60A/GS/E

The Economy

Zaire

April 1973

NATIONAL INTELLIGENCE SURVEY

FOR OFFICIAL USE ONLY

NATIONAL INTELLIGENCE SURVEY PUBLICATIONS

The basic unit of the NIS is the *General Survey*, which is now published in a bound-by-chapter format so that topics of greater perishability can be updated on an individual basis. These chapters—Country Profile, The Society, Government and Politics, The Economy, Military Geography, Transportation and Telecommunications, Armed Forces, Science, and Intelligence and Security, provide the primary NIS coverage. Some chapters, particularly Science and Intelligence and Security, that are not pertinent to all countries, are produced selectively. For small countries requiring only minimal NIS treatment, the *General Survey* coverage may be bound into one volume.

Supplementing the *General Survey* is the NIS *Basic Intelligence Factbook*, a ready reference publication that semiannually updates key statistical data found in the Survey. An unclassified edition of the factbook omits some details on the economy, the defense forces, and the intelligence and security organizations.

Although detailed sections on many topics were part of the NIS Program, production of these sections has been phased out. Those previously produced will continue to be available as long as the major portion of the study is considered valid.

A quarterly listing of all active NIS units is published in the *Inventory of Available NIS Publications*, which is also bound into the concurrent classified Factbook. The Inventory lists all NIS units by area name and number and includes classification and date of issue; it thus facilitates the ordering of NIS units as well as their filing, cataloging, and utilization.

Initial dissemination, additional copies of NIS units, or separate chapters of the *General Surveys* can be obtained directly or through liaison channels from the Central Intelligence Agency.

The *General Survey* is prepared for the NIS by the Central Intelligence Agency and the Defense Intelligence Agency under the general direction of the NIS Committee. It is coordinated, edited, published, and disseminated by the Central Intelligence Agency.

WARNING

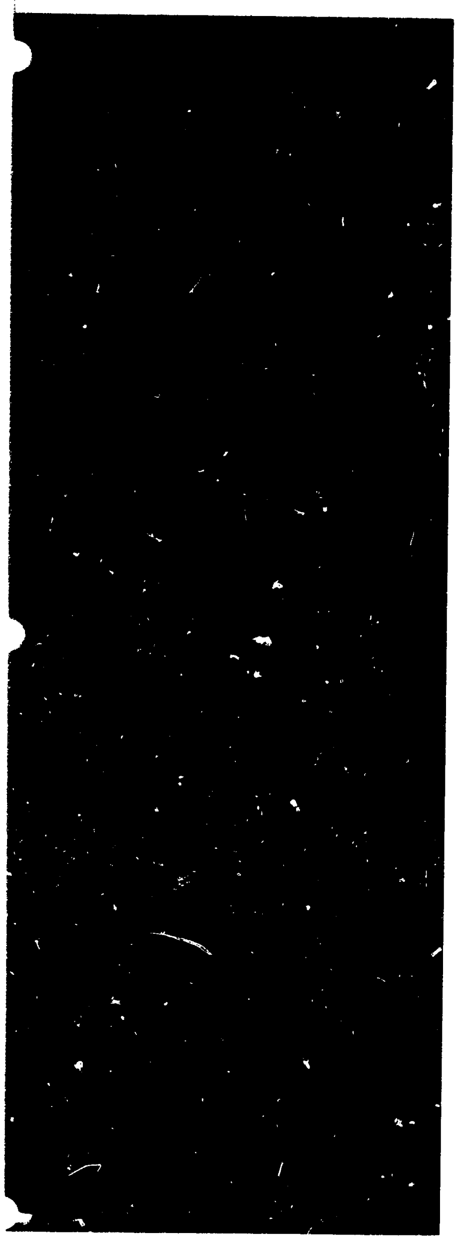
The NIS is National Intelligence and may not be released or shown to representatives of any foreign government or international body except by specific authorization of the Director of Central Intelligence in accordance with the provisions of National Security Council Intelligence Directive No. 1.

For NIS containing unclassified material, however, the portions so marked may be made available for official purposes to foreign nationals and nongovernment personnel provided no attribution is made to National Intelligence or the National Intelligence Survey.

Subsections and graphics are individually classified according to content. Classification/control designations are:

(U/OU) . . Unclassified/For Official Use Only
(C) . . . . . . Confidential
(S) . . . . . . Secret

This chapter was prepared for the NIS by the Central Intelligence Agency. Research was substantially completed by January 1973.



CONTENTS

This General Survey supersedes the one dated September 1970, copies of which should be destroyed.

A. Economic appraisal 1

Size and wealth of natural resources; period of military and civil unrest following independence; relative stability after 1965; importance of mining sector; decline of agriculture; importance of foreign aid; reversal of nationalization policy.

B. Structure of the economy 3

Structural changes; increasing importance of copper.

1. Metals and minerals 3

Prominence among world mineral resources; rapid postwar production expansion.

a. Copper 4

Nature and location of deposits; processing facilities; output; expansion program; new mining concessions to foreign firms.

FOR OFFICIAL USE ONLY

Page

b. Cobalt and zinc 6
Relation to copper processing; output.

c. Cadmium and germanium 7
Location of deposits; output.

d. Tin 7
Location of deposits; production facilities.

e. Columbium-tantalum 7
Production and use; production facilities.

f. Gold 7
Location of deposits; production facilities and output.

g. Industrial diamonds 7
Location of deposits; production facilities and output; poaching and smuggling practices.

h. Manganese 9
Output; size and location of deposits; factors affecting production.

i. Other minerals 9
Type of deposits; plan to exploit bauxite deposit.

2. Agriculture, fisheries, and forestry 9
Effects of political situation on production and growth after independence.

a. Land use 9
Effect of climate and terrain on vegetation; utilization of land; type of land ownership.

b. Food crops for export 11
Coffee, its varieties, location, output, and sales; tea and cocoa, location and output of plantations.

c. Food crops for domestic consumption 11
Cassava, plantains, and cereal grains; vegetables and fruits; sugar, effect of civil disturbances on output, supply and demand situation.

d. Industrial crops 12
Palm oil, output, effect of depressed world palm oil prices on local production, palm oil extraction process, uses, foreign sales; cotton, location, output, projected further development, government price increases; rubber, type of cultivation and location, production and export.

e. Livestock 13
Ownership; location of herds; size of herds; beef consumption.

f. Fishing 13
Location of fisheries; supply and demand of fish and fish products.

g. Forestry 14
Size and location of forest resources; output and export of forest products; degree of government control and regulation of cutting and reforestation.

Page

3. Fuels and power 15
Size of electric power industry; contribution of hydroelectric power to total power output; government control of electric power industry; size and location of power potential and installed capacity; principal consumers; construction of Inga dam hydroelectric plant; petroleum refining capacity; petroleum and natural gas deposits; sources of supply; location and size of coal deposits; coal output.

4. Manufacturing and construction 16
Growth since World War II; principal manufacturing areas; type of products; domestic requirements; growth of construction industry since independence; type and source of construction materials.

5. Domestic trade 17
Methods of distribution; condition of transportation network.

C. Economic policy and development 18

1. Policy 18
Government legislation in 1966 to reduce foreign influence over the economy; subsequent legislation to encourage foreign investment.

a. Government finance 18
Centralized control of public finance; increased tax power of central government; tax rates; budget expenditure; public debt; credit developments.

b. Money and banking 20
Banking system.

2. Development 20
Development plans and programs; government priorities; development prospects; planned development by sector; government attempts to stimulate domestic and foreign capital; private and public investment in 1971.

3. Manpower 22
Size and composition of labor force; unemployment problems; principal sectors of employment; labor efficiency, wages, strikes; working conditions.

D. International economic relations 24

1. Foreign trade 24
Growth of exports over past few years in relation to world copper prices; composition of exports; sharp increase in imports, growth of domestic demand, easing of import restrictions; recent government measures to cut back imports.

2. Balance of payments 25
Imposition of new controls on outflow of income earned by foreigners; adverse balance of balance of payments position, fall in export revenues, decline in foreign exchange reserves.

	Page
3. Foreign economic policy and agreements	25
Government trade policy; investment guarantee with the United States.	
4. Foreign aid	26
Major donors and amounts.	
Glossary	27

FIGURES

		Page
Fig. 1	Economic indicators (*chart*)	1
Fig. 2	Estimated gross domestic product (*chart*)	3
Fig. 3	Mineral production ranking (*chart*)	4
Fig. 4	Production of selected minerals (*table*)	4
Fig. 5	Copper mines and processing facilities (*map*)	5
Fig. 6	Copper production and targets (*chart*)	6
Fig. 7	Industrial centers and mineral zones (*map*)	8
Fig. 8	Agricultural production (*table*)	9
Fig. 9	Agricultural zones (*map*)	10
Fig. 10	Land use (*chart*)	11
Fig. 11	Vegetation (*map*)	14
Fig. 12	Consumption of electric power (*chart*)	16
Fig. 13	Government revenues (*table*)	18
Fig. 14	Government financial operations (*table*)	19
Fig. 15	Public capital budgetary expenditures (*table*)	21
Fig. 16	Employment by sector (*table*)	23
Fig. 17	Foreign trade (*chart*)	24
Fig. 18	Principal exports (*chart*)	25
Fig. 19	Direction of trade (*chart*)	26
Fig. 20	Balance of payments (*table*)	26

The Economy

A. Economic appraisal

The Republic of Zaire is a vast country of 905,000 square miles, equivalent in size to that part of the United States lying east of the Mississippi River. It is richly endowed with largely untapped natural resources, including large deposits of copper, cobalt, and industrial diamonds, and has the largest hydroelectric potential of any country in the world. A wide range of climates permits the production of a variety of agricultural crops, and the tropical rainforests harbor the most extensive reserves of virgin timber in Africa.

Despite this great potential, most of Zaire's 24 million people eke out only a subsistence living in the vast interior, often isolated from the economic and political centers by inadequate means of transportation and communication. Personal allegiance is to family and tribe rather than to the abstract concept of a nation-state, although the central government is gradually increasing its presence in the more remote regions of the country. Education is quite limited in the rural areas and, where available, focuses more upon a classical curriculum than on ways to improve agricultural production and public health.

Belgium's granting of independence to Zaire (then known as the Belgian Congo and later as the Democratic Republic of the Congo) in June 1960 triggered 5 years of military mutinies and civil rebellions which threatened to Balkanize the country and destroy its economy. The accession of Joseph Desire Mobutu (now named Mobutu Sese Seko) to the presidency in 1965 brought stability to all but a few areas in eastern Zaire, with a concomitant gradual concentration of political and economic power in the hands of the President.

Economic recovery from the postindependence upheavals has been spectacular but uneven; trends in several major economic indicators are shown in Figure 1. Gross domestic product (GDP) in 1971 reached an estimated $2.1 billion, having increased in real terms

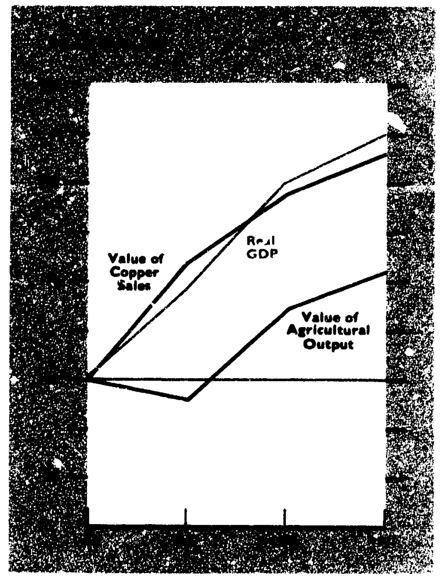


FIGURE 1. Economic indicators

by 25% over that of 1968; per capita annual income, however, is still less than $100. The mining sector continues to expand, accounting in 1971 for almost one-fourth of GDP and providing more than 80% of export earnings. Industrial production has risen considerably since 1969, with many manufactures in the modern sector surpassing pre-1960 output levels. Products are mainly light consumer goods and equipment and chemicals for mining and metallurgy. Commercialization of agriculture, on the other hand, has lagged; more than 40% of agricultural production is from subsistence farming. Progress has been made in the production of palm oil, coffee, and rubber, the principal export crops; and greater efforts are being made to increase the production of timber from Zaire's extensive tropical rainforests.

NOTE—The entire content of this Chapter is UNCLASSIFIED but is FOR OFFICIAL USE ONLY.

The government has been plagued since independence by inadequate revenues, the only exception being in 1969, when copper revenues were much higher than anticipated. Export taxes have provided around 60% of total public revenue; but this dependence upon tariffs for revenue makes government finance vulnerable to fluctuations in world trade and world market prices. The drop in copper prices during 1971, for example, accounted for most of the $60 million decline in government income from the record 1970 level, and no other sector of the economy has been able to fill this gap. Agricultural output still suffers from the severe disruptions of the postindependence upheavals, and the small industrial sector has only recently reached pre-1960 production levels.

Although unable to balance expenditures with revenues, Zaire has made significant strides in organizing its financial operations. Most of these efforts are part of the economic stabilization program initiated in 1967 with assistance from the International Monetary Fund (IMF) and include the presentation of a formal budget, expansion of the tax base, improved collection of taxes, and the establishment of procedures for limiting expenditures. Almost all fiscal powers are in the hands of central authorities, with previously uncontrolled provincial expenditures now dependent upon funds from Kinshasa.

Foreign aid has been a major factor in maintaining Zaire's economic viability by providing essential commodities and technical assistance. The United States has contributed more than $420 million, of which $348 million consisted of support assistance and P.L. 480 shipments. Belgium is another major aid donor, having provided about $25 million annually since 1966, primarily in the form of technical assistance. Other sources of foreign aid include West Germany, France, the World Bank, and the United Nations.

