE. ONE THING THAT EMERGED CLEARLY FROM THE VISIT OF KERBY AND WINPENNY LAST WEEK WAS THAT EVERYONE HERE, NOT SURPRISINGLY, EXPECTS BRITISH AID OF A QUITE DIFFERENT ORDER OF MAGNITUDE.
2. THE FIVE-YEAR DEVELOPMENT PLAN INVOLVES FOREIGN EXCHANGE EXPENDITURE OF THE ORDER OF POUNDS STERLING 800M AT 1979 PRICES AND LOCAL CURRENCY EXPENDITURE OF TWICE THIS FIGURE. ABOUT TWO THIRDS IS NEEDED FOR RECONSTRUCTION AFTER THE WAR, AND TO DEVELOP SERVICES AND INFRASTRUCTURE SO THEY CAN COPE WITH THE POPULATION GROWTH OF 3.6 PER CENT CUMULATIVE, THE HIGHEST IN AFRICA. THE REST IS NEEDED TO LIFT THE ECONOMY, AFTER YEARS OF ISOLATION AND WAR, INTO A PHASE OF EXPANSION AND DEVELOPMENT THAT WOULD GIVE THE PROSPECT OF POLITICAL STABILITY. (THE OVERALL FIGURE DOES NOT INCLUDE INDUSTRY'S NEEDS FOR RE-EQUIPMENT, OF THE ORDER OF POUNDS STERLING 70M THIS YEAR ALONE - MY TELNO 35.)
3. AGAINST THIS REQUIREMENT OUR PROJECTED PROGRAMME OF POUNDS STERLING 40M FOR COMMITMENT OVER TWO YEARS WILL SEEM RISIBLE. WE SHOULD NEED TO GIVE SOMETHING LIKE THREE OR FOUR TIMES AS MUCH TO AVOID A GENERAL SENSE OF OUTRAGE AND CONTINUING POLITICAL EMBARRASSMENT.
4. THE PROBLEM IS MADE MORE ACUTE BY THE FACT THAT SUCH A SUBSTANTIAL PROPORTION OF THE POUNDS STERLING 40M IS ALREADY EFFECTIVELY COMMITTED, NOT LEAST FOR LAND RESETTLEMENT, LEAVING VERY LITTLE FOR INDIVIDUAL PROJECTS OF THE KIND THAT WOULD ESTABLISH OUR IDENTITY AS AID DONORS, AND VERY LITTLE INDEED FOR THE KIND OF HELP THAT BRITISH EXPORTERS ARE GOING TO NEED IF THEY ARE TO BID SUCCESSFULLY FOR ANY OF THE MAIN CONSTRUCTION PROJECTS IN THE DEVELOPMENT PROGRAMME. (THE TURBO GENERATING PROJECT, WANKIE II, WHICH IS THE BEIGGEST INDUSTRIAL PROJECT IN PROSPECT IN AFRICA TODAY, THE ELECTRIFICATION OF THE RAILWAYS, THE HYDRO-ELECTRIC SCHEMES, ETC.) THE ADDITIONAL POUNDS STERLING 10M COMMITMENT TO THE RHODESIAN AFRICAN TRAINING SCHEME IN THE U K IS IMMATERIAL.

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IT IS UNPOPULAR LOCALLY BECAUSE OF THE DISRUPTION CAUSED TO WELL-RUN LOCAL EDUCATION PROGRAMMES AND IT WILL ANYWAY (RIGHTLY) BE PHASED OUT.

