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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

30 OCT 1974

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INTERNATIONAL
SECURITY AFFAIRS

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The Honorable George S. Vest
Director
Bureau of Politico-Military Affairs
Department of State
Washington, D.C. 20520

Dear George:

(C) Ethiopia's recent request for additional grant or credit in lieu of the cash sales that we have offered poses an intractable problem for us. This is essentially the same problem, as in April, when the WSAG decided to supplement our limited grant and credit by offering cash sales: while wanting to be responsive because of our desire to influence the long-term orientation of the emerging Addis regime, there was (and still is) little flexibility under the African \$40 million materiel ceiling to increase meaningfully our proposed programs.

(S) Although the political situation in Ethiopia is likely to remain murky for some time, it is, nonetheless, still in our interest to try to influence the orientation of the Addis regime. The new Government is not only confronted with the socio-economic problems inherited from Haile Selassie's feudalistic regime, but with the possible dissolution of the political structure that could result from the intensified separatist movement and insurgency in Eritrea (Ethiopia's only access to the sea) and the regime's continued anxieties over Somalia's build-up with Soviet arms and irredentist claims to the Ogaden. The potential for turbulence is real and could seriously affect U.S. interests in the area. Ethiopia's significance to the U.S. derives from our specific interests there and, perhaps more importantly, from our broader interests in the Arab peninsula/Persian Gulf/Red Sea/Indian Ocean area. We would like to retain access to Kagnew and Ethiopian airfields and port facilities (Massawa and Assab), particularly because of their juxtaposition with the narrow straits connecting the Red Sea with the Indian Ocean and their proximity to the tanker routes from the Persian Gulf. Loss of our favored position in Ethiopia would significantly limit our military access in the region, as well as our political posture and influence.

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2

Also, because of our historically close special relationship, any drastic change in that relationship would be seen as a setback for the U.S. position in the region and the world. Although the loss of Kagnev would represent a short-term operational loss, the strategic and political implications could be more serious, particularly if the GOE were to turn to the Soviets or PRC.

(S) Although these interests provide a compelling rationale for being as helpful as we can in responding to the Ethiopian request, the \$40 million ceiling is still a serious obstacle. I suggest, therefore, that in forming our reply, we give serious consideration to the following modest initiatives.

FMS Credit. Deputy Secretary Rush told the Ethiopians in April that we would try to provide up to \$11 million credit in FY 74 and FY 75 (in addition to our planned grant). In FY 74, we were able to provide \$11 million on concessionary terms, but reaching that level in FY 75 will be difficult. There is only room under the \$40 million ceiling for about \$7.0 million, unless cuts are made elsewhere, e.g., Morocco (\$14 million), Tunisia (\$1.5 million), Zaire (\$3.5 million), and Liberia (\$.5 million). The least undesirable candidate would probably be Morocco, reducing the proposed program to \$12 million (but still consistent with recent annual levels). This would at least give Ethiopia \$9.0 million.

F5 Aircraft. Ethiopia scaled down its original aspirations for F4s by requesting F5Es and A37s. Because of the expense and long lead-times of F5Es, we suggested that Ethiopia consider buying a mix of eight F5As and four F5Es, supplemented by eight A37s for close air support. Subsequently, the unit price for the A37s, which were being considered under grant, escalated from \$430,000 to \$640,000 and could not be accommodated with available funds. Similarly, the 80 F5As expected to become available from Vietnam were foreclosed by Congressional action prohibiting replacement F5Es. Consequently, only 20 F5As from Iran are now expected to be available next summer, all of which could be used by Greece or the Philippines. Although compelling rationale can be made for all three potential claimants, we believe that our immediate interests could best be served by allocating 12 to Greece and 8 to Ethiopia as a demonstration of our continued support.

Radar. High on the Ethiopian priority list is an early warning defense system. Normal lead-time on the TPS-43D is about 14 months at a cost of about \$6 million. In discussion with Westinghouse, we determined that Iran was acquiring radar sets at a faster rate than could be absorbed, and we asked Embassy Tehran to suggest to the Iranians that they allow the Ethiopians to buy a set scheduled to come from production momentarily. Embassy Tehran demurred, not wanting to act as intermediary, and State (NEA) supported the Embassy position. Consequently, we queried Embassy Addis on whether the GOE would be willing to raise the question directly

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3

with the Iranians, and the Ethiopians declined because of an earlier rebuff. If this item can be accommodated under available FY 75 credit, then we believe we should have Embassy Tehran raise the question with the Iranians, since Iran would suffer neither operational nor economic penalty by agreeing to deferred delivery and there is little visible risk inherent to a U.S. initiative.

Proposed MAAG Reduction. In a recent request to Embassy Addis, General Aman asked that our MAAG activity be expanded in order to improve Ethiopian overall capabilities and help with the integration of new equipment acquisitions. The request comes at a time when, as part of the worldwide JCS study on MAAG reductions, a reduction of MAAG/Addis from 79 to 45 has been recommended by the JCS. In response to our request, USCINCEUR has reaffirmed that the reduction should be implemented unless political reasons are overriding. Clearly this is the case, and we would intend to defer any reduction of MAAG below its current authorization of 79 during the current fiscal year. Although an increase in MAAG cannot be easily justified, there is a possibility of restructuring the 79 authorized spaces in some manner that would increase MAAG's advisory capability, thereby responding positively to General Aman's request, albeit on a reduced level.

Saudi Arabia/Iran. The Ethiopians have already raised with the Iranians twice a request for F5As or F5Es. The Shah, however, has apparently decided to leave the question unanswered until he is satisfied with the character of the emerging regime. The Saudis have indicated similar reservations and the Ethiopians (after an overture made by Haile Selassie last spring) are reluctant to try again with the Saudis. Despite these conservative attitudes, the security of both countries could be affected by the outcome of Ethiopia's internal pressures. A separate Eritrea could become radicalized or allow another Soviet maritime intrusion into the area, and a landlocked Ethiopia would suffer economically as well as become vulnerable to incursion from the Somalis. This potential for turbulence should warrant Saudi involvement in helping maintain Ethiopian stability. At the forthcoming US-Saudi Security Conference, I propose to explore these possibilities.

Authority to Waive African Ceiling. The Administration's attempt to obtain restoration of the President's waiver authority in the proposed FY 75 legislation has been ignored in the Senate during committee review; however, the HFAC has included it in their mark up of the bill. When Congress reconvenes after the November elections, it would be worthwhile to have Legislative Liaison test the Congressional water to see if restoration is possible, or whether Congress would agree to increasing the ceiling or removing North Africa (Morocco and Tunisia) from the ceiling because of its relation to our Mid-East strategy, thus in effect providing more ceiling flexibility for the rest of Africa. Since the security assistance package for 1967 was actually the basis for the \$40 million ceiling, it

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4

seems reasonable to amend the ceiling upward to compensate for inflation and restore the original purchasing power. Still, to provide additional FY 75 funds for Ethiopia, downward adjustments would be required to other countries' planned programs, which will probably have to be cut in any event because of a lower appropriation bill than we requested.

(S) In sum, although these initiatives are probably the most that can be considered under the circumstances, they are, nonetheless, likely to fall considerably short of Ethiopian aspirations. Also, since we cannot even be sure of these until after Congressional action on the current legislation, I suggest that for now we only provide an interim reply. We can explain to Aman our appropriations cycle that precludes a specific response until Congressional action is completed, allude to our efforts to request greater funding flexibility for Ethiopia but qualify that with an admonition about the uncertainty of the Congressional process and availability of funds.

Sincerely,

(Signed)
Robert Ellsworth
Assistant Secretary of Defense

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