The main goal of the government's economic policy consistently has been to reduce foreign economic domination. Most industries and commercial farms have been in foreign hands since colonial days, and the important copper mines, although owned by the Zairian Government, are managed by Europeans. A program to "Africanize" the economy—increase the share of ownership and skilled personnel slots held by Congolese in foreign businesses—was launched in late 1965 after Mobutu became President. A special target has been the Belgians, who not only dominate the modern sectors of the economy but had left Zaire with virtually no experienced managers at the time of independence. However, only a few major Belgian interests—among them the mining firm Mining Union of Upper Katanga (UMHK) and the large financial institution Congolese Banking Company (SOCOBANQUE)—have been nationalized. Private foreign investment came to a virtual halt after the takeover of UMHK in December 1966, and Kinshasa superseded many of the more extreme aspects of Africanization with an investment code (enacted in 1969) to attract sorely needed overseas capital.

Encouraged by the new code and a subsequent compensation agreement between the government and UMHK, significant amounts of private funds were attracted during the past 3 years. U.S., European, and Japanese firms have decided to invest nearly $400 million in expanding copper production, which should brighten considerably Zaire's economic prospects through the latter half of the 1970's. In addition, several other large overseas firms have expressed interest in locating in the Kinshasa area and around the Inga dam complex on the Congo River below Kinshasa. Africanization is not a dead issue, however, and Mobutu occasionally threatens to take action against foreign business when he believes Kinshasa's interests are not being fully considered or when he wishes to divert attention from domestic problems.

Because of the somewhat uncertain environment for private foreign investment, the central government has become the major factor in the determination of further economic progress. Unfortunately, however, fiscal responsibility has been lacking among many Kinshasa officials; waste and inefficiency have greatly inflated budgetary costs and reduced funds available for development. Nevertheless, public investment is an important element of the government's total expenditures. Budgeted capital spending by Kinshasa dates from 1968 and is intended to operate in accordance with the economic priorities of restoring transportation and agriculture. In reality, however, the largest single allotment of funds has always gone to the presidency, which has favored more prestigious projects in the mining, power, and manufacturing sectors.

A change in this emphasis may be forthcoming. The Ministry (now Department) of Plan, created in early 1972 and headed by President Mobutu, is to develop and secure financing for specific projects, primarily in the transportation and agricultural sectors. The department's ability to carry out its designated function, however, may be hampered by the currently tight budgetary situation resulting from a precipitous drop in mining income. Increasing costs of government operations and declining public revenues may bring cutbacks in Kinshasa's development programs.

As a result of the above conditions, an economic slowdown appears likely. Some relief may come by 1975 in the form of increased copper production, but basic problems will remain. The economy is still unbalanced, income distribution is still inequitable, the domestic market is still too small to support large industries, and the country still depends heavily on foreign sources for its supply of skilled personnel. The government ha: yet to demonstrate any determination to switch its developmental emphasis from quick-profit, showcase undertakings to more fundamental and less glamorous projects in agriculture, transportation, and education.

B. Structure of the economy

Mining plays a leading role in the Zairian economy, while subsistence agriculture plays an unusually minor role for a developing country. Since independence, growth rates of the major sectors of the economy have varied greatly, in many cases substantially altering their relative contributions to GDP. The most significant of these changes has been the increase in the relative importance of mining and commerce, and the decline in commercial agriculture. Copper revenues, whose record levels provided the major impetus for the economic boom of the late 1960's, grew most rapidly, averaging gains of about 10% a year from 1968 through 1970. Lower world copper prices in 1971, however, substantially reduced income from this source, causing the mining sector's contribution to GDP to drop to 23%, compared to 30% in 1970. Commercial agriculture has never recovered from the postindependence disruptions and has declined to roughly 12% of GDP from a preindependence level of about one-third of GDP. The share of manufacturing and construction in GDP rose by about 7.5% annually from 1968 through 1971, while the share of the government and services sector remained virtually unchanged (Figure 2).

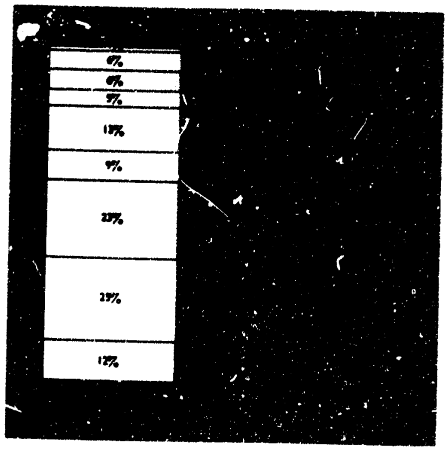


FIGURE 2. Estimated gross domestic product, by sector, 1971

1. Metals and minerals

Mining is by far Zaire's most important economic activity, generating more than 80% of the country's foreign exchange earnings and a substantial part of public revenue. The mining sector employs around 60,000 laborers, or about 9% of all Zairian wage and salary workers. Among non-Communist countries, Zaire ranks first in the production of industrial dir nonds and cobalt, and is among the world leaders in the production of several other metals, especially copper (Fipure 3).

The mining industry expanded rapidly following World War II, and 1971 output of several minerals was at record levels (Figure 4). The annual value of mineral production rose .0% between 1950 and 1956, reaching $380 million; in 1971, output registered a high of almost $525 million. This was achieved despite a steady decline throughout 1971 in the price of copper, which accounts for almost three-fourths of the total value of the annual mineral output. Zinc, cobalt, industrial diamonds, and tin comprise most of the remainder.

Zaire's mineral deposits and mining installations constitute an extremely valuable national asset that, until recent years, was controlled and operated largely by a Belgian holding firm and its subsidiaries. In 1966, after the achievement of relative stability within the country, several laws were promulgated which progressively reduced foreign domination of the mining sector. One law, requiring the foreign companies to transfer their headquarters to Kinshasa, touched off an immediate dispute with the major copper producer, UMHK, and the company's assets were seized by the government in December 1966. Other laws canceled all concessions granted prior to independence and provided for majority control by the government of many firms in which it previously had held only a small interest. A few small companies

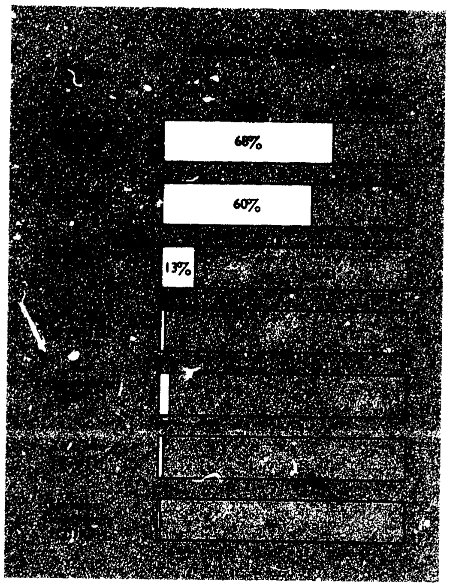


FIGURE 3. Position in the non-Communist world in mineral production, 1970

remain in private hands, but the central government is clearly the dominant force in the mining sector.

a. Copper

Shaba Region in the southern part of the country is Zaire's richest mineral area and contains rather complex metal ores. High-grade copper deposits are found in a belt about 50 miles wide extending about 280 miles along the Zambian border: they are a continuation of the rich Zambian deposits and contain about 12% of the world's known copper reserves. The processing of copper yields not only copper metal but such coproducts and byproducts as cobalt, lead, zinc, germanium, cadmium, gold, and silver. Most of the ores mined in Shaba are high in metal content by world standards, and estimates of proved ore deposits point to Shaba's continuance as a significant world supplier of copper and cobalt for at least the next 50 years. Reserves of the largest copper producer alone are estimated at about 18 million tons of copper metal occurring in 4% ore.

UMHK, a Belgian firm with concessions dating back to the early 1900's, exploited these rich deposits until 1 January 1967, when its Congo property was taken over by Kinshasa's own firm, the General Congolese Ore Company (GECOMINES), recently renamed General Quarries and Mines Company of Zaire (GECAMINES). The Congolese lacked the technical expertise to run the operation, however, and the management and marketing affiliate of UMHK, General Ore Company (SGM), was hired to keep production and exports at profitable levels.

Copper mining and ore processing take place at three locations in Shaba (Figure 5). The western facilities around Kolwezi account for about two-thirds of all copper ores, and the Kamoto mine in that area is the most productive in Shaba. The mines in the western group yield ores containing 4% to 6% copper. The installation in October 1969 of a highly automated ore concentration plant at Kamoto removed a major production bottleneck and has been responsible for much of the increased output since then. The central group of mines, which produce sulfurated ores, has as its focal point the smelters and electrolytic refineries at Likasi and Shituru. In the

FIGURE 4. Production of selected metals and minerals
(Thousands of metric tons unless otherwise shown)

	1959	1966	1967	1968	1969	1970	*1971
Copper	282.3	316.9	320.5	326.0	364.1	387.1	406.0
Zinc	67.2	114.9	121.5	119.3	95.5	104.0	116.0
Cobalt	8.4	11.3	9.7	10.4	10.6	14.0	14.5
Tin	9.3	7.2	6.6	6.3	6.7	6.5	6.1
Manganese	*na*	248.9	271.6	321.8	311.4	346.9	387.0
Gold (*kgs.*)	10.8	5.0	4.8	5.3	5.5	5.5	5.6
Industrial diamonds** (*million carats*)	14.2	12.4	13.1	11.4	11.6	12.4	12.0
Columbium-tantalum (*metric tons*)	256.0	96.0	146.0	113.0	174.0	132.0	114.0

na Data not available.
*Preliminary.
**Legal production only.

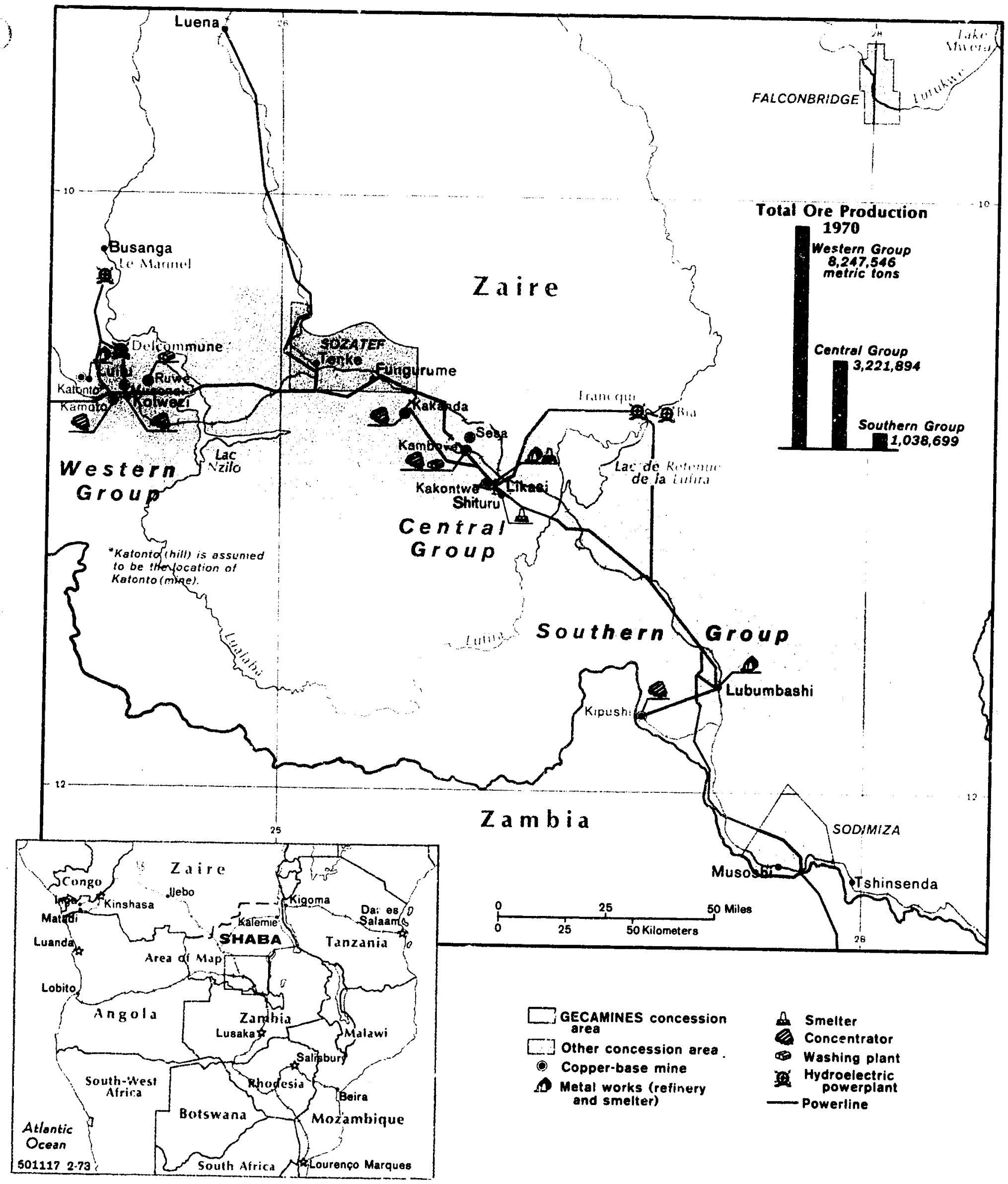


FIGURE 5. Copper mines and processing facilities, 1971

older southern group of installations around Lubumbashi, a smelter produces blister copper from ores from both the Kipushi mine (which produces sulfide ores containing up to 11% copper) and mines from the central group. In 1971 the production of electrolytically refined copper and blister copper totaled 406,000 metric tons.