5. THE TASK OF RECONSTRUCTION IS DAUNTING. THE TRIBAL TRUST LANDS HAVE BEEN DEVASTATED. MEDICAL CARE FOR RURAL AFRICANS HAS VIRTUALLY BROKEN DOWN; MOST OF THE MISSION HOSPITALS AND AFRICAN COUNCIL CLINICS HAVE BEEN CLOSED. THE IMMUNISATION CAMPAIGN HAS BEEN LOST FOR 5 OR 6 YEARS. THERE ARE SEVERAL THOUSAND AMPUTEES NEEDING ARTIFICIAL LIMBS AND REHABILITATION. THE RETURN OF REFUGEES WILL MAKE THE STRAIN ON HEALTH SERVICES WORSE. 1800 AFRICAN SCHOOLS HAVE BEEN CLOSED AND SOME 350,000 CHILDREN AND 8,000 TEACHERS HAVE BEEN DISPLACED. ONLY ABOUT 18 PER CENT OF AFRICAN PRIMARY SCHOOL PUPILS ARE NOW GOING ON TO SECONDARY SCHOOL. CATTLE DIPS AND IRRIGATION WORKS HAVE BEEN DESTROYED AND THE WHOLE SYSTEM OF RURAL COMMUNICATIONS - ROADS, BRIDGES, ETC - NEEDS TO BE RESTORED. THE FLIGHT TO THE TOWNS HAS MADE MORE ACUTE AND URGENT THE NEED FOR A LARGE LOW-COST URBAN HOUSING PROGRAMME.

6. THERE IS ALSO THE PROBLEM OF RESETTLEMENT (INCLUDING EDUCATIONAL TRAINING) OF REFUGEES, 548958: 49,5 94:3' -, 5&3 .-, 6 5&97'-, 9% 17953 .7&8?-' 7,17953 - THE 12 TO 16 YEAR OLDS WHO HAVE BEEN FOLLOWING THE P F FORCES ROUND THE COUNTRY AND ARE NOW DISPLACED, IN MANY CASES HUNDREDS OF MILES FROM THEIR HOMES.

7. RHODESIA'S AID NEEDS ARE ESSENTIALLY SHORT-TERM. THE BASIC ECONOMIC POSITION OF THE COUNTRY IS VERY SOUND: IT HAS THE RESOURCES IN TERMS OF RAW MATERIALS TO PROVIDE A PROSPEROUS FUTURE, IF THEY CAN BE DEVELOPED, FOR ITS ENTIRE POPULATION. SOUND CONSERVATIVE FINANCIAL MANAGEMENT DURING THE PAST 14 YEARS HAS LEFT THE COUNTRY WITH A REMARKABLY STABLE FINANCIAL BASE, UNDER-BORROWED COMPARED WITH ALL OTHER AFRICAN DEVELOPING COUNTRIES. BUT LARGE INJECTIONS OF FOREIGN EXCHANGE ARE NEEDED NOW TO LIFT THE ECONOMY TO THE LEVEL WHERE IT CAN MAXIMISE ITS FOREIGN EXCHANGE EARNINGS AND BECOME TRULY SELF-SUFFICIENT AT A LEVEL OF OUTPUT THAT WILL PROVIDE A POLITICALLY ACCEPTABLE LEVEL OF INCOME FOR ALL ITS PEOPLE.

8. I AM WELL AWARE THAT BUDGETARY CONSTRAINTS IN THE U K MAKE IT VIRTUALLY IMPOSSIBLE TO ACHIEVE THE INCREASE IN THE AID PROGRAMME THAT WOULD BE NECESSARY TO SALVAGE OUR POSITION HERE. BUT AGAINST THAT MUST BE SET THE FACT THAT IN THE EYES OF RHODESIAN OPINION BRITAIN HAS OVER THE PAST 14 YEARS BEEN QUOTE SAVING UNQUOTE MUCH LARGER SUMS THAT WOULD HAVE BEEN SPENT ON DEVELOPMENT AID FOR RHODESIA IN HAPPIER CIRCUMSTANCES. THE SUGGESTION THAT THAT CS ONLY RHODESIA'S (IE THE RHODESIA FRONT'S) FAULT WILL NOT CARRY ANY MORE WEIGHT WITH BLACK OPINION THAN IT WILL WITH WHITE. THE PROVISIONS OF THE ANGLO-AMERICAN PLAN ARE STILL IN THE FOREFRONT OF PEOPLE'S MINDS HERE AS THE SYMBOL OF OUR COMMITMENT TO MAKE GOOD THE DAMAGE DONE BY WHAT THE BLACKS AS WELL AS THE WHITES REGARD AS OUR HISTORICAL MISMANAGEMENT OF THE RHODESIAN PROBLEM. THE LANCASTER HOUSE RESETTLEMENT COMMITMENT HAS BEEN EXAGGERATED HERE TO THE POINT WHERE IT OCCUPIES THE SAME PLACE IN PEOPLE'S MINDS

