

NND 969031

By CLH Date 17 Nov 98

POL 1 AFR-US

Department of State

TELEGRAM



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ACTION AF-13

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FM AMEMBASSY KAMPALA
TO SECSTATE WAASHDC PRIORITY 9172

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SUBJECT: AF PARA PAPER FOR UGANDA - AMBASSADOR'S OVERVIEW

REF: A-1616 - POL 1 AFR-US

1. THE MAJOR THRUST OF UNITED STATES POLICY AND PROGRAMS IN UGANDA IS DEVELOPMENTAL AND HUMANITARIAN. WE ARE THUS COMMITTED TO ASSISTING, IN SELECTED AREAS, UGANDA'S ECONOMIC AND SOCIAL DEVELOPMENT. TO THIS END WE HAVE ALLOCATED SUBSTANTIALLY ALL OF OUR RESOURCES--OUR AID PROGRAMS AND PROJECTS, OUR CULTURAL EXCHANGES, OUR PEACE CORPS EFFORTS, AND THE PROGRAMS OF THE NATIONAL INSTITUTES OF HEALTH. IN ADDITION, WE HAVE UNDERTAKEN TO RENDER SUCH PROTECTION AS WE CAN TO THE LIMITED AMERICAN BUSINESS INTERESTS IN UGANDA--INTERESTS WHICH ARE THREATENED VITALLY BY A VOLATILE POLITICAL ENVIRONMENT AND BY A DECIDELY DESPERATE ECONOMIC CRISIS.

2. THERE IS NOW A CLEAR AND PRESENT RISK THAT OUR POLICY OF ASSISTING IN ECONOMIC DEVELOPMENT WILL BE FRUSTRATED. THE RISK-- PARTICULARLY TO OUR AID PROGRAMS--ARISES NOT SO MUCH OUT OF MALCONCEIVED OR MALADMINISTERED PROJECTS, BUT RATHER ARISES OUT OF THE CHAOTIC STATE OF THE ECONOMY. CONTRIBUTING TO THIS ECONOMIC WEAKNESS IS THE APPARENT MALAPPORTIONMENT OF GOVERNMENTAL EXPENDITURES AS BETWEEN THE MILITARY AND THE DEVELOPMENTAL SECTORS. HENCE, OUR ABILITY TO MAKE FUTURE COMMITMENTS MAY WELL BE CIRCUMSCRIBED BY LEGISLATIVE PROHIBITIONS (E.G., THE SYMINGTON AMENDMENT).

3. THE POLICY IMPLICATIONS OF THIS STATE OF AFFAIRS IS CLEAR. BEFORE MAKING FUTURE COMMITMENTS WE MUST BE SATISFIED BEYOND A

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REASONABLE DOUBT THAT UGANDA WILL ACTUALLY BE ABLE TO DISCHARGE ITS UNDERTAKINGS IN CONNECTION WITH PARTICULAR PROJECTS. MOREOVER, WE MUST ALSO BE SATISFIED THAT PRIORITIES OF EXPENDITURE, AGAIN AS BETWEEN THE MILITARY AND DEVELOPMENTAL SECTORS, REFLECT REALISTIC NEEDS IN BOTH AREAS.

4. SIMILARLY, AMERICAN BUSINESS INTERESTS MAY WELL BE ADVERSELY AFFECTED BY THE INTENSIFICATION OF THE ECONOMIC MALAISE. STRINGENT IMPORT AND FISCAL CONTROLS ARE BOUND TO HAMPER BUSINESS OPERATIONS AND FRUSTRATE LEGITIMATE EXPECTATIONS. THE GOVERNMENT'S LOW LEVEL OF FOREIGN EXCHANGE RESERVES IS BOUND TO IMPEDE NOT ONLY CAPITAL BUT ALSO PROFIT REPATRIATION. MOREOVER, GIVEN SUCH DIRE ECONOMIC CHARACTERISTICS, THE INVESTMENT CLIMATE FOR BOTH OLD AND NEW CAPITAL PLACEMENT WILL INEVITABLY BE HIGHLY UNATTRACTIVE.

5. THUS, BOTH IN THE FORMULATION OF NEW POLICY, E.G., THE EXPANSION OF U.S. EXPORT MARKETS IN UGANDA, AND IN THE IMPLEMENTATION OF EXISTING POLICIES, WE MUST BE ESPECIALLY SENSITIVE TO THE SEVERE ECONOMIC CRISIS--A CRISIS LIKELY TO BE EXTANT UNTIL AT LEAST 1975-76.

6. EVEN AS TO THE EFFECTIVE IMPLEMENTATION OF THE TRADITIONAL FUNCTION OF AN AMERICAN MISSION--SECURING THE PROTECTION OF THE WELL-BEING OF AMERICAN CITIZENS, WE ARE LIKELY TO FACE VOLATILE AND UNPREDICTABLE GOVERNMENT-TO-GOVERNMENT CONFRONTATIONS. CONSEQUENCES OF THE INQUIRY INTO THE FATE OF STROH AND SIEDLE ARE APT NOT ONLY TO CONTRIBUTE TO TENSIONS BETWEEN OUR TWO GOVERNMENTS, BUT ALSO TO CONTRIBUTE TO POLITICAL STRESSES AND STRAINS WITHIN THE UGANDAN GOVERNMENT WHICH CAN ONLY BECLOUD THE FUTURE. TO COPE WITH AT LEAST THE PREDICTABLE EVENTUALITIES WILL REQUIRE AN UNUSUALLY DEFT TOUCH.

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