A program which may well double copper production and exports by the end of the 1970's is in full swing and involves both domestic and foreign investment. GECAMINES' expansion program calls for an increase in output to 460,000 tons by 1974 and an investment of over $100 million. Nearly half of the total investment will be required for expansion of the mines, and the remainder will provide for the construction of concentrators, smelters, and refineries. To finance the program, the central government has exempted GECAMINES from paying taxes on all copper production in excess of 360,000 tons per year and from paying import duties on equipment being installed. The recent decline in both copper prices and company profits has forced GECAMINES to borrow from the European Investment Bank and the Export-Import Bank of the United States. GECAMINES plans further expansion of productive capacity to 600,000 tons by 1980, but this would require a substantial increase in Zaire's electrical capacity. The government is currently studying the possibility of constructing a power transmission line from the Inga facilities on the Congo River below Kinshasa to Shaba Region. The line would be one of the longest in the world (1,100 miles), but there are substantial technical problems to be solved before the project can be completed. In the meantime, the building of a dam and powerplant at Busanga in Shaba is also being considered as an alternate source of energy.

Further private foreign investment in the copper industry has been sought by Kinshasa for some time. The restoration of order in 1965 finally bore fruit about 2 years later, when an agreement was reached with a group of Japanese firms to develop copper deposits in Shaba south of Musoshi and around Tshinsenda. Both regions have ores very rich in metal content. To carry out mining operations, the Industrial Development and Mining Company of Zaire (SODIMIZA) was formed in April 1969, with 15% participation by the government and 85% interest by several Japanese firms. Extraction of the copper ore was scheduled to begin in October 1972 (at Musoshi), and initial production from these ores is to be 50,000 tons of concentrates per year. Current plans provide for an additional annual output of 50,000 to 75,000 tons by 1975. The concentrates are to be exported to Japan via rail through Zambia, Rhodesia, and Mozambique, and then by ship. A second group, often called the American consortium, was given a concession of previous UMHK holdings at Tenke and Fungurume in September 1970. The Zairian Government owns 20% of the new company, The Mining Company of Tenke-Fungurume (SMTF), with the remainder being held by a multinational assortment of U.S., French, British, and Japanese firms. SMTF hopes to begin mining operations by 1975, with an initial production goal of 100,000 tons of metal annually. The SODIMIZA and SMTF projects could mean an investment of almost $400 million through the 1970's and an increased copper production of around 200,000 tons annually by 1975 (Figure 6).

b. Cobalt and zinc

Zaire is the world's largest producer of cobalt. Most of the output is a byproduct of copper refining. Copper-cobalt ores are processed at the Luilu and Shituru metallurgical plants and shipped out as electrolytic cobalt granules or cathodes. An integral part of GECAMINES' copper expansion program is to increase cobalt production from 10,600 tons in 1969 to 16,000 tons by 1975. Output in 1971 totaled 14,500 tons.

Zinc concentrates obtained from the sulfide copper ores at Kipushi are roasted at the Kolwezi plant of General Industrial and Chemical Company of Shaba

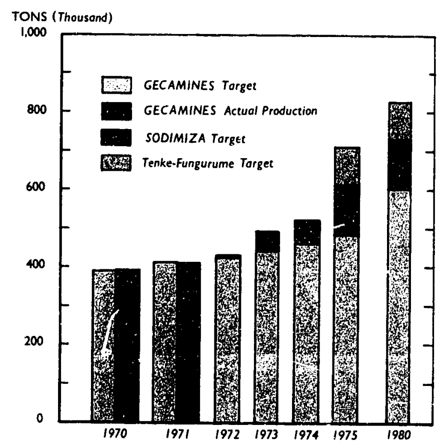


FIGURE 6. Copper production 1970-71; production targets, 1970-80

(SOGECHIM) and subsequently processed into electrolytic bars at the Kolwezi electrolytic plant of the Zinc Metallurgical Company (METALZINC). Both SOGECHIM and METALZINC are parts of the GECAMINES holdings. Production of zinc fluctuates depending upon the zinc content of the copper ores mined at Kipushi (Figure 4).

c. Cadmium and germanium

Several rare metals and other minerals have also been produced in Shaba. Flue dusts recovered at the Lubumbashi smelter and processed by METALZINC yield an annual average of about 15 tons of germanium and 300 tons of cadmium. Lead is produced at a small electric smelter in Likasi; all output is consumed within Shaba. Uranium, radium, vanadium, and other minor metals are available for mining, but high operating costs render such operations infeasible.

d. Tin

Zaire is among the leading producers of tin, although it accounts for only 2% of non-Communist world production. The zone of tin deposits extends in a narrow belt for about 600 miles from northern Shaba through Kivu Region and into Haute-Zaire Region (Figure 7). Tin output was affected seriously by the rebellions, and 1966 production was only about 80% of the 1959 level. Continued security problems in Kivu, deteriorating processing facilities, and an international quota system tied to a fluctuating world market have kept tin output below preindependence levels.

Almost all tin mining is carried out by two companies. The largest is the Tin Mining Syndicate (SYMETAIN), whose mines in Kalima, Punia, and other locations in Kivu provide about two-thirds of Zaire's production. SYMETAIN's reserves are estimated at 130,000 tons, metal content. Tin concentrates of around 75% metal content are obtained by crushing, screening, and washing the ore; the concentrates are shipped over the long river-railroad system through Port de Kindu to Kisangani and down to Matadi. Less than half of SYMETAIN's production operations are mechanized; most are small hand-worked sluices. Efforts to expand production include the opening of a new quarry and processing facility east of Manono to ease the gradual exhaustion of existing production sites. The only other important tin mining firm is Zaire-Tin (Zaire-Etain), located in northern Shaba. It operates a fairly sophisticated processing complex, including a smelter at Manono. Zaire-Tin was created in October 1968, with one-half ownership by Zaire, and the remaining shares being held by Geological and Mining Company of Belgian Industrial Engineers (GEOMINES), which also manages the entire production process from mine to market.

e. Columbium-tantalum

Columbium-tantalum minerals are obtained as coproducts of tin mining. As in the case of tin, production of columbium-tantalum has remained below preindependence totals and is currently less than half the output registered in 1959. Zaire-Tin accounts for around 55% of the total production, and the Mining Company of Kivu (KIVUMINES) for most of the remainder. A local affiliate of Union Carbide began mining columbium in late 1970, but it discontinued operations at the end of 1971 because of excessive production costs.

f. Gold

Gold production has increased only slightly from the low levels of the disturbed postindependence war period. Mining operations are carried out exclusively within a narrow belt along the eastern border of Kivu and Haute-Zaire Regions, generally overlapping the tin zone (Figure 7). Gold output fell in the mid-1960's as rebels, mercenaries, and the military successively plundered the mines. Even with the return of security, many of the mines have remained closed because of high operating costs. The government-owned Kilo-Moto mine near Lake Albert is the major producer, accounting for about 75% of present production. The only other important producer is the African Great Lakes Mining Company (MGL), operating an underground mine near Bukavu. An expansion of gold output and substantial reduction of associated high production costs will require both modern processing facilities and the exploitation of new deposits with higher metal content.

g. Industrial diamonds

Zaire is the non-Communist world's largest producer of industrial diamonds and is believed to have the world's largest diamond reserves. Deposits are located in Kasai-Occidental and Kasai-Oriental regions, the principal area being around Mbuji-Mayi in Kasai-Oriental. More than half of the non-Communist market for industrial diamonds, mostly in the form of crushing bort, is supplied by Zaire; only about 2% of annual production is in gem stones. The sole marketing agent for diamonds mined in the country is British Diamonds, an affiliate of the DeBeers Central Selling Organization.

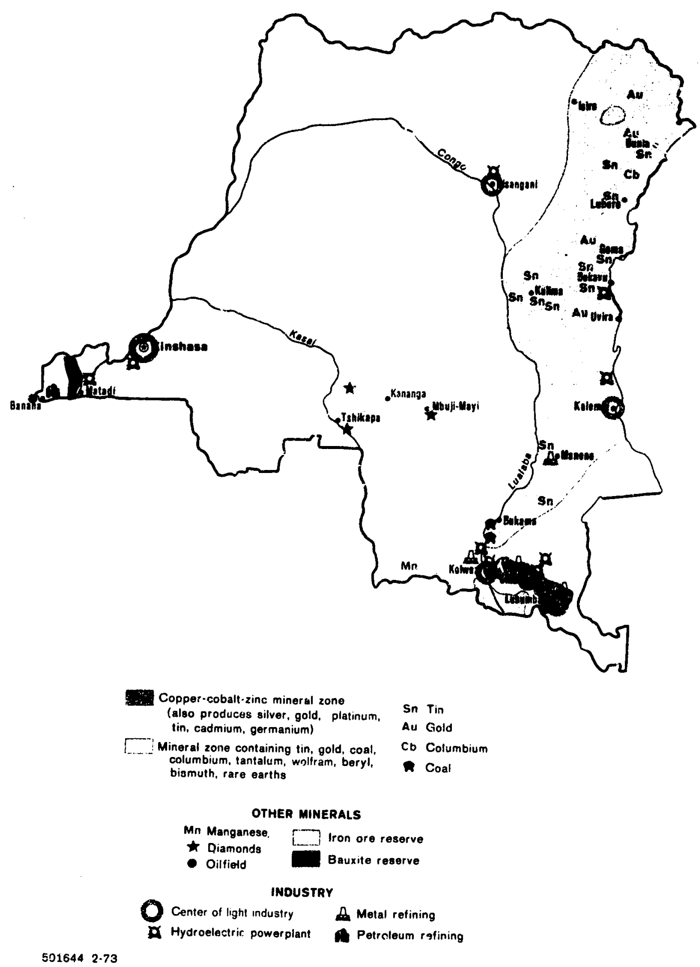


FIGURE 7. Industrial centers and mineral zones

The main producer of diamonds is the Bakwanga Mining Company (MIBA), which since May 1969 has been half owned by the central government. Previously MIBA was owned virtually outright by Enterprise and Investment Company of Beceka (SIBEKA), a Belgian company in which South African and U.S. companies hold minority shares. No change in the foreign management of MIBA or its operations took place with the government's becoming majority owner, but annual production has been temporarily limited to 12 million carats, the maximum amount which British Diamonds has guaranteed to market in view of increasing competition from synthetic diamonds.

The few diamonds of gem quality are found primarily in the Tshikapa area of Kasai-Occidental. No diamonds have been mined legally from the area since 1966, when chaotic security conditions forced International Forestry and Mining Company of the Congo (FORMINIERE) to close down operations. The company's assets were liquidated, and its concession reverted to the central government. The deposit is worked regularly by Zairian poachers, and the diamonds (including diamonds poached on the MIBA concession) are smuggled into Brazzaville, Republic of the Congo, and Bujumbura, Burundi. The Zairian Government is taking steps to reduce diamond smuggling through new and better techniques of surveillance, tougher penalties, and reopening of the Tshikapa purchasing office, closed down since 1970 because of personnel shortage and inefficiency. Around 4 million carats of both gem and industrial diamonds were carried out of the country illegally during 1971.

h. Manganese

Zaire produces about 350,000 tons of manganese annually, ranking eighth among non-Communist producers. Manganese deposits are exploited by Kisenge Mining Company, registered and owned by *Societe Generale de Belgique*. Reserves are large (approximately 6 million tons, with a 42% manganese content), and the location of the mines near the railroad line to the Angolan port of Lobito is commercially advantageous. As a result of unsettled market conditions and rebel incursions, production has varied considerably and stopped entirely between November 1967 and March 1968. Since 1968, production has returned to near normal levels. Other subsidiaries of the company act as consultants on operations and exploration at Kisenge. A complement of 2,000 Zairians and about 50 foreigners run the operation.

i. Other minerals

Various other metals and minerals are found in Zaire. Large deposits of iron ore exist in many areas, but the absence of coking coal and the long, costly routes to the sea have prevented their development. Bauxite was discovered in 1958 in Bas-Zaire Region. The government is negotiating with two large U.S. aluminum firms, Alcoa and Kaiser, to establish a major metal processing facility using power from the Inga dam, now under construction on the Congo River. Limestone and clay deposits are adequate for many years at present consumption rates. Other construction materials available include gypsum, sandstone, granite, basalt, quartz, and stone suitable for road surfacing.

2. Agriculture, fisheries, and forestry

Agriculture, which provides employment for approximately 70% of Zaire's population, has lagged over the past 12 years. Farm production suffered considerably because of the local strife which broke out after independence was granted in 1960. Prosperous agricultural cooperatives, created by the Belgians during 1945-60 to modernize native farming techniques, were abandoned, and the large, export-oriented European plantations fell into disuse. Urban markets were frequently isolated from their rural suppliers, and great numbers of native farmers reverted to subsistence agriculture. By 1966, cash farm output was about half that of 1958, and officially recorded exports fell from $180 million to $70 million—plus an estimated $40 million in goods smuggled out of the country. Many foods and fibers previously exported had to be imported. Since 1965, with the gradual restoration of internal security, the trend of agricultural production has been slowly upward. Nevertheless, annual output of most important crops is still below preindependence levels, reflecting the major impediments of an inadequate network of roads and waterways and the lack of adequate price and income incentives for producers (Figure 8).

a. Land use

Zaire lies astride the Equator, but because of its varying altitudes, temperate and subtropical crops as well as tropical crops are grown. The sparsely populated, low-lying, densely forested Congo River

FIGURE 8. Production of selected agricultural commodities
(Thousands of metric tons)

COMMODITY	1959	1966	1967	1968	1969	1970
Palm oil	245	147	180	206	201	203
Palm kernel oil and oil cake	168	68	97	105	109	107
Cottonseed oil	90	1	1	1	2	1
Coffee	62	36	39	55	51	67
Tea	4	6	3	5	5	9
Cocoa	5	4	5	5	4	4
Sugar	39	32	35	36	39	41
Cotton	63	7	8	12	18	17
Rubber	40	30	32	41	37	33
Timber*	440	317	269	257	255	239

*In thousands of cubic meters.