9. I HOPE THAT PART OF THE LEEWAY COULD BE MADE UP BY SOFT LOAN FOR A MAJOR DEVELOPMENT PROJECT - WANKIE II OR ELECTRIFICATION - DEPENDENT UPON BRITISH INDUSTRIAL PARTICIPATION. BUT MORE WILL BE NEEDED THAN THAT.

10. THERE IS ONE FURTHER WAY THAT WOULD SALVAGE THE WHOLE SITUATION: DEBT RELIEF. I UNDERSTAND THAT WHEN D C SMITH SAW YOU IN LONDON IN OCTOBER YOU UNDERTOOK TO ASK THE CHANCELLOR OF THE EXCHEQUER TO CAST A BENIGN EYE ON THE PROBLEM OF RHODESIAN/U K DEBT. THE PRESENT RHODESIAN U K DEBT CONTAINS SUBSTANTIAL ELEMENTS THAT A FUTURE ZIMBABWE GOVERNMENT WILL BE STRONGLY OPPOSED TO HONOURING ON POLITICAL GROUNDS. ALL OF THEM DATE FROM THE TIME OF FEDERATION. TO TAKE THE INITIATIVE IN WRITING THEM OFF WOULD MAKE ALL THE DIFFERENCE AND RESOLVE THE ACUTE EMBARRASSMENT WE SHALL OTHERWISE FACE OVER AID. IT WOULD ALSO AVOID THE WORSE EMBARRASSMENT OF A BITTER WRANGLE ABOUT THEM IN PUBLIC IF WE WAIT FOR THE ZIMBABWE GOVERNMENT TO SUGGEST WRITING THEM OFF AND THEN FIGHT IT. RHODESCANS OF ALL PARTIES ARE WELL AWARE THAT WE HAVE BEEN IN THE HABIT OF WRITING OFF LOANS FOR DEVELOPMENT IN THE PAST AND PROVIDING NEWLY INDEPENDENT COUNTRIES WITH DOWRIES IN THE FORM OF DEBT RELIEF.

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11. A GENEROUS SCHEME OF DEBT RELIEF WOULD NOT ONLY SAVE THE FUTURE ZIMBABWE GOVERNMENT USEFUL BUDGETARY RESOURCES BUT ALSO RELEASE IMPORTANT QUANTITIES OF FOREIGN EXCHANGE FOR DEVELOPMENT NEEDS. ASSUMING THAT THE CHICKENS HAVE NOT BEEN COUNTED, IT COULD ALSO PRESUMABLY BE ACHIEVED WITHOUT ACTUALLY ADDING ANYTHING TO THE FORECAST U K PUBLIC SECTOR BORROWING REQUIREMENT.

12. I HOPE THAT SOME PRELIMINARY THOUGHT CAN BE GIVEN TO THESE MATTERS AT A POLITICAL LEVEL BEFORE THE VISIT, FOR TALKS AT A TECHNICAL LEVEL, OF ELAM, WALTERS (DEPUTY SECRETARY, TREASURY) AND PARKE (DEPUTY GOVERNOR RESERVE BANK) IN THE WEEK BEGINNING 28 JANUARY. M I F T CONTAINS DETAILS OF THE POLITICALLY CONTENTIOUS ITEMS IN THE PRESENT DEBT SCHEDULE.

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