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OFFICIAL-INFORMAL

Charles Naas, Esquire
Political Counselor
American Embassy
Kabul

Dear Charlie:

Thank you for your letter of August 21 regarding SU-7's and the Conte Amendment.

While we can answer some of your questions quite specifically, we have little to offer in the way of guidance on how to handle this problem because the Department and AID's experience with Conte cases has been so limited and there are so many intangibles involved. You ask what the mood in Washington on all this is. You have the answer in the form of State 146191 which we sent off yesterday. Since we received the first reports last February that the SU-7 deal was impending, no one here has had any doubt whatsoever that if and when SU-7's arrived in Afghanistan and were displayed in public a decision on the applicability of the Conte Amendment would automatically be required. I think you were somewhat wide of the mark in speaking of someone back here pushing the lever for a Conte determination. That lever was pushed in Kabul (and in Moscow) and the fact of the matter is that the Afghans have already boxed us and themselves in. In the weeks ahead we will do our best to cope with this Conte problem but I really am not very hopeful that this is going to work out very well.

As you know, the Department has sent to the Hill a proposal to revise and soften the language of Section 620 (v). I hear optimistic noises coming out of AID to the effect that Congressman Conte seems to be agreeable to softening the Amendment, but a telephone call to Kay Folger today confirmed my impression that these hopeful statements are premature. Kay thinks it would be foolish to try to predict what, if anything, will be done to the wording of the Amendment.

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-2-

Even assuming the best situation, i.e., that the Afghans are financing this transaction out of a line of credit predating 1968, the situation is very uncertain. The AID General Counsel's office, which will have a powerful voice in this matter, still tells us that even if the RGA can make a persuasive case that the SU-7's are being financed from an earlier line of credit, it is still not clear whether this would make the Amendment inapplicable. This is creating a neat legal point which they had not yet faced in the vew Conte Amendment cases they have handled. [REDACTED] reports we are receiving appear to make it increasingly less likely that the Afghans will be able to make a persuasive argument on this point. I might note here my appreciation for Rawan Farhadi's marvelous obfuscation on this point (and several others) when he talked to Bruce Laingen (para 2, Kabul's 4374).

It is also very difficult to predict just how we will react to what the RGA tells us or does not tell us about this transaction. During the last week, I have talked to the desk officers for the few countries where we have had substantial experience with the Amendment and learned that they could provide only limited advice because there are few hard and fast guidelines. What would we do, for example, if the RGA falls back on its national dignity and refuses to give us any information on the transaction and payment terms. This was the case in Nigeria where the GON's acquisition of jet aircraft was public knowledge but the payment terms were not. We had obtained a fairly good idea of the terms through our Intelligence channels and made a deduction from our assistance on the basis of the Intelligence Community's "best estimate: of the amount the Nigerians spent. Incidentally, we have penalized Nigeria due to the Conte Amendment not once but twice. In both cases, however, we fortunately were able to make the reductions from "suspended" capital projects in Biafran-held territory so the damage done to our political relations was held within acceptable limits.

Another worrisome aspect of the SU-7 transaction is the effect it might have on Afghanistan's status in respect to the Symington Amendment. To my surprise, our colleagues in AID are very relaxed in this regard and seem to think we have nothing to worry about. According to Bob Lkine in AID/PPC, they expect Afghanistan to remain on the "green" part of the Symington list when it is reviewed in September for FY 1970. He says this is because Afghanistan ranks well below the median in terms of defense expenditures as a percentage of GNP, under but close to the median in terms of defense expenditures as a percentage of Central Government expenditures and over the median only in terms of foreign exchange expenditures. Kline did add that a "startling increase" in

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-3-

Afghan military expenditures would be likely to put Afghanistan on the "amber" list. I myself am inclined to be more uncertain of what would happen, for instance, if the Afghans were to come in with a PL-480 request in the near future. I recall how perilously close we came to receiving a negative reaction from the White House in regard to the July 1968 PL-480 agreement, at a time when Afghanistan was on the "green" part of the Symington list. Although total defense expenditures may not have gone up since then, the vigor of the Afghan economy and the pace of Afghan development certainly have not gone up either and we do face the psychological impact of the recent SU-7 deal. I intend to take further soundings on this in the coming week or two and will keep you informed.

We look forward hopefully with apprehension and a decided air of resignation.

With warm regards,

Sincerely yours,

Walter G. Ramsay

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