APPROVED FOR RELEASE: 2009/06/16: CIA-RDP01-00707R000200110003-0

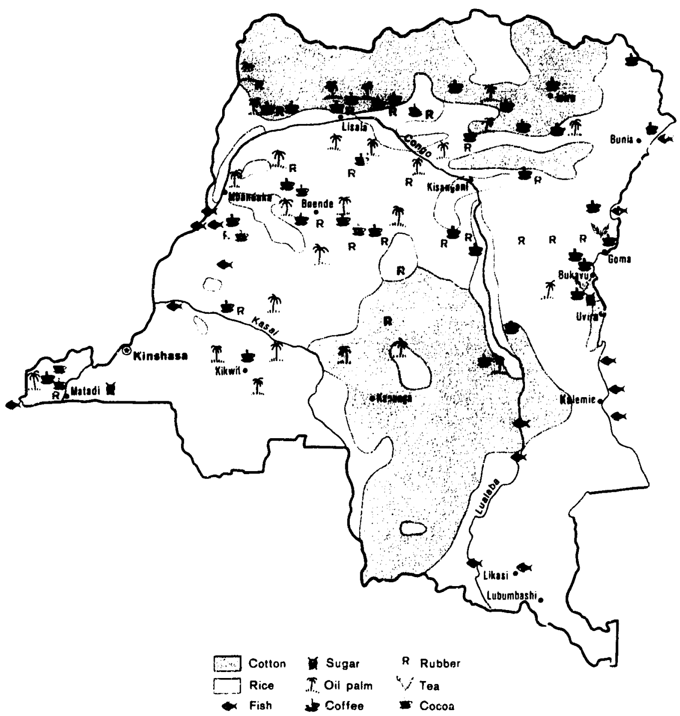
basin covers about a third of the land area and is well suited to palm, rubber, and other tropical trees (Figure 9). A high plateau, mostly grass covered with scattered trees and shrubs, makes up most of the rest of the country. Subtropical crops such as cotton are grown in this area. In southern Shaba and along the eastern border, the elevation is of sufficient height that crops requiring cooler weather, such as Arabica coffee, tea, and potatoes, are raised along with livestock.

In most of Zaire, the climate is tropical, with uniformly high temperature and high humidity. Precipitation in the Congo River basin is mainly in the form of thundershowers, with no pronounced dry season. To the north of that region, a dry season extends from November through March, and to the south from April through September. Wide annual variations in total rainfall and periodic droughts occur in the plateau and highland areas.

Land has always been underutilized. Only 1% of the area is under cultivation or fallow at any time, and 1% is in permanent pasture. Some 20% of the area is suitable for crops or grazing but is currently unused. Forests make up 45% of Zaire's total land surface, and the remainder is built-up or wasteland (Figure 10).

In part, the underutilization of agricultural land is due to the natural infertility of Zairian soils. Exceptions are found in the Congo River flood plain, where sediment from seasonal flooding is deposited, and in Kivu Region, where volcanic soils are deep and rich. In most other areas, however, the soils become exhausted rapidly unless fertilized and require long fallow periods for regeneration.

Most of the land is collectively owned by villages with no right of mortgage or sale. Details of the traditional land tenure system vary widely in different parts of the country, but, in general, local chiefs allow



501643 2-73

FIGURE 9. Agricultural zones

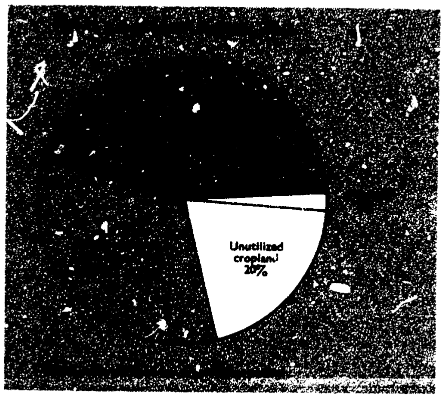


FIGURE 10. Estimated land use, 1971

the usufruct of land to individual families, who may retain the same "property" for many years. A system of modern land rights has developed in and around the cities and for commercial crop growing. Many of these land rights were granted by the Belgians during the colonial period and are under scrutiny for possible revocation by the central government.

b. Food crops for export

(1) *Coffee*—Two varieties of coffee are grown, and most of the annual crop is exported. The cheaper Robusta variety, used principally to produce instant coffee, accounts for most of the production; the higher grade Arabica is grown in much smaller quantities. The hardy Robusta coffee tree is grown in tropical lowlands, principally around Isiro in the northeast. Arabica coffee, native to the tropical highlands, is produced almost exclusively in the elevated area of Kivu Region in eastern Zaire. Most of the coffee crop comes from large European-owned plantations; native production occurs on small farms.

Coffee production suffered greatly from the many internal upheavals, as workers fled the plantations and reverted to subsistence farming. Few coffee trees were damaged, however, and the return to earlier production levels has occurred almost spontaneously wherever plantations have been restored by their owners. Official reporting does not reflect all production; an estimated 5,000 to 10,000 tons are illegally harvested and smuggled out of the country. For some time, output should exceed total domestic consumption plus exports under the International Coffee Agreement quota; because of a massive planting campaign in the 1950's, many coffee trees are now in their most productive period. Officially recorded production during 1970 reached more than 67,000 tons, almost double the output achieved in 1966. High prices caused the value of coffee exports in 1970 to surpass that of palm oil for the first time. Foreign sales of coffee totaled almost $45 million, about 34% of Zaire's agricultural exports that year.

Prior to July 1972, coffee had been marketed by individual producers or through producer cooperatives. Several large and numerous small private firms, owned principally by Greeks and Portuguese, purchased coffee and other produce from the natives and provided a limited variety of consumer goods to the interior. In July 1972, a new law was enacted creating the National Coffee Office (ONC), which has sole responsibility for marketing coffee. All growers must now sell to ONC, which in turn exports the coffee.

(2) *Tea and cocoa*—Tea is grown primarily in Kivu Region on European-owned plantations and, to a lesser extent, on native farms. Annual production is estimated at approximately 8,000 to 10,000 tons, of which about one-half is legally exported and most of the remainder is smuggled out of the country. Most of the tea consumed domestically is provided by native farmers who are unable to sell their crop to European planters for processing and export because of its allegedly inferior quality.

Cocoa is a minor food crop; it is grown on plantations in the Mayumbe forest near the coast and in the north near Lisala and Budjala. Production, which is fairly stable at between 4,000-5,000 tons, is almost entirely exported; overseas sales totaled $3 million in 1970.

c. Food crops for domestic consumption

(1) *Cassava, plantains, and cereal grains*—The average Zairian citizen relies heavily upon starchy foods, particularly cassava (manioc), plantains, and corn, for his daily diet. Although found almost everywhere in Zaire, cassava is produced primarily in the Kinshasa and Kasai areas; minor producing areas are in Shaba and Kivu. Prior to independence, production was high enough to allow the exportation of 60,000 tons of cassava flour; since 1963, however, foreign sales have been negligible. Plantains are grown throughout the country and, next to cassava, are the most important domestic food crop. Corn, the principal cereal grain, is cultivated extensively on small patches of land. Some corn was exported before 1960, but the subsequent civil disturbances have

APPROVED FOR RELEASE: 2009/06/16: CIA-RDP01-00707R000200110003-0

forced authorities to import an average of 75,000 tons a year, about 40% of domestic consumption. Rice is another staple grain crop, grown along the rivers in Haut-Zaire and Equateur regions and to some extent in Kivu. The rice production process, from the distribution of seeds to marketing, is controlled by private European firms. Around 20,000 tons of rice must be imported annually to supplement domestic production; demand for rice totals about 110,000 tons annually.

(2) *Vegetables and fruits*—The basic starchy Zairian diet is supplemented by a variety of vegetables and fruits, including beans, peas, potatoes, lettuce, and strawberries. These are grown in the Kivu upland region of eastern Zaire. Relatively large quantities of these products formerly were shipped to urban areas throughout the country, but internal disorders and transportation difficulties have reduced shipments to below preindependence levels. With the exception of bananas grown for export on European-owned plantations in the Mayumbe coastal region, very little produce is marketed outside the immediate producing areas.

(3) *Sugar*—Sugarcane is produced in only two places in Zaire: the Zairian Sugar Company (CSZ) plantations in Bas-Zaire and the plantations of Sugar Mills and Refineries of Central Africa (SUCRAF) in the Ruzizi valley of Kivu. Production of cane by SUCRAF has suffered from past rebel disturbances in Kivu, but losses have been largely offset by expanded production at the CSZ plantations. The demand for sugar continues to expand as people move into the cities, where the commodity is more readily available and prices are regulated. Production does not satisfy damand, and imports now supply one-third of the total domestic consumption. Expansion of domestic output will necessitate an increase in crop plantings and in mill capacity, but this increase, in turn, depends upon higher prices than are now allowed by the government.

d. Industrial crops

Output of Zaire's industrial crops—palm kernel oil, cotton, and rubber—was severely curtailed during the postindependence disturbances and is still below 1959 levels. Only 360,000 tons of these crops were harvested in 1970, compared with 550,000 tons in 1959. Exports in 1959 and 1970 totaled 362,000 tons and 262,000 tons, respectively.

(1) *Palm oil*—The production of palm oil, palm kernel oil, and oil cake increased to 310,000 metric tons in 1970 from 200,000 tons in 1965, following the return of political stability in the producing areas. Output in 1970, however, was still only about three-fourths that in 1959. Significant expansion in output of this important agricultural export will require an extensive replanting program and an adequate labor supply, but labor has become increasingly attracted to urban jobs, which pay more. Depressed world prices for palm oil are forcing Zairian producers to abandon the less efficient groves of wild palm trees and to concentrate production on large plantations, where more systematic harvesting and cultivating techniques result in greater yields of higher quality oil. This has caused a decline in the harvests of the large wild palm region in the Kwilu area, with a resultant shift to increased plantings in Equateur Region, which has vast tracts of rainforest ideally suited for palm plantations. Major palm oil producers are relocating their facilities to this region.

Palm oil is obtained from the exterior fleshy pulp of the palm fruit, and palm kernel oil is extracted from the hard kernels. These oils are used as cooking fats; in the manufacture of margarine, other food products, and soap; and in the copper, steel, and tinplating industries. Most processing of palm oil is done locally to insure a high-quality oil and to reduce transportation costs between remote producing areas and the markets. Domestic demand for palm oil, which is around 50,000 tons, is for use in foods, soap production, and in the copper flotation process. An additional amount, currently unknown but believed to be rather large, is consumed by the rural population. About 50,000 tons of palm kernel cake, a livestock feed, are processed and exported. Until surpassed recently by coffee, palm oil was the leading agricultural export. Low prices resulted in a decline in the value of palm oil exports in 1970 to $41 million, or about 31% of all farm exports.

(2) *Cotton*—Cotton is grown in three distinct areas: north of the equatorial rainforest in Equateur and Haut-Zaire regions, south of the rainforest in Kasai-Oriental, Kasai-Occidental, and Shaba Regions, and a small area bordering the northern part of Lake Tanganyika. An average of one-third to one-half hectare per family is used for growing cotton. Prior to independence, each native family in the cotton-growing area was compelled to plant at least one hectare of cotton, with Belgian-run cooperatives supervising the entire industry from planting to marketing. By 1959, 63,000 tons of cotton fiber were produced, with only 10,000 tons being retained for domestic use. During the first chaotic years of independence, production dropped precipitously to a low of about 6,000 tons in 1965, and cotton had to be

imported to satisfy domestic requirements. Despite a slight decline in 1970, production since 1965 has been generally upward, primarily because of stability in the countryside but also because foreign-owned cotton companies resumed their earlier practices of providing seed, handtools, and insecticides to the Zairian farmers. Such assistance, however, has almost entirely ceased, since the government no longer reimburses the companies for their expenses.

Zairian authorities, with assistance from abroad, intend to develop cotton production as a means of increasing income in the rural areas. One crop-intensification project is already underway and is exceeding production goals; a second such project anticipates an increase in output of 27,000 tons of seed cotton in 6 years, expanding current output by almost 50%. Producer prices were raised in July 1969 in an effort to stimulate production in marginal growing areas as well as the principal cotton regions. Even with the increase, however, prices are still quite low, compared with those in neighboring countries. In late 1971, a quasi-governmental organization was established, which, in May 1972, was given sole authority over the operation of the cotton industry.

(3) *Rubber*—Rubber is principally a plantation crop, but some is obtained from peasants who tap wild trees and either sell the latex to the plantations or, established in cooperatives, produce rubber sheets with their own equipment. The major rubber-producing area is the Boende region of Equateur. Most of the latex is exported as ribbed smoke sheets; only a small amount is processed for domestic use. Rubber production on plantations suffered extensive material and manpower losses during the 1964-65 rebellions, and exports fell to a postindependence low of 21,000 tons. Low world prices have kept rubber output below 40,000 tons annually, despite efforts to rejuvenate the industry.

e. *Livestock*

Cattle are kept by Zairian herdsmen and European ranchers, although the natives consider the animals more as a symbol of wealth than a marketable commodity, usually maintaining only a subsistence level of meat consumption. Animal husbandry is largely confined to semipastoral tribes in Kivu and Haut-Zaire Regions. These regions constituted the center of an important meat and dairy product industry prior to independence, when several European-owned herds of more than 30,000 head each were located there. Herds were greatly reduced in size during the first years of independence because of indiscriminate slaughtering and the lack of adequate disease-prevention services; veterinary facilities continue to be scarce and substandard in Kivu and Haut-Zaire regions. Recently, there has been a modest but encouraging development of Zairian cattle ownership in Bas-Zaire Region, where livestock breeding centers are providing cattle to farmers who eventually repay them in kind from the offspring. Several substantial herds have been built up under this system and could provide an important future source of meat for the Kinshasa market, which is heavily dependent upon meat imports. European ranchers are located mainly in Bas-Zaire and Shaba regions, where they are divided into either large corporate ranching organizations with herds of 20,000-30,000 head or individual ranchers with generally smaller herds. In 1969 there were an estimated 650,000 head of cattle, 1.5 million goats, and 641,000 sheep in Zaire.

Domestic beef consumption was around 45,000 tons in 1970, of which 12,500 tons were imported from Chad, Argentina, and South Africa. Consumption of milk, cheese, and other dairy products continues to run well above production; the market is supplied primarily by imports. Poultry raising is of little commercial significance because of the high cost of feed. Flocks are kept in the Kinshasa area and in other major towns, but domestic demand for poultry products is met largely through imports.

f. *Fishing*

Zaire is rich in freshwater fish resources. Large catches are harvested from the Congo River watershed, countless other rivers and streams, and lakes along the eastern border. Annual consumption is reportedly around 200,000 tons, 90% of which is from noncoastal waters. Most of the catch is distributed and eaten fresh, but dried, smoked, and salted fish is traded wherever transportation and marketing facilities permit. A small amount of frozen fish is shipped to urban centers.

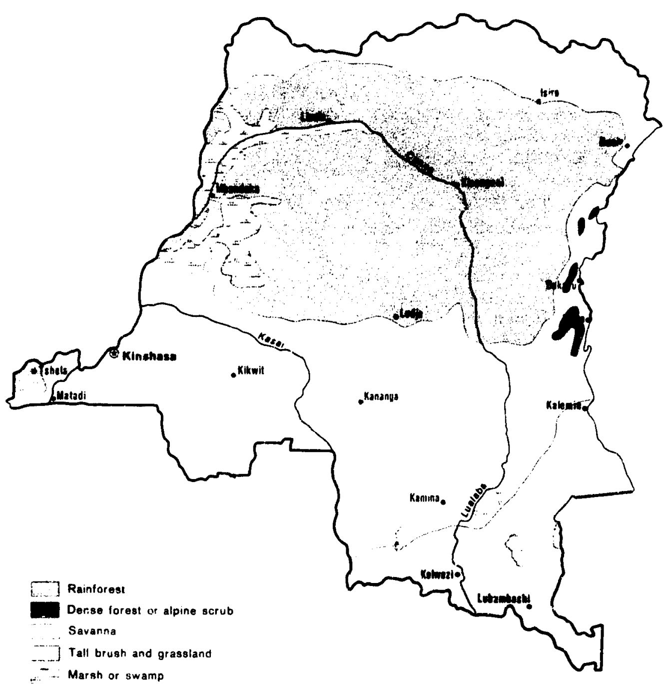
Fishing along the rivers is engaged in almost exclusively by individual native fishermen using pirogues and small nets, while the eastern lakes are the domain of European firms, mostly Greek, using motorized launches and large nets. Maritime fishing along Zaire's 23-mile Atlantic coastline is the primary responsibility of the Zaire Maritime Fish Company (PEMARZA), operating out of the Matadi port area. PEMARZA supplies both fresh and frozen fish to the market and exports those varieties of seafood (such as sole, lobster, and shrimp) that do not appeal to Zairian tastes. The company has experienced slow growth for several years because of international competition in the coastal fishing areas, high operating costs, and low governmentally fixed prices. PEMARZA's total catch in 1970 was almost 15,000 tons, somewhat below the 18,000-ton capacity of the company's trawlers

Despite the abundance of fish in Zairian waters, the total commercial catch (66,000 tons in 1970) is not large enough to satisfy demand, and 30,000-40,000 tons of fish and fish products must be imported each year. Many industrial fisheries along the eastern lakes were abandoned during the rebellions of the early 1960's, while those still operating are plagued by a lack of replacement parts for motorboats and trucks. Restoration of Zaire's fishing sector will require substantial investment and technical assistance, neither of which is readily available at the present time.

g. Forestry

Zaire possesses the largest reserves of virgin forests in Africa; they are located primarily in the tropical rainforest of the Congo River basin (Figure 11). This vast tropical rainforest covers most of Equateur and Haut-Zaire Regions and parts of Kivu, Bandundu, and Kasai Regions, a total of more than 95 million hectares. The Mayumbe rainforest near the Atlantic coast is significantly smaller in size, covering about 500,000 hectares, but its greater accessibility has made it the principal source of commercial lumber and lumber exports. The forest industry consists of many independent logging outfits, mechanized sawmills, several plywood and veneer plants, and numerous pitsaws, carpentry shops, and fuelwood cutting operations.

The output and export of forest products have decreased steadily since independence, with total domestic production falling to about one-half the 1959 level of 440,000 cubic meters. Log exports were suspended from October 1969 to April 1971 because of the virtual exhaustion of commercially exploitable



501642 2-73

FIGURE 11. Vegetation

stands in the Mayumbe area. Although some rough timber is being shipped overseas, current output is designed primarily to satisfy domestic demand. Some veneers and plywood are exported, but even these have declined in volume during the past 2 years. Foreign cash sales in 1970 totaled $3.4 million, slightly over half those of 1966. A 36-year reforestation program financed by a tax levied upon the forestry companies should restore limited parts of Mayumbe to production within 5 or 6 years, but cutting will be sharply reduced compared to previous levels. The decline of the Mayumbe forest as a major source of wood products has forced lumber operations to shift to the Zaire River basin. The transfer process has been slow, however, since the costs of transporting forest products from the Zaire basin area are high and profits from operations are comparatively low.

An important determinant of Zaire's ability again to become an important exporter of wood and wood products is how well cutting operations are supervised by governmental authorities. The forestry service of the Department of Agriculture inherited from the colonial administration an elaborate forest management plan encompassing licensing and surveillance of commercial operations and a comprehensive reforestation program. Until 1972, however, the government has had neither the technical personnel nor the financial means to regulate the industry fully, and forest management has been extremely lax. The consequences have been severe: royalty payments to the government have been evaded, reforestation has lagged, and the depletion of primary reserves has accelerated.

3. Fuels and power

The electric power industry is relatively small, but it ranks seventh in Africa in installed capacity and fifth in the production of power; annual domestic per capita power consumption (148 kw.-hr.) is also high. Total installed capacity is in excess of 751,000 kilowatts, and electric power production during 1970 amounted to more than 2.9 billion kilowatt hours. Hydroelectric plants produced 90% of the total output, and the mining industry accounted for over 70% of total consumption. Nearly all of the large urban areas have electric service, but rural areas are poorly supplied or are totally lacking in electricity.

Control of the electric power industry is vested mainly in the federal government, under the Department of Energy; control is exercised through a centralized authority, Water and Electricity Distribution Administration of Zaire and Rwanda-Burundi (REGIDESO). Four publicly owned companies construct and operate large powerplants, such as public utility plants which furnish electricity on an interregional basis. REGIDESO functions as a holding company and is responsible for overall management, thus providing continuity in development and operation. The mining and other industrial companies produce electricity for their own needs, making any surplus power available for public distribution.

The high-voltage transmission system is owned by GECAMINES, which regulates interregional flows of electricity as well as international exchanges with Zambia, Congo, Rwanda, and Burundi.

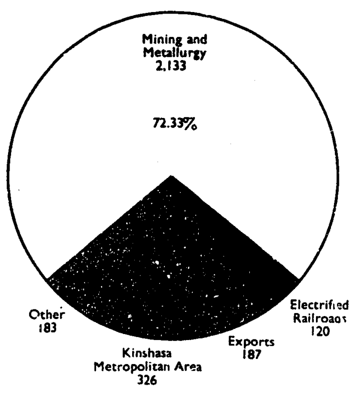
Because of the dearth of fossil fuels, the country's vast waterpower resources have been developed to provide the backbone of the national power grid. Hydroelectric development is concentrated in the vicinity of Kinshasa and in the southern and eastern areas of the country. Around four-fifths of the installed hydroelectric capacity is in four large plants located in Shaba Region: Le Marinel (276,000 kw.), Nzilo (120,000 kw.), Ilebo (96,000 kw.), and Zonzo I (75,000 kw.). The remainder is accounted for by smaller stations with capacities up to 47,000 kw.

Thermal plants, which are scattered throughout the country, are predominantly diesel powered. These plants are used on a standby basis, operating when water is insufficient for full hydroelectric powerplant operation and during peak-load periods.

The principal consumers of electric power are the mining and metallurgy industries, which accounted for more than 72% of the domestic consumption in 1970. Other industries and the railroads consumed about 10%, households and commercial users in the larger towns accounted for 11%, and 6.3% of the output was exported (Figure 12). Most nonindustrial use is in urban areas, where about 5 million kw.-hr. are consumed annually, mainly for household and street lighting. Only about 10% of the country's homes have electricity, and about one-half of these are in the Kinshasa-Matadi area, which also accounts for much of the commercial use (mainly street lighting). A small amount of the total available power is used by a 420-mile-long electrified railroad extending between Tenke, Lubudi, Lubumbashi, and Kolwezi. A very small amount is also used for the operation of irrigation pumps.

Zaire's unharnessed hydroelectric potential—estimated at 103 million kw.—represents about 13% of the world potential, of which over 10% is in the lower basin of the Congo River. Less than 1% of the nation's potential has been exploited. On the lower Congo River, part of the first stage of the Inga dam

Total 2,949 million kilowatt hours*



*Comprising all industrial and nonindustrial consumption in the Kinshasa metropolitan area

FIGURE 12. Consumption of electric power, 1970

hydroelectric plant was completed in late 1972, and bids are being taken for construction of the second stage. Electricity produced by the first stage will be transmitted to Inga, Kinshasa, Matadi, and Boma in the lower river region. Seven transformer stations are planned: two each at Inga and Boma, and one each at Kwilu, Kinshasa, and Matadi. Because of inadequate domestic technical and financial capabilities, completion of the Inga project is dependent on foreign assistance. Primary donor countries are Italy and the European Development Fund (FED).

Zaire's consumption of petroleum products has been increasing rapidly since the country's only refinery was completed in March 1968. The plant, located at the ocean port of Banana, was built by the Italian state-owned company, National Hydrocarbons Agency (ENI). Operating entirely on imported crude oil, initial refining capacity was 650,000 tons per year, but it was recently expanded to 750,000 tons. Production totaled 631,000 tons in 1970, somewhat more than 75% of total domestic consumption for the year. The refinery, which is capable of processing crude oil into gasoline, diesel fuel, fuel oil, and jet fuel, is operated by Zairian-Italian Refining Company (SOZIR), jointly owned by the Zairian Government and ENI. Only fuel oil is exported. Petroleum products destined for Kinshasa are shipped from the refinery by barge and pipeline; products going to Shaba are sent by tanker to Lobito, Angola, for transshipment via the Benguela railroad. The major area not served by the refinery is Kivu Region, which imports petroleum products from abroad through east Africa.

There is no domestic source of crude oil for the refinery, although exploration by private companies indicates the presence of a substantial offshore petroleum reservoir and deposits of oil and methane gas in Lac Kivu. Methane gas has also been discovered near Kisangani. The petroleum deposits are located within concessions granted to foreign interests, however, and commercial exploitation would probably be focused upon international markets, primarily in Western Europe and Japan. Some production may well be diverted to the refinery at Banana, but it is unlikely that this would significantly ease Zaire's dependence upon imported crude oil. At the present time, crude petroleum is obtained from Middle East suppliers by the four distributors of oil products in Zaire: Mobil, Petrozaire, Shell, and Texaco.

In addition to deposits of petroleum and methane gas, Zaire possesses rather large coal reserves—estimated at several hundred million tons—but their relatively poor quality has forestalled extensive exploitation. The only two mines in operation are located in Shaba Region; they belong to the Luena Colliery, an affiliate of GECAMINES. The mines provide about one-third of the annual domestic requirement of around 350,000 tons; the remainder is imported, primarily from Rhodesia.

4. Manufacturing and construction

In comparison with other sub-Saharan countries, Zaire has a large and diversified manufacturing base. The country leads the continent in the production of beer and ranks high in cigarettes, textiles, and metal and chemical products used in the mining industry. Ownership of most manufacturing plants is held by foreigners, primarily Belgians; other firms are controlled in varying degrees by Greek, U.S., British, Dutch, or Canadian nationals.

The establishment of local manufacturing industries was prompted by the nation's isolation from the main suppliers of consumer goods and spare parts during World War II. Production increased rapidly until 1958, spurred by the country's general economic growth and encouraged by government policies favorable to the establishment of new plants. Output stagnated between 1958 and 1961 because of depressed economic conditions and political uncertainties following independence. During the next 5 years, rising demand, spurred by the increased purchasing power of the growing number of civil servants and by restrictions on imports of foreign goods, encouraged manufacturers to increase production by 40%.

Competition became keener, however, when monetary and fiscal reforms enacted in June 1967 reduced urban purchasing power and removed many import restrictions. Many high-cost industries cut back production drastically because of curtailed demand and the increased availability of cheaper import goods. Other industries, however, used more liberal import and domestic credit policies to bring in badly needed modern equipment to increase production and improve the quality of their products. As a result, the manufacturing sector was better equipped to meet the rising demand for consumer goods, and output in most industries surpassed totals registered before the 1967 monetary reform. Only the clothing, metal fabrication, and furniture industries remain below pre-1967 production levels, because of the superior quality of imported goods. Additional improvement in industrial production depends largely upon liberalization of the current price policy, which has frozen producer prices at June 1967 levels. Subsequent increases in the cost of labor and raw materials and reduced profit margins have decreased the amount of local capital available for expansion and modernization.

Manufacturing is concentrated in the Kinshasa area and in the Shaba copper belt; Kalemie and Kisangani are minor production centers. Most plants sell their output locally because transportation links between the widely scattered industrial centers are inadequate.

Consumer goods account for the bulk of industrial output—64% of the total value in 1970. Major industries include the production of sugar, vegetable oils and fats, beer and soft drinks, and cigarettes. The textile industry is also important, having an installed capacity of about 120,000 spindles and 2,200 looms; one large plant in Kinshasa has almost two-thirds of this capacity. Other consumer goods, produced primarily from local materials, include clothing, blankets, shoes, and rubber products. Durable items, such as automobiles, motor scooters, refrigerators, stoves, phonographs, and radios are assembled in the country, usually from imported parts.

Equipment requirements of the Shaba mines have provided a steady market for several industries, primarily chemicals and metal fabrication. The chemical plants are located within the mining area and provide sulfuric acid for processing copper, cobalt, explosives, and various metal products.

The construction industry stagnated during the early years of independence but has registered a significant revival since 1965. Few major development projects are underway, but considerable new construction of homes, offices, and factory buildings is taking place, primarily near Kinshasa. The construction industry is dominated by a few large enterprises, most of which are Belgian owned. An increasing number of Zairian entrepreneurs are entering the industry to take advantage of quick profits from real estate operations. Frequently, Zairian contractors subcontract to Belgian-owned firms or hire Belgian technicians.

Most construction materials are produced locally. These include roofing and building tiles, cement, concrete pipes, cinder blocks, and bricks. Only highly specialized types of cement are imported. Five major cement plants serve the Bas-Zaire Region, the copper belt, and the eastern part of the country. The two largest plants are expanding production in anticipation of increased demand for cement in Zaire and in neighboring Zambia. Bricks and a wide variety of other construction materials are produced at two plants operating in Kinshasa and Lubumbashi; the output is consumed locally and is sufficient for present requirements.

5. Domestic trade

Every village and town has a public marketplace maintained and supervised by native Zairians, who rent space to retailers. The larger markets consist of a number of specialized areas in which particular types of merchandise are sold. Merchants and peddlers sell goods in small quantities at prices determined by bargaining. They purchase merchandise from local wholesalers and traders who themselves often own retail shops and employ many petty traders. The latter are frequently non-Zairians who, in addition to working for retailers, also travel through the countryside peddling their wares. This traditional system provides an outlet for small agricultural surpluses and facilitates the exchange of handcrafted items and the distribution of imported consumer goods.

In addition to the traditional distribution system, there is a modern merchandising sector, which caters primarily to the foreign community and the Zairian urban elite. Wholesale import houses and their retail stores are found in all the major urban centers. Most of their business comes from the large mining companies, which purchase consumer goods for sale to their employees, and from small shopkeepers and petty traders.

The most significant requirement for the expansion of Zaire's domestic trade sector is the upgrading of the country's road, rail, and water transportation systems, which deteriorated markedly during the years of civil strife following independence. Roads have fallen into serious disrepair, and most river and rail transportation has been affected adversely by administrative disorder, lack of maintenance, and the absence of imported replacement parts. After independence, the volume of traffic handled by major transportation companies fell to about one-half of the pre-1960 level. Since the mid-1960's, the railroads have been reequipped to some extent, and the volume of traffic is rising. The most acute problem is the poor condition of the roads, which, as adjuncts to the railroads and waterways, are basic to domestic trade. The transportation problem is being studied by the Zairian Government and various aid donors; commitments to upgrade parts of the system have been made by the United States, the European Development Fund (FED), and the International Bank for Reconstruction and Development (IBRD).

C. Economic policy and development

1. Policy

The main goal of Zaire's economic policy has been the reduction of foreign dominance over the economy. A special target has been the Belgians, who, when they departed their former colony at the time of independence, left behind virtually no experienced native entrepreneurs or managers. The chaos of the early 1960's was followed by efforts to Africanize the economy and to renegotiate those agreements of prior governments which were considered overly favorable to foreign interests. The culmination of "Zairianization" came in 1966, when the Mobutu Government passed a series of laws which (1) canceled all land, forestry, and mining rights granted prior to 1960 and required reapplication by all foreign concessionaires; (2) required foreign firms to move their headquarters to Kinshasa; and (3) permitted greater financial control of foreign firms by the government.

In practice, government action against foreign interests has been very limited, the most notable exception probably being its seizure of the assets of UMHK in 1966. Indeed, the government has eased many extreme aspects of Africanization in an effort to improve the investment climate. An investment code promulgated for this purpose in June 1969 provided for the possible extension of fiscal and other benefits to firms whose investment projects are considered important for the country's economic and social development. Foreign managers, a rarity during the upheavals of the early years of independence, are permitted again in the public sector to supervise municipal electricity and water systems and to reorganize water transport and road maintenance.

a. Government finance

The central government, with assistance from the IMF, initiated a general economic stabilization program in June 1967. Important fiscal aspects included the presentation of a formal budget with provisions for development allocations, expansion of the tax base, improved collection of taxes, and procedures for limiting expenditures. Fiscal powers today are primarily in the hands of the central authorities, with previously uncontrolled provincial expenses now dependent upon funds from Kinshasa.

In addition to its new control over the disposal of public funds throughout Zaire, the central government has expanded its taxing power in a combined effort to increase revenues and help stabilize the economy. The main feature of the program is the heavy reliance on indirect taxes, particularly on exports. Remaining sources of government income—direct taxes, portfolio investments, fees, service charges, and receipts from government property—contribute about 30% of total tax revenues and 35% of budgetary income (Figure 13). The heavy dependence on taxes on international trade, however, makes public finances vulnerable to fluctuations in the level of trade and in world market prices.

Direct taxes, although still a secondary source of government revenue, are increasing in importance,

FIGURE 13. Government revenues
(Millions of U.S. dollars)

	1969	1970	1971
Taxes on net income and profit	139.1	144.1	134.4
Corporations	86.2	92.8	76.0
Wages and salaries	41.1	37.0	43.5
Other	11.8	14.3	14.9
Taxes on property	7.2	6.0	9.8
Taxes on production, consumption, and domestic transaction	56.1	72.2	102.1
Internal turnover tax	35.2	49.3	72.1
Excise	20.9	22.9	30.0
Taxes on international trade	332.3	364.2	268.3
Other taxes	1.2	1.7	0.8
Total tax revenues	535.9	588.2	515.4
Other revenue	9.5	25.1	54.4
Adjustments*	−6.4	17.2	0.0
Total government revenue	539.0	630.6	569.8

*Adjustments result from receipts not yet classified by revenue category or not yet transferred to the central account of the Treasury.

APPROVED FOR RELEASE: 2009/06/16: CIA-RDP01-00707R000200110003-0

FIGURE 14. Consolidated government financial operations*
(Millions of U.S. dollars)

	1968	1969	1970
Expenditures	450.3	586.4	730.0
Revenues**	410.3	588.0	686.1
Deficit	−40.0	+1.6	−43.9
Financing the deficit	+40.0	−1.6	+43.9
Domestic	19.2	−10.6	28.3
Central Bank	7.6	−11.0	25.7
Commercial banks	7.7	−0.3	0.4
Post Office	−0.1	1.7	−0.3
Other borrowing	3.9	−1.0	2.5
Foreign	20.8	9.0	15.6
Long-term loans	14.9	11.6	12.3
Suppliers' credits	13.7	9.5	16.6
Reimbursements	−7.7	−12.1	−13.2

*Totals may not add because of rounding.

**Include government revenue and foreign aid.

reflecting increased wages and corporate profits. Personal income is subject to a progressive tax ranging from 4% to 60%. Corporate income is taxed at a single rate of 40%; prior to 1967, it was taxed at a sliding scale ranging from 14% to 40%. Collection of corporate taxes has been accelerated by the requirement that companies pay in advance 50% of the previous year's tax as an initial installment toward the current year's tax liability.

Total budget expenditures, including public debt amortization, increased by more than 60% in 1968-70 (Figure 14), before declining export revenues forced a decline in the rate of growth of spending in 1971. Both current and capital expenditures increased during the 1968-70 expansion, but the 1971 retrenchment affected only capital outlays, since investment spending stagnated (Figure 15). Current expenditures continued rising primarily because of increases in wages and salaries, financing operations of various government ministries (particularly defense and education), the central government's assumption of provincial budgets, and special outlays directed by the presidency. These functions accounted for about two-thirds of projected government spending in 1972, as shown in the following percentage distribution of central government expenditures according to functions:

Administration (incl. Office of the President)	*30*
Investment	*22*
Education	*20*
Armed forces	*11*
Regional budgets	*6*
Debt service	*7*
Others	*4*
Total	*100*

Actual expenditures have consistently exceeded budgetary appropriations (by 43% in 1969 and 48% in 1970), with overruns of $160 million and about $200 million in those respective years. Even a reduced 1971 budget underestimated actual spending by 25%, or around $150 million.

The public debt at the end of 1971 was estimated at $519 million, 45% of which was foreign debt. Domestic debt consisted almost entirely of claims held by the banking system, mainly the Bank of Zaire, the country's central bank. A favorable budgetary situation permitted a reduction in the domestic debt in 1969, but increased government borrowing has taken place since mid-1970, again raising the debt level. The country's foreign debt was eased considerably in July 1971, when Belgium agreed to take over the indebtedness of the Belgian-Congolese Amortization Fund. The fund had been created in 1965 to refinance the outstanding foreign debt incurred while the Congo was a colony but which had not been guaranteed by the Belgian Government. The liabilities of the fund represented over 40% of Kinshasa's total foreign debt by 1971. The remaining foreign debt is owed in large measure to the United States, Italy, France, Belgium, and the IBRD.

Since 1960, deficit spending has characterized public finance. The only exception was in 1969, when revenues from copper exports were much higher than had been anticipated. To finance budgetary deficits, the government has borrowed heavily from domestic sources, particularly the country's banking system. By 1967, easy financing of excess spending, combined with frequent increases in wages and salaries, had led to rampant inflation and a marked deterioration in the country's overall financial posture. The reforms of June 1967 instituted several restraints on government spending; an annual budget was to be drawn up in balance with anticipated revenues; wage and salary increases were to be limited; and a ceiling was placed upon commercial bank credit to the central government. Although these measures have not always been adhered to, they have maintained some degree of constraint upon current operating expenditures. Foreign sources—principally private bank loans and Eurodollar loans—are being used increasingly for financing budgetary deficits, but these are costly.

Overall credit developments were moderately expansionary from June 1967 through 1969, with more than 60% of total borrowing coming from the private sector. With the deterioration of the national budgetary situation in 1970 and 1971, however, domestic credit increased rapidly, by perhaps as much as $120 million in 1971 alone. Credit expansion in both the public and private sectors is controlled by a system of credit ceilings, probably the most important monetary tool currently being used. The government may receive direct advances from the central bank up to 15% of the average annual receipts in the preceding 3 years; these advances are not to be extended for more than 300 days during each calendar year. Quantitative credit restraints may be imposed upon the private sector as well, but more important is the selectivity which the central bank has utilized to allocate and redistribute credit resources among various economic constituencies. By using the element of selectivity, the bank has become influential in directing the country's economic development, especially transportation and export projects.

b. Money and banking

The Bank of Zaire is the country's central bank; it operates under statutes incorporated in the 1967 reforms. Central bank policy is determined by a board headed by the bank's governor. In addition to voting members, the board has a nonvoting delegate who represents the Department of Finance. Besides its control over domestic credit, the Bank of Zaire is authorized to act as banker and cashier for the central and provincial governments as well as for public and semipublic enterprises and to manage the country's foreign exchange transactions. The central bank may also establish reserve requirements, set discount rates, and regulate commercial bank credit operations. Bank resources may be used to finance public participation in private ventures that contribute to the economic development of the country.

The commercial banking system consists of eight operating institutions, most of which are branches or affiliates of foreign banks. The only commercial bank established by private Zairian interests is the Bank of Kinshasa, founded in November 1970. The government has pressured quasi-governmental organizations to use the bank for all transactions, and native depositers are also strongly urged to avail themselves of the bank's services. Further local involvement in the banking system came in August 1971, when the country's second-largest foreign-owned bank, Congolese Banking Company (SOCOBANQUE) was reorganized as the People's Bank and placed under semipublic control. The largest foreign-owned commercial bank is the Commercial Bank of Zaire, with deposits accounting for more than 60% of all commercial bank deposits. Principal ownership is shared equally by the *Societe Generale de Belgique* and the Zairian Government; the Morgan Guaranty Trust of the United States is the largest minority shareholder. Several branch offices of the bank have limited authority to act for the central bank in cashier and depository roles. The First National City Bank/Zaire is the only wholly owned U.S. branch bank in the country, having begun operations in November 1971.

Financial institutions other than commercial banks play only a minor role in Zaire's money and credit operations. The handling of savings deposits has been the responsibility of the National Institute of Social Security (INSS), the National Insurance Company, and the General Savings Bank; liquidity problems have hampered their activities, however. A new holding agency, the National Trust and Finance Company (SOGEFI), was set up in late 1970 to encourage domestic savings by investing in local enterprises. Most of its portfolio is in the country's four main automobile importing agencies. In an attempt to step up industrial expansion, the Development Finance Company (SOFIDE) was created in January 1970, with initial capital supplied by the central government, several private investment groups, and the World Bank. Loans through June 1971 totaled almost $14 million, primarily to agricultural industries, light mechanical industries, and beverage and chemical industries.

The Republic of Zaire's currency is the zaire, which replaced the franc in conjunction with devaluation in the 1967 reforms. The official buying rate is 0.5 zaire to US$1.

2. Development

Recent economic progress in Zaire has occurred in accordance with established economic priorities, rather than through a formal development plan. The upheavals following independence forced the government to shelve a 10-year program, begun in 1960, which envisioned $1 billion in public investment with emphasis on improving agricultural production. The government has made subsequent attempts to initiate a development plan, but a lack of trained personnel and of funds doomed most of them to failure. The most recent effort to promote the formulation of a rational economic investment program was the creation in early 1972 of the Ministry (now Department) of Plan, headed by President Mobutu. The department is to be staffed by a small number of experts, including foreigners who are to develop and secure financing for specific projects within the framework of established priorities—primarily the transportation and agricultural sectors. The department is also responsible for preparing the investment budget, but there is to be no concerted effort to formulate an overall economic development plan for several years. The concentration within one agency of all functions related to development should make investment planning more orderly than it has been.

Although Zaire's generally acknowledged economic priority—restoration of the country's infrastructure and its agricultural production apparatus—has remained essentially unchanged since 1965, capital budgets have emphasized other sectors of the economy. Since the capital budget was inaugurated in 1968, the largest single allotment of funds has always gone to the presidency, which has placed more prestigious projects above the more urgent goals of integrating the rural population into the country's economic mainstream and of rehabilitating the transportation network. Under the government's proposed 1972 capital budget, for example, only 11% of the total outlay is earmarked for agriculture and transportation, compared to almost 30% allocated to the President's office for other projects favored by Mobutu (Figure 15).

Development prospects are brightest for the mining sector, which has provided the major stimulus for the country's economic development. A decline in world copper prices, however, has already forced GECAMINES to borrow several million dollars abroad to finance its current investment effort. A continued decline in world copper prices might force a revision of expansion programs planned for the post-1975 period.

The power sector received an important boost during 1972, when two 50,000-kw. generators of the massive Inga hydroelectric powerplant complex began operations. The plant is to provide cheap electricity for the mushrooming Kinshasa metropolitan area and power for the planned expansion in Shaba's mining region. Four other 50,000-kw. generators are to be installed before the first of the three-stage project at Inga is completed. The estimated 30 million kw. potential of the Inga power complex is far in excess of the surrounding region's contemplated power needs, and further development of the project will probably depend upon finding additional users.

FIGURE 15. Distribution of public capital budgetary expenditures
(Millions of U.S. dollars)

	1968	1969	1970	1971*	1972*
Indirect investments**	10.6	12.5	4.9	9.6	14.1
Direct investments	40.7	92.5	119.9	124.2	131.2
Presidency	13.4	50.1	68.5	52.1	43.0
Public Works	7.0	15.6	2.7	5.9	7.4
Transport and communications	.7	3.3	5.9	8.4	9.2
Energy	.5	8.5	12.3	20.7	38.7
Agriculture	3.6	6.8	4.3	4.1	7.1
Other***	15.5	8.3	26.3	33.0	25.8
Total†	51.2	105.0	124.7	133.9	145.3

*Budgeted, not actual expenditures.

**Capital participation equipment subsidies and loans.

***Includes the repayment of suppliers' credits.

†Totals may not add because of rounding; they do not include investments funded by foreign aid.

Manufacturing production depends largely upon the existence of sufficient domestic and foreign markets, adequately trained manpower, and an investment climate conducive to foreign participation. Foreign capital and management are particularly important to the development of Zairian industry, since native sources of both inputs are relatively scarce. Cost reduction and quality improvement are essential for the expansion of markets.

Planned development of the transportation network appears extensive, but past experience has shown that government investment probably will be below planned levels and accomplishments will be limited to rehabilitation of the existing network rather than expansion. There is strong interest in the construction of a rail line from Ilebo to Kinshasa to provide a continuous link from Shaba to Matadi, Zaire's main port. The World Bank is engaged in a comprehensive study to determine the costs of building that line plus alternate transportation routes from Shaba to the sea; costs are to be calculated within the context of projected traffic flows during the next 20 years.

Mining, electric power, and manufacturing continue to be favored by both public and private investment, but it is agriculture, the most fundamental sector of the economy, that desperately needs rejuvenation and expansion. Increased farm output after 1965 was a spontaneous response to the return of law and order; further increases require the allocation of additional domestic resources, which the government has been reluctant to do. The mere 7.1% of the 1972 public investment budget reserved for agriculture is continued evidence of the low priority assigned to that sector.

The Zaire Government has tried in recent years to make conditions attractive for private investment, particularly foreign investment. The Africanization campaign following Mobutu's ascendancy to the presidency has been superseded by a more realistic effort to promote Zairian participation in private enterprise, but not necessarily Zairian control. Although foreign investment is encouraged, at least a small equity is reserved for the government in most foreign capital undertakings. A personal visit to the

United States by President Mobutu in the fall of 1970 initiated an active campaign to secure American capital, not only for technological reasons but also to dilute the country's dependence upon Belgium. Although U.S. investments have risen significantly during the past 18 months, they have not reached the levels hoped for by Mobutu. Major deterrents have been the limited domestic market and the policy of Africanizing foreign-owned businesses already in the country. Although application of the policy has been limited primarily to a few Belgian banking and commercial interests, even this restricted application has been sufficient to discourage prospective foreign investors.

Primary facets of Kinshasa's program to promote domestic and foreign capital investment in Zaire are the investment code of June 1969, which grants fiscal and other benefits to firms undertaking new investments, and the creation in January 1970 of a new investment agency, SOFIDE. The role of this new agency in stimulating local enterprises will be limited to small firms, since the size of any single investment is restricted to 20% of the paid-up share capital of the enterprise; investors interested in large undertakings will have to turn to other sources for financing. Specific provisions of the investment code that encourage investments include profit and dividend repatriation, corporate tax concessions, and the removal of duties on cpaital goods imports.

New investment during 1971 continued an upward trend, totaling an estimated $650 million, 73% of which came from private sources. The 1971 total represented an annual increase of 6%, compared with increases of 32% in 1970 and 45% in 1969, when government investment budgets were minimal. New actual public investment in 1971 stagnated at the 1970 level of $176 million, reflecting budgetary stringencies, while private capital expenditures of $474 million were 8% higher than the year before. The Zairian Government has drawn up a comprehensive listing of capital projects for the period 1971-75 combining major elements of a development program for the 1970's. The total planned 5-year investment is about $1.4 billion, of which about $1 billion is to come from public funds and $400 million from private sources. In addition to these special development efforts, private investments are expected to continue at current levels in traditional endeavors. Large-scale involvement by domestic and foreign private enterprises in the plan is emphasized as a means to complete the rather ambitious list of projects, which stresses manufacturing, extractive industries, and, to a much smaller degree, transportation.

3. Manpower

At the time of its independence in 1960, the Congo was handicapped by a severe dearth of trained manpower, a situation that forced the country to rely upon foreign personnel for managerial and technical expertise. Kinshasa has established an increasing number of specialized training institutions, but the supply of skilled native personnel is still far below the demand. Acute shortages will be felt in the operation and management of transportation, communications, and civil aviation services and in the management of public works programs and agricultural schemes.

In 1968, the last year for which statistics are available, the population of legal working age—14 years and over—was estimated at 8.3 million, 49% of the total estimated population and 81% of the population aged 14 years and over. Males accounted for only 48% of the total labor force, but they had a labor force participation rate (percentage of a population group that is economically active) of 82%, compared with 81% for females. In addition to the legally defined labor force, large numbers of children aged 6 to 13 are traditionally active in the subsistence economy.

Large portions of the labor force are either underemployed or, particularly in urban areas, unemployed. Underemployment is especially prevalent in the subsistence economy of the rural areas, where tribal traditions dictate that adult males participate in the production of subsistence crops only to the extent of clearing the land; the cultivating, harvesting and processing of the crops are done by women and children. Unemployment was unofficially estimated at 800,000 in 1968, or about 10% of the labor force, and has probably increased since that time because of the continued influx of migrants from the farms to the urban areas. Government efforts to relocate urban unemployed in their home villages have met with little success; most of those forced to leave cities simply return and try to avoid periodic roundups by the authorities.

In 1968 approximately 85% of those employed were in agriculture, fishing, forestry, and hunting. The majority of those engaged in agricultur[illegible] in the subsistence economy, working for themselves or as unpaid family workers. Some subsistence farmers also raise cash crops; others periodically work for wages as cutters of palm fruit or as seasonal workers on plantations.

Most of the remaining 15% of the employed were wage and salary earners in the monetized sector of the economy and in government service; significant numbers were small-scale traders, primarily in rural areas, and smaller numbers were self-employed artisans (Figure 16). Zairians dominate semiskilled and unskilled positions, but a small number of workers from other African countries also compete for these lower paying jobs. Managerial and highly technical positions continue to be filled primarily by non-Africans.

Labor productivity is generally low. Major limiting factors are a general lack of skills and, particularly in agriculture, the low level of government procurement prices. Other detrimental factors include the lack of equipment, low salaries, and poor working conditions.

In subsistence farming, output is hampered by the widespread use of primitive techniques, which requires a heavy input of labor and restricts the amount of land that can be cultivated. Subsistence farmers plant crops to fulfill food requirements for their families, regardless of the crops' suitability to soil and climate. Government programs initiated to increase agricultural output by replacing traditional farming practices have foundered because of shortages of trained agricultural agents. Even with the acquisition of more advanced technical knowledge, farmers have difficulty obtaining credit to buy necessary equipment and materials to utilize the newly learned techniques.

In contrast to subsistence farmers, most commercial farmers use machinery and advanced techniques of soil preparation, seeding, and insect control, as well as

FIGURE 16. Employment by sector, 1968*

SECTOR	EMPLOYMENT	PERCENT OF TOTAL
Agriculture, forestry, fishing, and hunting	120,549	*18*
Mining and metallurgy	59,347	*9*
Manufacturing	89,930	*13*
Construction	11,953	*2*
Transportation and communications	64,550	*9*
Commerce, banking, and services	36,985	*5*
Government	301,400	*44*
Career civil servants	26,500	*4*
Armed forces	43,000	*6*
Police	20,900	*3*
Teachers	60,000	*9*
Contract employees	150,000	*22*
Public officeholders and staffs	1,000	*Negl.*
Total	684,714	*100*

*Statistics for nongovernment personnel are based on a census conducted by the former Ministry of National Economy. The data cover 1,100 enterprises, representing about 90% of economic activity in the monetized sector. Not included are individual farmers, personnel on small plantations, artisans, and employees in small commercial establishments.

modern soil conservation practices. Agricultural productivity is two to ten times greater on commercial farms than on subsistence smallholdings.

In the private nonagricultural sectors of the economy, a difference in labor productivity exists between the small- and medium-sized firms, which often lack the capital and sometimes the motivation to develop the skills of their labor force, and that of larger enterprises, which frequently train their workers for more highly skilled tasks. Larger enterprises have been able to increase further their labor productivity by utilizing advanced equipment and by improving living standards. Large firms also provide productivity incentives such as bonuses based on output and promotions to more responsible positions. Such policies have contributed to relatively low rates of absenteeism and job turnover in the larger enterprises.

Efficiency in government suffers from a surplus of unskilled workers at the lower echelons and a shortage of trained administrators. The failure of government service to attract more highly trained supervisory personnel is due in part to higher salaries offered in nongovernment sectors; recent substantial wage increases have reduced, but not eliminated, this salary gap. Because of low pay, many government workers spend much of their time in supplementing their income, primarily through illegal payoffs or embezzlement of funds. The hiring of contract workers has created administrative problems and hampered productivity as well. These workers are often hired because of personal or family obligations by employers, who then make irregular deductions from the employees' wages as compensation for the favor. Strikes have occurred, particularly by teachers, over nonpayment of wages and salaries resulting from fund shortages or embezzlement. These strikes are generally illegal because striking workers usually do not comply with the complex and lengthy conciliation and mediation procedures prescribed. In addition, the government has declared strikes illegal unless authorized by the general secretary of the trade union center. The union leadership has kept strikes at a minimum, however, because of a continuing dialog with both management and government.

Diverse working conditions contribute to variations in productivity. The heat and humidity of the central basin inhibit heavy work, while the temperate peripheral highlands provide an environment more conducive to physical effort. Unprotected and often polluted water supplies, especially in rural areas, undermine the laborers' physical well-being and production potential. Another deleterious aspect of rural life is the absence of animal protein in areas

APPROVED FOR RELEASE: 2009/06/16: CIA-RDP01-00707R000200110003-0

infested with the cattle-destroying tsetse fly; workers in these regions suffer from malnutrition and related diseases. Meat consumption among lower paid urban workers also is precluded or greatly limited because of high prices.

Also affecting productivity are laws covering hours of work, night work, weekly rest, holidays, paid annual leave, and health and safety conditions. All employed workers—except those in the judiciary, civil service, police, and armed forces, who are covered by separate laws—are protected by the 1967 Labor Code and its implementing legislation. Statutes establish a maximum 8-hour day and a 6-day week, with limits on the amount of overtime work according to the job's difficulty; overtime and nightwork premiums are also defined by law. Workers are entitled to a weekly rest period of 24 consecutive hours; to 12 holidays per year; and, after 1 year of service, to annual paid leave of 12 working days if over 18 years of age or 18 days if under 18. Legislation also requires every work establishment to provide health service for its employees; a few inadequate government-sponsored clinics are provided for subsistence farmers who generally suffer from lower health standards.

Enforcement of all provisions of the 1967 Labor Code is the responsibility of the General Inspectorate of Labor. Staff shortages, poorly qualified personnel, lack of transportation, and corruption have greatly hampered the inspectorate's effectiveness, allowing many small- and medium-sized establishments to conduct business with working conditions below the standards required by law.

D. International economic relations

1. Foreign trade

Zaire is principally an exporter of mineral and agricultural products and an importer of raw materials and consumer and capital goods. Copper alone accounts for about two-thirds of the value of total exports; such heavy dependence on copper exports makes the country's entire export picture and, indeed, the entire economy highly vulnerable to fluctuations in the world copper market.

Exports increased from a total of about $470 million in 1967 to almost $800 million in 1970. The major impetus for this growth in export receipts has been the high price of copper, which rose from $0.49 per pound in 1967 to an average of $0.73 per pound by mid-1970. Since June 1970, however, prices have steadily declined to an estimated average of $0.54 a pound in 1971, and overall exports dropped to around $670 million in 1971, resulting in an unfavorable balance of trade for the first time since 1963 (Figure 17). Agricultural exports continue to lag behind pre-1960 totals because of a general weakening in world market prices and domestic transport problems.

The composition of exports has changed considerably since 1960 due to the decline in agricultural production and the rise in the mineral trade. The share of mineral products in total exports increased from roughly 60% in 1959 to 83% in 1970; during the same period, copper alone rose from 28% of all export receipts to 64%. Although agricultural output has increased since the restoration of security in rebel-damaged areas, farm exports have not recovered their relative share of total foreign sales (Figure 18).

Accompanying the increase in exports was an equally significant upsurge in imports, reflecting a rapid growth of domestic demand and the easing of import restrictions in June 1967. Imports totaled $693 million in 1971, compared with $326 million in 1967, and were about equally divided among consumer goods, raw materials, and capital goods. In an effort to alleviate the country's deteriorating foreign exchange position, Zairian authorities recently passed two measures to reduce the volume of imports without

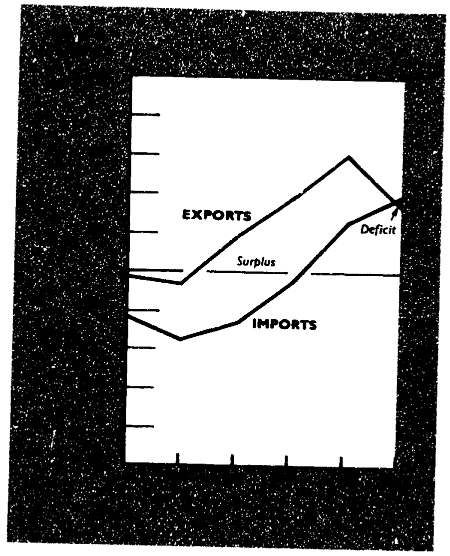


FIGURE 17. Foreign trade, 1966-71

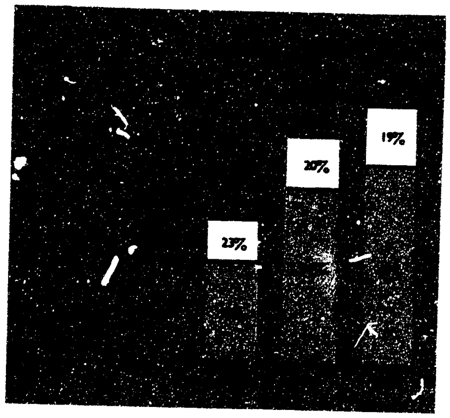


FIGURE 18. Principal exports, 1967-70

resorting to the rigid import licensing program used before the 1967 fiscal reforms. Duties were raised sharply on imported luxury items and products which compete with domestically produced goods, and import licenses were to be denied on all goods whose prices were not at least 3% below the minimum prices for 1971. Exemptions to the latter provision are reviewed on an individual basis, and have been limited primarily to foodstuffs and equipment deliveries covered by approved investment agreements.

Belgium is Zaire's principal trading partner, and other member countries of the EC constitute the second-largest trading bloc. The U.S. share of imports continues to decline because of reduced U.S. government financing through the aid program; exports to the United States are minimal, and are principally agricultural commodities. Japan's share of Zaire's imports has been rising rapidly in recent years, from 2% in 1967 to 10% in 1970 (Figure 19).

2. Balance of payments

Prior to 1970, Zaire almost always had a favorable trade balance, but the narrowing trade surplus, plus rising deficits in the services account and the repatriation of investment income and salaries earned by foreigners, brought the country in 1970 its first adverse balance of payments since the 1967 fiscal reforms. Some easing of pressure on the services account was expected following the imposition of new exchange controls in October 1971, restricting outflows of expatriates' incomes to one-half of net pay, instead of merely requiring that a minimum of $200 per month remain in the country. Increases in grants and import-financing loans under bilateral and multilateral foreign assistance programs have boosted government transfers to Zaire in recent years, after reaching a postindependence low in 1968.

Private capital outflows continue to exceed foreign capital inflows, although the latter have risen significantly since the 1969 UMHK settlement removed a major obstacle to foreign investment. The capital account received a welcome boost in June 1971, when Belgium agreed to assume the Belgian-Congolese Amortization Fund, responsible for liquidating all nonguaranteed debts contracted when Zaire was a Belgian colony. At the time of the agreement, the fund represented about 40% of Kinshasa's outstanding foreign debt and a significant portion of official capital payments.

Gross holdings of gold and foreign exchange reserves increased from $48 million to $229 million from June 1967 to the end of 1969, reflecting the favorable balance of payments. With the deterioration in the balance of payments in 1970, reserves declined by nearly $5 million and had declined by an additional $18 million through September 1971. Gross foreign exchange holdings of the Bank of Zaire were $171 million by October 1971, equivalent in value to about two months' imports of goods and services (Figure 20).

3. Foreign economic policy and agreements

Zaire has maintained a nondiscriminatory foreign trade policy, following the pattern established when the country was under Belgian control. No preferential trade agreements exist, and all countries receive the same treatment in matters of trade and investment. Along with 17 other African states, Zaire in 1964 and 1969 signed the Yaounde Convention, which governs economic relations between the EC and the signatory African countries. Although its single column tariff precludes extending special treatment to goods purchased from the EC, Zaire, as an associated overseas country of the EC, receives preferential treatment in EC markets and receives assistance from the Common Market's European Development Fund (FED). Zaire does not maintain any bilateral payments agreements, except those concluded with the neighboring states of Uganda and the Central African Republic in 1966 to facilitate transit traffic and reexports.

Zaire concluded an investment guarantee agreement with the United States in 1962, under which the U.S. Government guarantees U.S. investors against inconvertibility, loss due to expropriation, and loss due to war, revolution, or insurrection. Zaire also is a member of the IMF, the IBRD, the IFC, the African Development Bank, and the U.N. Economic Commission for Africa.

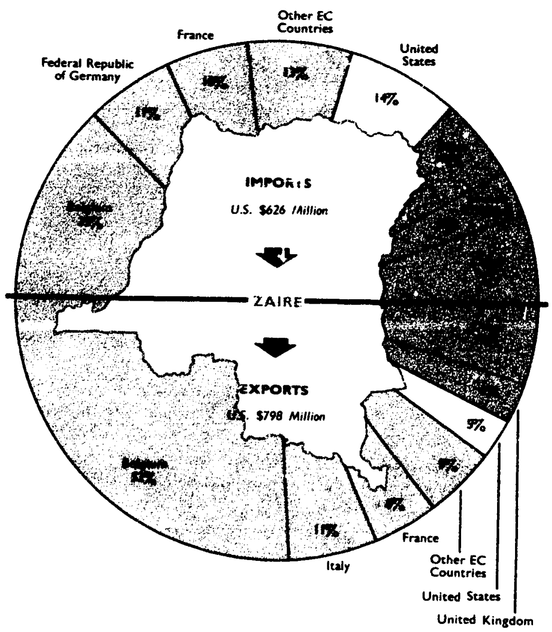


FIGURE 19. Direction of trade, 1970

FIGURE 20. Balance of payments
(Millions of U.S. dollars)

	1968	1969	1970
Trade balance (f.o.b.)	278.0	277.4	256.4
Services (net)	−209.0	−215.8	−266.0
Private transfers	−55.0	−63.4	−69.0
Government transfers	35.0	47.4	57.2
Balance on current account	49.0	45.6	−22.0
Private capital	−12.2	−0.2	−9.2
Government capital	14.8	8.6	−11.6
Balance on capital account	2.6	8.4	2.4
Errors and omissions	−3.0	1.4	−0.2
Allocation of SDRs	....	.....	15.2
Net balance of payments	48.6	55.4	−4.6
Net change in reserves*	−48.6	−55.4	4.6
Assets held by banking system	21.6	4.6	−5.5
Gold and other assets	−70.2	−60.0	10.1

*Increase in reserves indicated by minus (−).

4. Foreign aid

Zaire has received large amounts of economic aid from numerous individual countries and multinational organizations. Prior to 1969, most of this assistance was to support its balance of payments, by providing essential commodities and technical assistance; major donors have been the United States and Belgium. U.S. economic aid to Zaire totaled almost $450 million through 1971, with $396 million being support assistance and P.L. 480 shipments. Belgian aid has averaged around $25 million annually since 1966, primarily in the form of technical assistance. Other sources of foreign aid include West Germany, France, the World Bank, and the United Nations.

Since 1969, Zaire has begun to focus upon its long-range development goals, with increasing emphasis now being placed on project aid. In this field, the FED is the principal financial source. Allocations by the FED totaled over $90 million through 1969, centering upon projects in the agriculture, education, and electric power sectors.

Glossary

Abbreviation	Foreign	English
CSZ	*Compagnie Sucriere du Zaire*	Zairian Sugar Company
ENI	*Ente Nationale Idrocarburi*	National Hydrocarbons Agency
FORMINIERE	*Societe Internationale Forestiere et Miniere du Congo*	International Forestry and Mining Company of the Congo
GECAMINES	*La Generale des Carrieres et des Mines du Zaire*	General Quarries and Mines Company of Zaire
GECOMINES	*Societe Generale Congolaise des Minerais*	General Congolese Ore Co.
GEOMINES	*Compagnie Geologique et Miniere des Ingeneurs Industriels Belges*	Geological and Mining Co. of Belgian Industrial Engineers
INSS	*Institut National de Securite Sociale*	National Social Security Institute
KIVUMINES	*Compagnie Miniere de Kivu*	Mining Company of Kivu
METALZINC	*Societe Miniere de Zinc*	Zinc Mining Company
MGL	*Miniere des Grands Lacs Africains*	African Great Lakes Mining Co.
MIBA	*Societe Miniere de Bakwanga*	Bakwanga Mining Company
ONC	*Office National du Cafe*	National Coffee Office
PEMARZA	*Societe des Peches Maritimes du Zaire*	Zaire Maritime Fishing Co.
REGIDESO	*Regie de Distribution d'Eau et d'Electricite au Zaire et Rwanda-Burundi*	Water and Electric Power Distribution Administration of Zaire and Rwanda-Burundi
SGM	*Societe Generale de Minerais*	General Ore Company
SIBEKA	*Societe d'Entreprise et d'Investissement du Beceka*	Business and Investment Company of Beceka
SMTF	*Societe Miniere de Tenke-Fungurume*	Mining Company of Tenke-Fungurume
SOCOBANQUE	*Societe Congolaise de Banque*	Congolese Banking Company
SODIMIZA	*Societe de Developpement Industriel et Miniere du Zaire*	Industrial Development and Mining Company of Zaire
SOFIDE	*Societe Financiere de Developpement*	Development Finance Company
SOGECHIM	*Societe Generale Industrielle et Chemique de Shaba*	General Industrial and Chemical Company of Shaba
SOGEFI	*Societe Nationale de Gestion et de Financement*	National Trust and Finance Company
SOZIR	*Societe Zaire-Italienne Raffinage*	Zairian-Italian Refining Company
SUCRAF	*Sucrerie et Raffinerie de l'Afrique Centrale*	Sugar Mills and Refineries of Central Africa
SYMETAIN	*Syndicat Miniere de l'Etain*	Tin Mining Syndicate
UMHK	*Union Miniere du Haut Katanga*	Mining Union of Upper Katanga
...	*Banque Commerciale Zairoise*	Commercial Bank of Zaire
...	*Banque de Kinshasa*	Bank of Kinshasa
...	*Banque de Peuple*	People's Bank
...	*Societe Generale de Belgique*	General Company of Belgium
...	*Societe Miniere de Kisenga*	Kisenga Mining Company
...	*Societe Nationale d'Assurances*	National Insurance Company
...	*Zaire-Etain*	Zaire-Tin Company

FOR OFFICIAL USE ONLY

APPROVED FOR RELEASE: 2009/06/16: CIA-RDP01-00707R000200110003-0